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THE BRITISH COTTON INDUSTRY

SURVEY AND PROSPECTS

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SURVEY AND PROSPECTS.

By G. W. DANIELS.

THE two outstanding characteristics of the British cotton industry are its entire dependence upon foreign sources for its chief raw material and its large dependence upon foreign markets for the disposal of its products. Of its pre-war production of piece-goods it was estimated that more than 85 per cent. in quantity and rather less than 80 per cent. in value, and of its pre-war production of yarn about 12 per cent. in quantity and about 15 per cent. in value, were exported. In 1913 the exports of piece-goods amounted to 7,075 million yards, and the exports of yarn to 210 million lbs., of the values of £98 million and £15 million respectively. In addition, in that year, other cotton manufactures, consisting mainly of lace and patent net, sewing thread and unenumerated articles of the value of nearly £12 million were exported. These manufactures, however, are the products of industries closely connected with the main body of the cotton industry rather than parts of it and hardly fall within the scope of this Memorandum.

As there is no reason to doubt that the above estimates are roughly correct, it appears that of the pre-war production of the cotton industry something like 20 per cent. was absorbed by the home market; and only to a comparatively small extent was this amount supplemented by imports. In 1913 the total value of the imports was £11,730,000, consisting of yarn £560,000; piece-goods £3,370,000; other manufactures (laces, hosiery, fabric gloves, trimmings, etc.) £7,790,000.

In view of the situation indicated in the

TABLE I.

TOTAL EXPORTS OF PIECE-GOODS AND YARN.*

(1914–24 expressed as percentages of 1913.)

Piece Goods.	1913.	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.
Grey	2357 Mn. yds.	86	70	57	48	32	36	39	38	61	51	60
	£27,408,178	84	64	65	78	90	128	191	101	132	116	146
White	2045 Mn. yds.	82	74	90	84	59	53	71	48	65	63	69
	£27,054,169	78	68	99	124	152	180	327	143	145	134	154
Printed	1230 Mn. yds.	76	56	76	79	66	56	85	42	52	60	58
	£16,744,323	76	58	96	130	164	193	392	160	136	146	146
Dyed	1151 Mn. yds.	76	61	81	80	65	64	90	44	64	71	74
	£21,758,606	81	70	110	139	173	243	422	160	168	170	154
Coloured	290 Mn. yds.	72	69	74	77	65	61	89	46	60	79	62
	£4,816,579	74	74	93	126	160	205	400	182	157	183	153
Total	7075 Mn. yds.	81	67	74	70	52	50	65	43	61	61	65
	£97,775,855	81	66	91	115	142	182	323	140	146	142	157
Average price per yard	3·32*d.*	100	99	119	164	271	367	496	326	239	234	239
Yarn.												
Total	210 Mn. lbs.	85	90	82	63	48	77	70	69	96	69	78
	£15,006,291	79	69	89	111	143	226	317	159	176	140	185
Average price per pound	17·14*d.*	93	76	109	176	294	292	453	230	184	203	239

* Before 1920 piece-goods exports were given in linear yards. Since 1921 they have been given first in square yards and later in linear yards. For 1920 only the square yardage returns are available, and, at the time of writing, the linear yardage returns for 1924 have not been published. Throughout this Memorandum the square yardage returns for 1920 and 1924 have been modified according to the average relation between square and linear yards in 1921–23, so that all the returns may be regarded as comparable on a linear yardage basis.

above paragraphs it is apparent that any considerable decline in its export markets was bound to react seriously upon the cotton industry, whereas a considerable decline in its home market could have but a comparatively small effect. To what extent the home market has declined since 1913 it is difficult to discover, but it is improbable that it has declined in as great proportion as the export markets. It is, however, worthy of notice that, if the home market has declined, the decline cannot be attributed to an increase of imports. In 1924 the imports of yarn and piece-goods amounted respectively to 69 per cent. and 33 per cent. of the 1913 quantities.* Fixing upon the export markets as the predominant source of demand, the first table shows the percentage changes in the quantities and values of the exports of piece-goods and yarn for the years 1913 to 1924.

In this table the course of the export trade from the outbreak of the war to the present time is clearly indicated. During the first year of the war trade was seriously dislocated, and it was not until towards the end of 1915 that a position of profitable working was attained. During 1916 and 1917 exports recovered somewhat and prices increased, then came another decline, so that in 1919 the quantity of piece-goods exported was only 50 per cent. of the 1913 quantity, with an average price 267 per cent. above the 1913 price. During 1919, however, the post-armistice boom began and continued into the first months of 1920, piece-goods exports increasing to 65 per cent. of their 1913 quantity and their average price to 396 per cent. above the 1913 price. Then followed a great slump during which piece-goods exports declined to their lowest level and their average price also declined. In 1922 piece-goods exports recovered to rather more than 60 per cent. of their 1913 quantity, with an average price nearly 140 per cent. above the 1913 price, a position which has remained more or less unchanged until the present time.

* The change from linear yards in 1913 to square yards in 1924 may exaggerate the decline of piece-goods imports.

Distribution of Yarn Exports, 1913–24.

When the yarn exports and their average prices are compared with those of piece-goods it will be noticed that, especially since 1920, the proportionate decreases of yarn exports have not been so great as those of piece-goods, nor have their average prices (with the exception of 1924) shown so great an increase. Bearing in mind the small proportion of the total output of yarn normally absorbed by foreign markets, the first fact indicates that, as compared with the decline of piece-goods exports, the decline in yarn exports is but a minor factor in the present depression. The second fact is important because of the consideration that from 1920 until the first months of 1924, the prices obtained for yarn were unprofitable for a large section of the spinning branch of the cotton industry—a consideration that will be referred to in more detail later. At this point it will suffice to notice the principal foreign markets for yarn with the quantities taken by them during the last five years as percentages of their 1913 quantities (Table II).

As will be observed from the following table, apart from Germany and Austria, the chief European countries have, on the whole, main-

TABLE II.

DISTRIBUTION OF TOTAL EXPORTS OF YARN.

(1920–4 as percentage of 1913.)

Markets.	1913.	1920.	1921.	1922.	1923.	1924.
	000 lbs.					
Russia	2,447	—	—	—	—	—
Netherlands, Norway, Sweden, Denmark	44,373	106	93	153	90	93
Germany	51,905	11	28	70	49	82
Austria *	2,668	23	7	15	22	52
Belgium	4,668	184	83	113	94	111
France	4,992	300	50	70	98	136
Switzerland	9,494	35	46	84	68	103
Turkey, Roumania, Bulgaria	19,552	53	70	19	53	35
Egypt (including Anglo-Egyptian Soudan)	2,099	112	81	62	48 †	19 †
China (including Hong Kong)	2,146	127	167	286	24	48
British India and Straits Settlements	39,945	64	91	100	55	53
U.S.A.	5,382	164	57	100	100	61
Argentine Republic	1,873	53	74	147	194	78
Canada	3,560	68	33	53	47	36
Other countries	14,995	162	119	136	120	136
Total	210,009	70	69	96	69	78

* 1913 Austria-Hungary. † Egypt only.

tained their pre-war demand for yarn, and a similar remark applies to the United States, and the Argentine Republic. On the other hand, the Near Eastern countries, and Canada, show pronounced shrinkages, and a striking feature of the Far Eastern markets is the remarkable decline of demand during the last two years. While the full extent of the decline in the Far Eastern markets may be temporary, the following table, relating to the chief market, India, suggests the improbability of British yarns speedily regaining their pre-war supremacy among the imports of that country :

TABLE III.
YARN FOR INDIA.
(000 lbs.)

Year (April–March).		1913–14.	1922–23.	1923–24.	1924–25.
Indian Mills Production		682,777	705,894	617,329	719,390
Indian Imports		44,171	59,274	44,575	55,907
Percentage of Imports.	From U. Kingdom	86	52	49	37
	Japan	2	45	46	58
	Others	12	3	5	5

The classified returns of British yarn exports, available since 1920, indicate that this decline has been mainly in the lower range of counts, *i.e.* up to 40's. Indeed, not only as regards the exports to India, but to other countries as well, the tendency has been, as the following table shows, for the proportion of yarn exports up to 40's to decrease.

TABLE IV.
YARN EXPORTS.
(Percentage up to 40's and over 40's).

	1920.	1921.	1922.	1923.
Exports to India :				
Up to 40's	78	66	70	44
Over 40's	22	34	30	56
	100	100	100	100
Total Exports :				
Up to 40's	64	60	61	52
Over 40's	36	40	39	48
	100	100	100	100

Evidently it is in the lower range of counts that the British yarn trade has to meet the keenest competition. Taking the total exports, between 1920 and 1923 the quantity of "up to 40's" exported decreased by 20 per cent., while the quantity of "over 40's" increased by 31 per cent. Between the same years the exports of "up to 40's" to India decreased by 40 per cent., and exports of "over 40's" increased by 140 per cent. Although the decline of yarn exports is not an important factor in the present position of the cotton industry, the information contained in the above tables is highly significant.

Distribution of Piece-goods Exports, 1913–24.

For exports of piece-goods, the markets constituted by the various countries of the world have been brought together in seven groups, and in the following table is set out the percentage distribution of the total exports to these groups in 1913 and during the last five years.

TABLE V.
PERCENTAGE DISTRIBUTION OF PIECE-GOODS EXPORTS.

Groups of Markets.	1913.	1920.	1921.	1922.	1923.	1924.
Far East	61·6	47·8	48·0	45·6	44·2	46·4
Near East ...	10·2	15·8	18·1	13·1	13·7	12·2
South America	9·5	11·4	7·3	8·4	11·8	10·1
Self-governing Dominions...	5·6	6·3	6·9	9·2	8·0	7·0
Europe	5·2	8·2	5·6	12·7	7·6	9·6
Africa	4·8	6·1	6·0	5·9	6·4	6·0
United States	0·6	2·2	1·8	2·2	4·0	3·5
Others	2·5	2·2	6·3	2·9	4·3	5·2
All	100	100	100	100	100	100
Totals in million yards	*7,075*	*4,613*	*3,038*	*4,313*	*4,324*	*4,622*

The interest of the above table is that it shows the relative importance of each group of markets; also that it shows that in each of the last five years each group of markets, with the exception of the Far Eastern group in every year, and the South American group in 1921 and 1922, has absorbed a larger proportion of the total exports than in 1913. A glance at the totals will suggest, however, that a larger proportion does not necessarily mean a larger quantity than in 1913. In order that the position in this respect may be readily seen, the following table has been constructed to show the percentage quantities taken by each group of markets in each of the last five years as compared with 1913.*

* The countries which constitute each group of markets with the percentage quantities taken by each country are given in Appendix.

TABLE VI.
QUANTITIES OF PIECE-GOODS EXPORTED.
(1920–4 as percentage of 1913.)

Groups of Markets.	1913. (000 yards).	1920.	1921.	1922.	1923.	1924.
Far East	4,357,711	51	31	45	44	50
Near East	721,420	101	76	78	82	78
South America	672,864	78	33	54	76	68
Self-governing Dominions ...	393,220	74	53	101	82	83
Europe	369,774	102	46	149	89	120
Africa	333,243	81	53	71	80	79
United States...	44,415	230	126	218	387	364

The most striking fact revealed in the above table is the extreme seriousness of the shrinkage in the Far Eastern group of markets. From nearly 62 per cent. of the total exports in 1913, the proportion has shrunk to less than 47 per cent. in 1924, which represents a shrinkage of 50 per cent. in quantity. As already noticed, the proportion of the total exports taken by each of the other groups of markets is greater than in 1913, but in some there are large shrinkages in quantity. Thus the shrinkage in the South American group is more than 30 per cent., and in the Near Eastern and African groups about 20 per cent. On the other hand, the European group has strongly tended to maintain its pre-war demand, and though the group constituted by the Self-governing Dominions shows a considerable shrinkage, it is almost entirely accounted for by the shrinkage in the Canadian market. Finally, the large expansion of the United States market will be noticed, though this market is relatively much too small to offset the deficiencies of the others.

Before considering the position in these groups of markets in more detail, two other tables must be given. In the first the percentage distribution of the various classes of piece-goods exports to each group of markets in the years 1913 and 1921–23 is shown, and, in the second, the same distribution in terms of the 1913 quantities.

TABLE VII.

PERCENTAGE DISTRIBUTION OF EXPORTS OF PIECE-GOODS.

	Greys.				Whites.				Printed.				Dyed.				Coloured Cottons.			
	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.
Far East	76	72·3	58·7	57·9	58·6	48·4	46·4	46·2	53·4	38·3	30·9	36·7	49	35·3	33	33·6	28·1	24·8	11·1	9·8
Near East	7·2	10	4·4	7·9	11	18·8	14·4	14·7	17·6	28·5	26·8	21·3	9·6	18·5	14·5	12·2	6·3	18	16	15·5
South America	1·8	1·1	1·3	2·3	10·8	7·8	10·9	12·7	11·1	8	9·5	13·7	15·5	13	14·4	19·2	32·9	22	20·9	23·3
Self-governing Dominions	2·2	2·2	2·9	3·4	5·8	6·2	8·2	7	6·7	8·2	13·5	8·7	9·5	13·7	16·4	13·1	7·2	11·8	18·8	15·3
Europe	8·3	9·2	26·6	15·4	3	2·9	5	3·8	2·5	4·2	5·6	3·8	6·6	6·6	8·1	7	1·8	2·3	2·7	2
Africa	1	1	1	1	7	11·2	10	10·2	6·8	6·6	8·3	8	4·3	4·1	5·1	4·4	13·8	10·2	10·8	10·4
United States	·2	1·7	2·3	8·8	·6	·9	1·0	·9	·2	·9	1·0	·8	1·7	3·6	2·7	2·0	1·3	7	15	13·3
Others	3·3	2·5	2·8	3·3	3·2	3·8	4·1	4·5	1·7	5·3	4·4	7·0	3·8	5·2	5·8	8·5	8·6	3·9	4·7	10·4
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Percentage of all classes of Piece-goods	33·3	29·3	33·3	28	28·9	32·4	30·4	29·9	17·4	17·1	15	17·5	16·3	16·5	17·2	19	4·1	4·4	4	5·4

TABLE VIII.

QUANTITIES OF PIECE-GOODS EXPORTED.

(1921–3 as percentage of 1913.)

	Greys.				Whites.				Printed.				Dyed.				Coloured Cottons.			
	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.	1913.	1921.	1922.	1923.
Far East	100	36	47	39	100	40	51	50	100	30	30	44	100	31	43	49	100	42	24	28
Near East	100	53	37	56	100	82	84	85	100	68	80	74	100	84	98	101	100	130	150	197
South America	100	24	43	66	100	35	65	75	100	30	45	76	100	36	57	87	100	31	38	59
Self-governing Dominions	100	31	69	69	100	52	91	76	100	52	104	79	100	63	112	98	100	75	156	172
Europe	100	42	195	96	100	46	107	78	100	74	120	95	100	44	79	76	100	57	89	85
Africa	100	39	54	55	100	78	92	92	100	41	64	73	100	42	76	73	100	34	47	81
United States	100	282	589	1943	100	65	95	88	100	171	230	224	100	93	100	87	100	260	709	854
Total	100	38	61	51	100	48	65	63	100	42	52	60	100	44	64	71	100	46	60	79
Average price per yard	*d.* 2·79				*d.* 3·13				*d.* 3·27				*d.* 4·53				*d.* 3·98			
Per cent. of 1913	100	267	218	224	100	302	224	215	100	376	258	220	100	376	257	239	100	398	264	227

A consideration of the above tables suggests many points of interest. In the first place it will be noticed that while the quantity of each class of exports has greatly declined since 1913, grey and printed goods have declined in greater proportion than the other classes. In the quantity of greys taken, every group of markets, except the European and the United States, shows large decreases, the decrease in the Far Eastern group, which in 1913

absorbed three-fourths of the total exports of greys, being especially noticeable. The position of printed goods is similar to that of greys, for while the small demands of Europe and the United States compare favourably with their 1913 demands, the large Far Eastern demand has declined in as great a proportion as the demand for greys. As compared with greys, whites occupy a more favourable position in that the decrease of demand is neither so large nor so general, but here, again, two of the largest groups of markets—the Far Eastern and the South American—show the largest decreases, and the position is similar as regards dyed goods. In 1913 the last class—coloured cottons—also found their largest markets in South America and the Far East. Since that time the demands from both these areas have decreased to an extraordinary extent. In this case, however, as coloured cottons form but a small proportion of the total exports of piece-goods, these decreases have been considerably offset by the increased quantities taken by the Near Eastern countries, the Self-governing Dominions, and the United States.

Position in Various Groups of Markets

(a) *Far East.*

From this point we may proceed to a somewhat closer consideration of the present position in the above groups of markets, of which the Far Eastern group is obviously the most important. In the first place, it will be noted that although the group consists of several markets, the Indian market is far larger than all the others combined. In 1913 this market absorbed more than 70 per cent. of the British piece-goods exports to the Far East, the next largest market—China—accounting for rather more than 16 per cent. At the present time the proportions are much the same, but in each case the decline of quantity is more than 50 per cent. In considering the prospects of recovering the decreases, an important question is whether, and to what extent, there have been increases from other sources of supply. To this question some answer is given by the following table relating to India.*

* *Review of the Trade of India in 1923–24,* and later official returns.

TABLE IX.

PRODUCTION AND CONSUMPTION OF PIECE-GOODS IN INDIA.

(Million yards).

	1913–14 (pre-war year).	1920–21.	1921–22.	1922–23.	1923–24.	1924–25.
Indian Mills Production	1,164·3	1,580·8	1,731·6	1,725·2	1,700·3	1,970·4
Imported Goods	3,197·1	1,509·7	1,089·8	1,593·3	1,485·8	1,823·2
Total Production and Imports	4,361·4	3,090·5	2,821·4	3,318·5	3,186·1	3,793·6
Exported, Indian	89·2	146·4	161·0	157·0	165·3	181·5
,, Foreign	62·1	61·0	73·6	74·6	61·1	54·3
Total Exports	151·3	207·4	234·6	231·6	226·4	235·8
Balance for consumption in India	4,210·1	2,883·1	2,586·8	3,086·9	2,959·7	3,557·8

From the above table it will be seen that the production of piece-goods by Indian mills in 1924–25 as compared with 1913–14 was greater by 806 million yards. On the other hand, imports into India were less by 1,374 million yards, and exports from India greater by 84 million yards. Thus in 1924–25 there was a balance available for Indian consumption of 3,558 million yards as contrasted with 4,210 million yards in 1913–14, a deficiency of only 652 million yards. The years in the official returns of the United Kingdom do not exactly coincide with the above years, but, comparing these returns for 1924 and 1913, British exports of piece-goods to India show a decline of 1,547 million yards. These figures would indicate that, even if the above-mentioned deficiency were entirely made up by British piece-goods, there would still be a decline of exports to India, on the 1913 quantity, of nearly 900 million yards. Moreover, it will be noticed that this amount is greater than the increase of production in Indian mills, which suggests a displacement of British exports of piece-goods to India by piece-goods exports of other countries. To what extent and in what directions there has been such displacement is indicated by the following tables, the first of which shows the imports of various classes of piece-goods into India in 1913–14 and in the last five years; the second table the percentage shares of the United Kingdom and Japan in the total imports; and the third the percentage shares of the two countries in each class of goods.*

* *Ibid.*

TABLE X.

IMPORTS OF PIECE-GOODS INTO INDIA.

(Quantities.)

	Grey.		White (Bleached).		Coloured, Printed or Dyed.	
	Mn. yds.	Per cent.	Mn. yds.	Per cent.	Mn. yds.	Per cent.
1913–14	1,543·2	100	793·3	100	831·8	100
1920–21	580·2	38	421·8	53	489·3	59
1921–22	635·6	41	306·2	39	138·3	17
1922–23	931·0	60	402·5	51	243·8	29
1923–24	704·0	46	415·3	52	347·5	42
1924–25	845·5	55	548·9	69	407·0	49

TABLE XI.

IMPORTS OF PIECE-GOODS INTO INDIA.

(Percentage from chief sources.)

	1913–14 (pre-war year).	1920–21.	1921–22.	1922–23.	1923–24.	1924–25.
United Kingdom	97·1	85·6	87·6	91·2	88·8	88·1
Japan	·3	11·3	8·3	6·8	8·2	8·6
Other countries	2·6	3·1	4·1	2·0	3·0	3·3
	100	100	100	100	100	100

TABLE XII.

IMPORTS OF PIECE-GOODS FROM UNITED KINGDOM AND JAPAN AS PER CENT. OF TOTAL.

	1913–14 (pre-war year).		1920–21.		1921–22.		1922–23.		1923–24.		1924–25.	
	United Kingdom.	Japan.	United Kingdom.	Japan.	United Kingdom.	Japan.	United Kingdom.	Japan.	United Kingdom.	Japan.	United Kingdom.	Japan.
Grey.....	98·8	·5	72·4	25·9	82·8	13·1	89·5	9·6	85·2	13·7	86·1	13·0
White (Bleached)	98·5	—	96·9	·9	97·8	·6	98·2	·6	97·0	·6	97·1	·8
Coloured, etc.....	92·6	·2	91·8	3·3	88·0	3·6	86·9	6·3	87·4	6·7	83·1	10·1

As would be expected in view of the large proportion of British piece-goods in the imports of India and the large place which India occupies in the Far Eastern group of markets, the first of the above three tables shows much the same trend as the figures relating to that group in Table VI. Apparently the imports of each class of goods into India are yet far below the pre-war quantity, the coloured, printed, and dyed class showing the greatest decline; greys a considerably less decline; and whites the least decline of the three classes. From the second table it is clear that while the United Kingdom still supplies the vast preponderance of Indian imports of piece-goods, the proportionate share has decreased, that of Japan has increased, and that of other countries has undergone little change. Moreover, it will be noticed that, notwithstanding the decrease of India's imports, Japan's increased share means a largely increased quantity. As will be seen from the third table, these increases have been almost entirely in greys and in coloured goods, whites showing only a slight increase.

This brief survey of the position in the Indian market can hardly be considered encouraging as regards the prospects of the British cotton industry recovering its pre-war volume of trade in this market. While there is still a considerable deficiency in the balance of piece-goods available for consumption in India as compared with the balance in 1913–14, it is apparent that Indian mills are making great headway in removing the deficiency, assisted by increased imports, especially from Japan. Whether, since pre-war days, the domestic production of piece-goods in India has increased or decreased and thus affected the deficiency, it is difficult to say. According to the calculations of Mr. Coubrough, the extent of this production before 1914 was roughly equal to the production, less exports, of the Indian mills.* While later calculations,† on the same basis, tend to show some increase of domestic production, it seems certain that Indian mills production has now forged far ahead, and, for the present, it is perhaps best to regard domestic production as much the same in quantity as in pre-war days.

It would thus appear that the explanation of the decline of British trade in piece-goods with India is partly to be found in the smaller consumption in that country, and partly in the displacement of British goods by those of Indian and Japanese production. Frequently it is stated that the goods produced in India and Japan are not directly competitive with British goods, but, in view of the extent to which the deficiency on the 1913–14 balance has been removed, it seems evident that, in recent years, Indian consumers have preferred to buy them rather than British goods. In this connection it is an important fact that India's demand for cotton goods is expressed mainly by a multitude of consumers whose purchasing power, at the best, is very limited. Moreover, both direct evidence, and the fact that the prices of the chief products of India have not increased proportionately with the prices of cotton manufactures, indicate that the purchasing

* *Notes on Indian Piece-goods Trade* (1920).

† *Manchester Guardian Commercial*, July 9, 1925.

power of these consumers is relatively less than in pre-war days. Under these circumstances it is clear that the tendency for consumers to avail themselves of cheaper substitutes will be strongly operative to the disadvantage of British cotton goods, which, generally, are superior in quality to those produced in India and Japan. The following table, which gives the wholesale prices index-numbers in Bombay on the basis of 100 for 1914, is instructive.*

* *Indian Labour Gazette*, May, 1925.

TABLE XIII.
INDIA.
WHOLESALE PRICES.
(1914 base = 100.)

	Cereals.	Oil Seeds.	Hides and Skins.	Raw Cotton.	Cotton Manufactures.	General Index-number.
April, 1922	179	144	137	179	251	190
,, 1923	128	134	167	204	217	180
,, 1924	122	127	146	258	237	184
,, 1925	149	137	146	199	211	165

For the other markets in the Far Eastern group information such as that for the Indian market is not available, nor is it so necessary. As already mentioned, in 1913, China, the next largest market of the group, did not absorb one-fourth of the quantity taken by India. Assuming that most of the British exports of cotton goods to Hong Kong find their way into China, the extent of the decline of trade since 1913 has been strikingly similar to the extent of the decline of trade with India. Probably some of this decline has been caused by the unsettled conditions that have prevailed in China during recent years, but there are more general considerations. While China differs from India in having only a small factory industry, figures are given which show that between 1920 and 1924 the number of factory spindles increased from 1·6 million to 3·3 millions, and the number of looms from 7,000 to 16,000. It is further stated that of the spindles in China, 50 per cent. are owned or controlled by Japanese.* In relation to its size, however, China is not a large market for factory-made goods, the vast proportion of the population being supplied by the hand-loom weaving carried on throughout the country. Thus, whenever the prices of imported piece-goods increase, hand-loom weaving tends to increase in order to meet the demand which turns in that direction.

While it is reasonable to suppose that the decline of imports into China has been partly made up in the way mentioned, again there are frequent complaints of Japanese competition, not only with British goods, but also with those of other countries. Figures relating to Chinese trade can only be accepted with extreme caution, but the following calculations of the percentage shares of Great Britain and Japan in the value of the total imports of cotton goods into China are worthy of notice.*

* *Manchester Chamber of Commerce Record*, Jan. 1925.

* *Manchester Guardian Commercial*, Feb. 26, 1925.

TABLE XIV.
IMPORTS OF COTTON GOODS INTO CHINA.
(Percentage of Total.)

Year.	1913.	1922.	1923.
Great Britain	53	42	38
Japan	20	47	51

These figures may be supplemented by others which represent the imports into China of the principal classes of piece-goods in millions of pieces.†

† *Manchester Chamber of Commerce Record*, Jan. 1925.

TABLE XV.
IMPORTS OF CHIEF COTTON PIECE-GOODS INTO CHINA.
(Mn. Pieces.)

	1913.	1919.	1920.	1921.	1922.	1923.
British	7·2	1·9	2·6	1·6	2·0	1·5
Japanese	5·7	7·6	6·3	5·8	6·5	5·4
American	2·3	·6	·6	·6	·4	—

Even with reservations as to their absolute accuracy, the above figures may be taken as a sufficient indication that, in recent years, Japan has maintained, if not expanded, her trade in cotton goods with China, while British trade in these goods has undoubtedly declined.

In the accounts of Japanese competition in the Chinese and the Indian markets, insistence is invariably laid on the fact that Japanese prices are lower than British prices. Many statements of these prices are available, but in all of them comparisons are difficult owing to differences in the qualities of the goods. The following Hong Kong list of prices in 1923 is a typical one.*

* *Manchester Guardian Commercial*, Feb. 26, 1925.

TABLE XVI.
PRICES IN CHINA.

	British, in pence per yard.	Japanese, in pence per yard.
Unbleached cottons, unclassified ...	8·8	6·1
Bleached cottons, unclassified	10·4	9·6
Shirtings, bleached check, coloured, etc.	9·8	6·1
Drills and Jeans dyed	12·3	7·1
Italians, plain, coloured	11·7	15·8
Poplins, dyed, figured	22·1	15·1

Clearly the differences in the above prices are too great to allow the assumption that the qualities of the goods are similar. Nevertheless the differences are significant in that they apply to goods that are substitutional for one another under circumstances when inferior goods with lower prices are likely to be preferred to superior goods with higher prices. All the evidence indicates that this preference is working to the advantage of the Japanese in the Far Eastern markets at the present time, and that it is the main factor in the increased competition which now prevails.

(b) *Near East.*

As compared with the Far Eastern group of markets in the quantity of piece-goods taken, the other groups of markets appear almost insignificant. Of these other groups the Near Eastern group was the largest in 1913, closely followed by the South American group. This relation still exists, but, of the two, it is noticeable that the decline in the latter group has been greater than in the former. In fact, the Near Eastern group has maintained its demand surprisingly well in all classes of piece-goods except greys. As regards individual markets in this group, comparisons with 1913 are subject to error owing to territorial readjustments, though, in compiling the figures given for Turkey, an attempt has been made to keep them comparable with those for 1913. Still, the figures for Greece and Roumania are probably enhanced owing to the readjustments, and those for Turkey somewhat reduced.*

Of the markets that compose the Near Eastern group, Egypt and Turkey are by far the largest. Allowing for the fact that the figures for the Turkish market are not strictly comparable with those for 1913, it is still evident that the quantities of piece-goods taken by this market have declined in greater proportion than the quantities taken by the Egyptian market. Part of this decline has undoubtedly been due to unsettled political conditions and lack of trading confidence, but, in addition, complaints are made of Italian competition, especially in dyed and printed goods, and of American and Japanese competition in unbleached goods. Definite evidence of the extent of this competition is not easily obtainable, but it is significant that, again, its strength is mainly attributed to the low purchasing power of the consumers and to the fact that the goods in question are cheaper than British goods.†

The greater part of the trade in piece-goods in the Turkish market is shared between the United Kingdom and Italy, and these two countries occupy a similar position in the Egyptian market. In this market, however, the share of the United Kingdom is by far the greater, as will be seen from the following table, which gives the percentages, supplied by the United Kingdom and Italy, of the imports of piece-goods into Egypt in 1922 and 1923.†

* Appendix.
† *Survey of Overseas Markets* (1925), p. 242.

† *Ibid.*, p. 232.

TABLE XVII.
IMPORTS OF PIECE-GOODS INTO EGYPT.
(Percentage of Total supplied by United Kingdom and Italy.)

	1922.		1923.	
	United Kingdom.	Italy.	United Kingdom.	Italy.
Greys	93·4	—	87·3	—
Whites (bleached)	98·5	1·05	97·4	1·9
Printed	88·4	6·9	83·6	12·0
Dyed	86·0	12·6	81·6	15·7
Coloured	50·9	40·9	37·8	47·9
All kinds.....	83·3	12·6	74·0	18·4

The above table cannot fail to suggest a similarity between the position of the United Kingdom and Italy in the Egyptian market, and that of the United Kingdom and Japan in the Indian market. Moreover, just as there have been complaints of increased Japanese competition in India, so there have been complaints of increased Italian competition in Egypt. Whether in point of fact there is equal justification is rather doubtful, seeing that Italian competition in Egypt, in certain classes of goods, was well recognised in pre-war days. However, there is some evidence which the above figures appear to substantiate, that, under present circumstances, Italy is more than maintaining her position in printed, dyed, and coloured goods. On the other hand, while it is true that British exports of printed goods to Egypt during the last four years have been considerably less in quantity than in 1913, the exports of dyed goods and coloured cottons have been considerably more. The greatest decline has been in greys, in which the principal competitor of the United Kingdom is Japan, and here again price is set forth as the dominant factor in the situation.*

(c) *South America.*

As to the South American group of markets, it will be noticed that this group is not an important one for British grey goods. On the other hand, of the total exports of coloured cottons in 1913, the South American group absorbed the largest proportion, and was far in

* *Manchester Chamber of Commerce Report for 1924.*

excess of all the other groups except the Far Eastern in its proportion of the total exports of dyed goods. Further, of the exports of whites and printed goods, the quantities taken were easily sufficient to give South America the third position among the groups.

Of the markets included in the South American group, the Argentine market was much the largest in 1913, taking about 30 per cent. of the British piece-goods sent to the group; Brazil being the next largest with rather more than 14 per cent.; followed by Colombia with 11 per cent.; then by Chile and Cuba each with about 9 per cent.; the remainder being distributed among several smaller markets. In 1924, when the exports to South America were about 30 per cent. less in quantity than in 1913, the relative positions of the markets were much the same, except that the proportion taken by the Argentine Republic had increased to 35 per cent.; and that Venezuela had risen from the eighth to the fourth position with a proportion increased from 5 per cent. to 9 per cent.

Seeing that the Argentine market is much the largest of the South American group, it is a fortunate circumstance that, during the last five years, this market has more nearly maintained its pre-war quantity of imports of British piece-goods than any other in the group, Brazil, the next largest market, having declined far from this position. The following table gives the percentage imports of cotton tissues from all sources, and of piece-goods from the United Kingdom, into the two countries in the years 1913 and 1921–23. The figures for All Sources are based on weight, and those for the United Kingdom on yardage.*

* *Manchester Guardian Commercial Annual Review*, Jan. 29, 1925.

TABLE XVIII.

IMPORTS OF COTTON TISSUES INTO ARGENTINE AND BRAZIL.

(Quantity as per cent. of 1913.)

	Argentine Republic.		Brazil.	
	All Sources.	United Kingdom.	All Sources.	United Kingdom.
1913	100	100	100	100
1921	86	57	19	18
1922	101	86	30	28
1923	117	99	37	36

In considering the above figures it must be borne in mind that of the cloth consumed in the Argentine Republic, only a small quantity is produced within that country, whereas in Brazil the bulk of the cloth consumed is produced in Brazil, the imports consisting mainly of the finer kinds. What evidence there is goes to show that Brazilian production has largely increased since 1913, and that this increase largely accounts for the decline of imports. Further, it appears that of the decreased quantity of imports the United Kingdom has maintained something like her pre-war proportion, although complaints are made of increased competition from Italy and the United States.

As the above figures indicate, the recent imports of British piece-goods into the Argentine Republic have come fairly near to the pre-war quantity. At the same time they also suggest that the pre-war proportion of the total imports into that country has somewhat declined. How far there has been a loss in this respect, and to what competitors, is indicated by the following table of the imports of cotton goods from various countries as percentages of the total imports of the Republic.*

* The figures have been obtained from official sources, and all of them are based upon the *weights* of the goods. Owing to the fact that the goods imported from the United Kingdom are, on the whole, lighter per yard than those imported from other countries, it is probable that, if all the imports were calculated on a yardage basis, the comparative position of the United Kingdom would be rather better than the figures in this and the preceding table indicate.

TABLE XIX.

PERCENTAGE DISTRIBUTION OF IMPORTS OF PIECE-GOODS INTO ARGENTINA.

	1913.	1919.	1920.	1921.	1922.	1923.	1924.
From							
United Kingdom	53·5	46	53·5	47·7	52·7	51	45·3
Italy	27·7	7·8	13·5	16·8	16·2	23·7	28·5
Germany.....	7·5	—	2	1	1·8	2	2
Belgium	5·5	—	1	2·8	3·5	6	7·5
United States...	·5	19·5	15	17·3	18·8	8·5	7·3
Japan	—	11	3	2·5	·5	1·5	3·5
Others	5·3	15·7	12	11·9	6·5	7·3	5·9
	100	100	100	100	100	100	100

While it is clear from the above table that the United Kingdom has not maintained in every year her 1913 proportion of the imports of cotton goods into the Argentine Republic, the figures are not discouraging. Evidently the countries that increased their proportions during the war period have not fully maintained the increases. Still, the United States and Japan have become more formidable competitors since 1913, while Italy—always the next largest source of supply to the United Kingdom—appears to have regained her pre-war position. Generally what the more detailed figures show is that the United Kingdom has maintained her relative position in bleached and in printed goods, lost heavily in greys, and to a smaller extent lost in dyed goods, and in coloured cottons.

Statistical information of the position in the other South American markets is extremely scanty, little being available besides British export returns, which, of course, show large

decreases in the exports of piece-goods to these markets, as compared with the 1913 exports. To what extent the deficiencies have been made up from other sources it is impossible to say, but there is no doubt that considerable headway has been made in several of the South American markets since 1913 by the United States. Further, if general reports are to be trusted, in certain countries, *e.g.* Mexico, native production of the coarser kinds of goods has increased. Some indication of the relative positions of the United Kingdom and the United States in certain South American markets is given by the following comparisons of their cloth exports to these markets in 1913 and 1924.*

* *Manchester Chamber of Commerce Record*, March, 1925.

TABLE XX.
U.K. AND U.S.A. EXPORTS OF COTTON CLOTH TO SOUTH AMERICA.

	1913.		1924.	
	United Kingdom.	United States.	United Kingdom.	United States.
To	(Mill. yds.)	(Mill. yds.)	(Mill. sq. yds.)	(Mill. sq. yds.)
Argentine Republic...	199·1	1·5	147·8	21·2
Brazil	96·5	1·1	48·8	10·4
Chile	61·7	10·5	27·9	22·7
Colombia	79·8	26·4	33·3	32·3
Peru	28·8	1·8	17·8	6·8
Uruguay	38·2	·3	18·9	3·3
Venezuela	34·7	3·9	26·1	10·6
Total	538·8	45·5	320·6	107·3

(d) *Africa.*

Of the remaining groups of markets, that which is most nearly related to the South American group in the character of its trade in British piece-goods is the African group. Allowing for the fact that in 1913 the volume of the African trade was only about half the volume of the South American trade, the demands of the two groups were closely similar. Like South America, Africa expressed a small demand for grey goods, a large demand for coloured cottons, and a considerable demand for printed goods. Only between their demands for white goods and dyed goods was there a marked difference, for, whereas South America expressed a large demand for dyed goods, Africa's demand was comparatively small, the positions being reversed in relation to white goods. In recent years the character of the trade with Africa has been much the same as it was in 1913, though its volume has been much reduced. Actually, however, during the war period the volume of Africa's trade greatly increased, and, at present, is nearer its pre-war volume than the trade of South America.

That Africa was able to increase the volume of her trade in British piece-goods during the war period is significant. The increase was partly due to the fact that certain sources of supply were checked, but more to causes that increased the purchasing power of the population, such increases, or decreases, invariably being reflected in the demand for cotton goods. On the conclusion of the war these causes ceased to operate, the demand for African products declined, and the prices obtained for them became comparatively much lower than the prices of imports. Thus, in British West Africa in 1923, the prices of the principal exports were lower than the 1913 prices. Seeing that this area is the largest market in the African group for British piece-goods, these facts go far to explain the decline of trade and, at the same time, suggest what is necessary for recovery. Apart from Northern Africa, where a large proportion of the cotton goods consumed is supplied by France, and a smaller proportion by Italy, competition is experienced mainly on the eastern side of the continent where, once again, complaints are made of the inroads of Japan. Actually, however, it appears that any headway made by Japan has been mainly by a displacement of India in grey goods, of which the United Kingdom at no time supplied a large proportion.

(e) *Other Markets.*

The three remaining groups of markets are those composed of European countries, the Self-governing Dominions, and the United States. In 1913 these groups together absorbed less than 12 per cent. in quantity of the total exports of British piece-goods. Since the deep slump of 1921 the proportion sent to these groups has been about 20 per cent., which means that, notwithstanding the decline of total exports, they have together absorbed a larger quantity of piece-goods than in 1913.

As applied to the groups separately, the last statement is somewhat of an exaggeration as regards Europe and the Self-governing Dominions, but it is true of the United States, whose average import during the last five years has exceeded the 1913 quantity by more than 160 per cent. In 1913 white and dyed goods were the most important imports of the United States, but, in late years, not even the 1913 quantities of these goods have been taken. The great increases have been in coloured cottons, and in greys, and in 1924 the quantity of coloured cottons imported fell to less than one-fourth of the quantity imported in 1923, though it still remained 100 per cent. greater than the 1913 quantity. On the other

hand, the import of greys has continued to increase, and in 1924 was greater than in 1913 by about 120 million yards. Whereas in 1913 the proportion of the total exports of greys absorbed by the United States was ·2 per cent., in 1924 it was 8·8 per cent. In the report of a recent inquiry (June 7, 1924) by the Tariff Commission of the United States, mention is made of the fact that the United Kingdom supplies most of the imported cotton goods, and attention is drawn to the change from a pre-war predominance of dyed, and bleached, goods to a post-war predominance of grey goods. Of the change the following explanation is given: "The increased proportion of goods entered in the grey has probably been due in part to the lower rates of duty applicable to unfinished goods. In larger part, however, it has been due to the improvement during the last decade in the finishing facilities in this country for such cloths. One advantage in importing in the grey is that the goods can be finished here as desired to meet the changing demands of the market. It is claimed in the trade that charges for finishing are as low in the United States as in England." If this explanation is correct, it appears that between the increased imports of grey goods and the decreased imports of dyed and bleached goods there may be a close connection.

In 1913 the group of markets composed of the Self-governing Dominions absorbed almost the same proportion of the total exports of British piece-goods as the European group of markets. At that time Australia was the largest market of the group, followed by Canada, South Africa, and New Zealand in the order given. Since 1913 Canada and South Africa have exchanged places, not so much because of an increase in South Africa's demand, as because of a great decline in the demand of Canada. While it should be recognised that, owing to Canada's import of piece-goods being extraordinarily large in 1913, the index-figures * somewhat exaggerate the decline, it is, however, sufficiently striking, and mainly accounts for the Dominion group as a whole not taking quite so large a quantity of British piece-goods since 1921 as in pre-war days.

The above statement indicates that in three of the Dominions the present position of the trade in cotton goods is much the same as it was in 1913. In Canada the decline of the trade, while it is especially marked in grey and white goods applies to all the classes except coloured cottons. For this decline it is not easy to find an adequate explanation, but it is clear that it is partly accounted for by an increased import from the United States. In the year 1912–13, of the cotton manufactures imported into Canada the United Kingdom supplied 61 per cent. and the United States 28 per cent., and in 1923–24 these proportions had changed to 50 per cent. and 40 per cent. respectively.* Even so the difference between the quantities of imports is not fully accounted for, and the cotton industry of Canada, although expanding, is hardly yet of sufficient size to make up the deficiency. Taking a wider view it may be noticed that between the above-mentioned years not only the United Kingdom's share of the cotton goods imported into Canada declined, but also the United Kingdom's share of the total import trade of Canada. In fact, between 1913 and 1923, notwithstanding the rise of prices, the total value of the exports of the United Kingdom to Canada increased by only about 16 per cent., obviously a large decrease of quantity.† It would appear, therefore, that the decline in the quantity of piece-goods exports to Canada is a particular instance of a general decline of Canada's trade with the United Kingdom.

Since 1921 the demand of the European group of countries for British piece-goods has compared more favourably with the 1913 demand than that of any other group, except the United States. In 1913 the demand of this group was a small one compared with the demands of several of the others, but, since 1921, its comparative position has improved. The largest individual markets in Europe in 1913 were the Netherlands, Switzerland and Germany, which together accounted for 65 per cent. of the exports of piece-goods to European countries. In 1924 the same three markets were still the largest and still absorbed about the same proportion of the exports as in 1913, but Switzerland had come to occupy the first place, while the Netherlands had fallen to the third place. Actually it is only because the earlier takings of Germany and the Netherlands were so much greater than those of any other European market, except Switzerland, that they have been able to retain their high positions in the European group of markets. While the quantities of British piece-goods recently taken by the Scandinavian countries, and by France and Italy, show large increases on their pre-war quantities, those taken by Germany and the Netherlands show large decreases.

In thinking of the exports of British piece-goods to the countries of Europe, however, it would be erroneous to suppose that they are all

* Appendix.

* *Survey of Overseas Markets*, p. 316.
† *Ibid.*, p. 305.

or, in some cases, even in large part, consumed in the countries to which they are first sent. Thus it is known that in pre-war days a large proportion of the exports to Germany were not consumed in that country but passed out again. For example, it is almost certain that Russia supplemented her direct imports of British piece-goods by indirect imports through Germany. Consequently, it is not unlikely that the increased exports to Scandinavian countries in recent years are partly accounted for by the dislocation of Germany's trade. Again, it is a well-known fact that of the exports of grey goods from this country to the Netherlands, many are finished there, and then exported to the East, which suggests that in the depression of the markets in that part of the world is to be found some explanation of the decline of exports to the Netherlands. Finally, it is clear that Switzerland does not herself consume all the large quantities of British piece-goods she imports. In this case a proportion is used in the embroidery and fancy goods trades for which Switzerland is noted, and another part is used as raw material for her extensive finishing industry. Similar conditions obtain in other continental countries that import British piece-goods, and it is these conditions that give the trade with continental countries its peculiar character. The name of the importing country is not a safe guide as to the final destination of the goods, for, to a considerable extent, they are re-exported, often after passing through further processes. Thus it is contended by certain sections of the cotton trade in this country, (the contention being repudiated by other sections), that the explanation of the recent large imports, especially of grey goods, into some continental countries, is found in the advantages that accrue when the goods have been finished in those countries. Evidently this is a repetition of the explanation given in the United States of the increased imports of grey goods into that country, and it is difficult to dismiss the explanation as groundless. This may be said without entering into the vexed question as to whether or not the charges for finishing in this country are being maintained at a higher level than they ought to be. Whatever may be the case in this respect, a position such as that indicated in the above explanation appears to have developed in certain countries.

General Conclusions.

In attempting to draw any conclusions from this survey of the post-war position of the British cotton trade as compared with its pre-war position, it is, of course, necessary to bear in mind that all the large export trades of this country have been in greater or lesser degree similarly affected by the world dislocation of trade that began in 1914. Thus in this respect the position of the cotton trade is not unique, nor perhaps should it be regarded as too extraordinary in view of the extent to which, at all times, the constancy of the trade is dependent upon the continuance of steady economic relationships in and between every part of the world. Moreover, although no other important cotton industry appears to have been depressed so continuously, or to the same extent, as the British cotton industry, it should be recognised that none has been immune from depression. The inquiry of the United States Tariff Commission, already referred to, had reference to the existing depression in the cotton industry of that country, and one of the conclusions arrived at was that the depression was practically world-wide, although more severe in some countries than in others. At the time of writing (August, 1925) it is reported that, owing to the depressed state of the Indian industry, the Bombay Millowners' Association has decided to reduce the wages of the cotton operatives, and a similar move led to a strike of these operatives at the beginning of 1924.* Although increases in the output of the cotton industries of certain countries may have taken place in recent years, it is extremely improbable that the pre-war world production of cotton goods has been reached in the post-war period.

In any discussion of the post-war position of the British cotton industry, such general considerations should be given due weight. In a world that has been shaken to its foundations, and which is yet seriously dislocated, it is perhaps too much to expect that even the comparative position of the industry should be the same as it was before. What the above survey tends to show is that this position is not so favourable as it was in pre-war days, and that it has been affected mainly by two factors, the increased prices of cotton goods, and increased competition from other sources of supply. Between these two factors there appears to be a close connection. It is admitted that, in general, and class for class, the cotton goods supplied by the United Kingdom are of a better quality than those supplied by other countries, and normally they can be sold at a higher price. That the relative purchasing power of consumers in the large markets is less, and especially so in relation to cotton goods, than in pre-war days

* At the beginning of October, 1925, 125,000 operatives are on strike in Bombay, in consequence of the decision to reduce wages.

is an acknowledged fact. Under such conditions the producers of the cheaper kinds of goods gain an advantage, as consumers are more or less compelled to purchase the cheaper rather than the dearer goods. In all probability it is this which largely explains the increased competition of Japan and Italy in certain markets, and which has given a fillip to native production. If this view is correct, it is possible that some of this competition is transitory, and that it will decline if, and when, the prices of British cotton goods fall relatively to the prices of the commodities for which they are exchanged. That there is considerable scope for a change in this direction, not only as regards cotton goods but as regards British exports in general, is indicated by the following table, in which the average values of the imports and exports of the United Kingdom are given, along with the average values of the exports of yarn and cloth, for the last five years. In each column 1913 is taken as 100 per cent.*

* The figures in the table, except those for yarn and cloth, are given in the *Board of Trade Journal*, Jan. 22, 1925, and previous issues.

TABLE XXI.
INDEX NUMBERS OF PRICES.
U.K. TRADE.
(1913 base = 100.)

Year.	Total Imports.	British Exports.	Yarn Exports.	Cloth Exports.	General Index Wholesale Prices.
1920	285	358	453	496	308
1921	190	269	230	326	198
1922	152	199	184	239	159
1923	149	190	203	234	159
1924	155	189	239	239	166

On the other hand, the likelihood that, in certain directions, the present competition will remain, and even increase, should be recognised. Arguments based upon the fact that the United Kingdom possesses the vast preponderance of the spindles and looms required to supply the world's need for cotton goods, with the deduction that no great competition can arise from other countries, are only of limited value. A calm consideration of the situation will suggest almost to the point of certainty that the production of Indian mills will continue to increase and that, in the East, Japan has advantages which are likely to ensure the expansion of the cotton industry of that country. Again, it is probable that the production of cotton goods will increase in certain South American countries, and that the United States will at least maintain the position she has gained in South America and in Canada.

If we may assume the coming and continuance of settled conditions in the world, a recognition of the fact that the British cotton industry is now meeting with greater competition than in pre-war days, and of the probability that some of this competition will be permanent, does not necessarily involve the conclusion that the comparative importance of the industry must greatly decline. The United Kingdom possesses certain natural advantages for the conduct of the cotton industry, and, even more important, other advantages which have been acquired during the long course of its development. Such acquired advantages are neither quickly lost nor quickly gained. Conspicuous among them are the highly developed technique of the industry, the general efficiency of its organisation, and the skill of its workpeople in operating the machinery, and in performing the processes required for the complete manufacture of the finer kinds of goods. In the production of these goods it seems evident that the United Kingdom will remain the pre-eminent source of supply for a long time to come. It is in the coarser kinds of goods that increased competition may be expected to continue with the result that the United Kingdom may not regain her former hold on the large markets for these goods. In this event one may anticipate that the British cotton industry will concentrate more on the finer goods and maybe gain in this direction the value which is lost in the other direction.

The Short-time Policy.

This survey would be incomplete without some reference to what has been done by those engaged in the British cotton industry to cope with the situation that has been described.* In the first place, it must be borne in mind that when the war broke out the industry passed through a severe crisis and its output was greatly reduced. By the end of 1915, however, the rise of prices had enabled a profitable working basis to be attained, and from that time until the collapse of the post-armistice boom in 1920 the industry yielded increasing dividends. Influenced by these conditions, a movement began in 1919, and continued for eight or nine months, by which a large number of the spinning concerns were either recapitalised or refloated, their paid-up share capital thus being increased, on the average, to three or four times its previous amount. In the same year an agreement was also entered into with the operatives' organisa-

* A more complete account is given in the volume, *Is Unemployment Inevitable?* (Macmillan, 1924).

tions whereby the number of working hours was reduced from 55½ to 48 hours per week.

The extent to which the prices of yarn and cloth declined after the collapse of the boom is indicated in Table I, and in the following tables the effect of the collapse upon the prices of raw cotton and upon dividends is shown. Also it should be mentioned that the piece-rates of the operatives, which in 1920 showed an increase of 200 per cent. above the pre-war rates, were gradually reduced until at the end of 1922 they showed an increase of 86 per cent., at which level they have remained.

TABLE XXII.*

PRICES OF RAW COTTON (PER CENT. OF JULY, 1914).

	1914.		1920.		1921.		1922.		1923.		1924.	
End of Month.	July.	Dec.	June.	Dec.	June.	Dec.	June.	Dec.	June.	Dec.	June.	Dec.
American	100	69	406	149	118	176	199	228	250	318	262	203
Egyptian	100	74	735	259	182	253	232	209	191	286	278	349

TABLE XXIII.*

AVERAGE RATES OF DIVIDEND OF THE NUMBERS OF SPINNING COMPANIES MENTIONED.

	1914.	1920.	1921.	1922.	1923.	1924.
No. of Companies	100	150	230	270	287	290
Rate per cent.	6·87	40·21	9·97	4·01	2·27	2·43

* The figures in tables XXII and XXIII are those given in Tattersall's *Cotton Trade Review* for January, 1925.

The rates of dividend in the above table are, as stated, average rates, therefore it is not to be assumed that all the companies paid some dividend. In fact, of the 290 companies taken into account in 1924, 193 paid no dividend to ordinary shareholders. This table may be supplemented by another which shows the average dividends of a number of original, recapitalised, and refloated spinning companies in the years 1921 to 1924:

TABLE XXIV.*

COMPANY DIVIDENDS.

Year.	Original Companies.		Recapitalised Companies.		Refloated Companies.	
	No. of Co.'s.	Average Dividend on paid-up Share Capital. Per cent.	No. of Co.'s.	Average Dividend on paid-up Share Capital. Per cent.	No. of Co.'s.	Average Dividend on paid-up Share Capital. Per cent.
1921	65	13·1	33	8·4	195	2·4
1922	65	8·95	34	6·64	202	1·3
1923	65	4·48	36	6·12	209	·72
1924	65	4·70	36	5·89	214	·79

* This table is based upon information contained in the Annual Reviews of the Textile Trade published by the *Oldham Chronicle.*

Again, in this table, of the 315 companies taken into account in 1924, 219 (26 original, 14 recapitalised, and 179 refloated), paid no dividend in that year.

The majority of the concerns included in the above tables are situated in the Oldham area, and, therefore, are engaged in the American section, as distinguished from the Egyptian section of the spinning branch of the cotton industry. The technical difference between them is that the American section, which comprises about two-thirds of the spinning trade, spins low and medium counts, and the Egyptian section, which comprises about one-third, spins fine counts. Largely because of this difference in their productions, the Egyptian section, in normal times, is in a stronger position than the American section, as it has been during the period of the depression. Indeed for a considerable portion of the period the comparative position of the Egyptian section was strengthened owing to the supplies and prices of Egyptian cotton being more favourable than those of American. In this respect the situation has changed during the last twelve months, but, whatever the future may hold, it is certain that since the end of the post-armistice boom the Egyptian section has fared much better than the American section. It is this difference, no doubt, which largely accounts for a lack of agreement between the sections as to the organised efforts that should be made for coping with the depression.

On previous occasions, in periods of depression, or when a shortage of raw material threatened, such organised efforts have been made in the cotton industry, and have taken the form of curtailing output by working short-time, or by stopping a proportion of the machinery. In the main, during the present depression, it is this policy which has commended itself to the Federation of Master Cotton Spinners' Associations, which includes spinners of both the Egyptian and the American sections of the trade, and from the autumn of 1920 to the summer of 1921 it was adopted by both sections. Since that time the Egyptian section has refused to re-adopt the policy, but

it was spasmodically adopted by the American section during the next two and a half years. During this period, and especially after the summer of 1922, when the price of American cotton began to soar upwards, the position of the American section worsened. Consequently the policy of the Federation, which had been somewhat tentatively pursued, met with much criticism, and a body which came into existence, outside the Federation, known as a Provisional Emergency Cotton Committee, voiced the demand for a stronger policy.

Leaving aside the proposal for the formation of a Control Board for the cotton industry, which has never reached the stage of general acceptance, the demand was for a more vigorous effort on the part of the Federation to secure complete observance of short-time working, coupled with some method of preventing spinners selling yarn at prices insufficient to cover costs. Evidently the latter demand was a difficult one to meet, but the Federation proceeded so far as to issue basic prices for yarn below which the members were advised not to sell. There is little reason for thinking that the scheme had much effect in inducing profitable prices, and by the end of 1923 there is no doubt that the position of a large number of concerns in the American section was critical. Consequently when, in February, 1924, the Federation took a ballot on a proposal for a working week of 26¼ hours in this section, votes representing nearly 90 per cent. of the spindles were recorded in its favour.

Shortly afterwards the position of the section improved, partly, it appears, because the proposal was more generally observed than any previous proposal, but more largely because of a decrease in the price of American cotton. By a combination of these two factors the concerns in the American section were able to reach a profitable working basis in 1924. As the bulk of the decrease in the price of cotton did not come until the latter part of the year, it is not much reflected in the average price of cotton for the whole year, but the following contrast of the averages of the weekly quotations for standard American cotton and yarns in 1923 and 1924 substantiates the above statement.

TABLE XXV.
AVERAGE PRICES.

	1923.	1924.
	Pence per lb.	Pence per lb.
32's twist	23·3	25·1
40's weft	23·22	26·9
50's weft	25·44	29·5
F. Mid and Mid cotton	16·7	15·07

Thus in 1924 as compared with 1923 there was a small decrease in the average price of cotton and considerable increases in the average price of yarns; in fact, in the autumn of 1924, the scarcity of certain counts of American yarn caused manufacturers to offer high premiums for immediate deliveries. The scarcity also caused an agitation for some relaxation of the short-time policy, which was conceded in November, when working hours were increased to 32 per week, and again in December to 39¼ per week. As the increased demand did not continue, complaints were soon made that supplies were becoming excessive, and in February, 1925, a working week of 35 hours was agreed upon, but the response was not enthusiastic, and in June a working week of 39¼ hours was again adopted.

Evidently the object of this short-time policy is so to restrict the supply of yarn that it can be sold at profitable prices, each existing concern, presumably, contributing to the supply. If the policy is to be successful in carrying the American section of the cotton industry through the depression, it obviously means that, sooner or later, demand prices and supply prices for a full-time output must come together. In an estimation of this full-time output it should, of course, be recognised that, owing to the permanent reduction of the working week from 55½ to 48 hours, productive capacity has, at least for a time, been reduced; also it should be recognised that the average pre-war output was somewhat less than the export figures for 1913 would indicate, as that year was a boom year. Whether, and to what extent, productive capacity has been reduced by other causes, such as the disappearance of weak concerns, it is difficult to say. However, when everything has been taken into account, it is apparent that the position stated above is not likely to be soon attained. Under the best conditions that can be expected it is more than probable that, for a long time, the output that will be demanded at profitable prices will be less than can be met by present productive capacity. Seeing that a policy of short-time working is more restrictive of the more efficient concerns than of the less efficient, and that, in all cases, it increases costs and thus favours competitors, the question may well be asked whether the policy is based upon far-sighted wisdom. Up to the time of writing the answer of the Egyptian section is in the negative; in the American section—though there are some doubters—it is in the affirmative.

[*Over for Appendix*

APPENDIX.

EXPORTS OF COTTON PIECE-GOODS TO COUNTRIES INCLUDED IN VARIOUS GROUPS OF MARKETS.

(1913–24 as percentages of 1913.)

FAR EAST.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
Dutch East Indies	304,927	80	62	51	53	52
Philippine Islands	16,899	33	15	32	65	108
Siam	42,228	76	37	68	45	55
China	716,533	70	32	49	36	46
Japan	50,187	54	29	43	32	41
India	3,057,350	41	31	43	44	49
Straits Settlements	131,785	80	33	45	62	49
Ceylon	37,802	56	44	56	74	57
Total	4,357,711	51	31	45	44	50

NEAR EAST.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
Greece	31,897	156	97	100	108	158
Roumania	21,542	144	177	172	172	129
Egypt	266,623	126	94	89	92	87
Persia	40,616	27	18	25	47	47
Turkey	360,742	84	62	68	72	66
Total	721,420	101	76	78	82	78

SOUTH AMERICA.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
Cuba	55,497	80	14	18	55	50
Mexico	22,884	61	58	39	62	79
Central America	45,249	50	20	39	54	59
Colombia	73,565	103	16	50	71	62
Venezuela	34,722	151	17	44	127	117
Peru	28,809	64	23	48	83	77
Chili	61,740	59	31	73	95	52
Brazil	96,538	47	19	29	38	57
Uruguay	38,153	56	24	40	59	56
Argentine	199,118	89	57	80	96	82
Ecuador	16,589	81	42	61	59	84
Total	672,864	78	33	54	76	68

SELF-GOVERNING DOMINIONS.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
Australia	167,915	82	69	136	102	94
New Zealand	42,829	103	52	89	96	83
Canada	110,499	53	18	40	50	50
South Africa	71,977	67	73	118	113	107
Total	393,220	74	53	101	82	83

EUROPE.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
Sweden	13,385	465	61	190	234	203
Norway	16,639	188	40	105	117	100
Denmark	16,400	283	78	200	180	179
Germany	76,372	17	27	144	26	78
Netherlands	84,256	39	29	65	43	58
Belgium	31,158	155	105	169	98	113
France	12,764	355	64	337	118	173
Switzerland	79,951	47	48	222	128	220
Portugal	28,576	78	25	68	88	47
Italy	10,243	372	122	161	186	161
Total	369,744	102	46	149	89	120

AFRICA.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds).					
Morocco	60,405	85	132	102	91	121
Foreign W. Africa	92,148	54	23	58	67	74
,, E. Africa	21,493	32	26	32	36	40
British W. Africa	144,617	107	43	70	84	67
,, E. Africa	14,580	50	55	91	132	113
Total	333,243	81	53	71	80	79

UNITED STATES.

	1913.	1920.	1921.	1922.	1923.	1924.
	(000 yds.)					
United States.....	44,415	230	126	218	387	364

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