

WAR ECONOMIC POLICY
IN
SYRIA AND LEBANON
(September 1939-September 1943).

A descriptive Study

by

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PREFACE

In all ages the economic effects of war have been far reaching and profound. War has affected the development and diffusion of industrial technique; it has impoverished and enriched whole peoples; in some cases, it has affected a thoroughgoing distribution of existing wealth and economic power; it has broken down social and economic systems, and ushered in new systems. (1)

Prior to the First World War, wartime economy remained essentially peace-time economy, although subjected to excessive and ill-conceived strains. The experience of the last war, however, indicates that when equally matched industrial nations are at war, the economy of peace must inevitably give way to the economy of war. Under the economy of war, the whole national production comes to be focussed directly or indirectly upon supporting war conditions; the whole national wealth is needed for the financial backing of the war. The people have to suffer and restrain in order to be able to meet the cost of war. It is estimated that the last war costed about 203,503 million dollars, (147,043 for the Allies and 61,460 for the Central Powers). (2)

(1)- ENCYCLOPEDIA OF THE SOCIAL SCIENCES, Vol.15, p.342.

(2)- Ibid., p.349.

Such a huge sum had to be paid by the mass of the people. It could not be raised by a normal economic system; a wartime system was necessary.

It is true, however, that Syria and Lebanon are not strictly speaking, countries at war. They do not have to spend for their defence; they have to maintain neither an army nor a navy nor an airforce. But still they are living under warlike conditions. They have to feed and shelter a foreign army occupying their territory, they have to supply labour for the various war constructions. Furthermore, after the French defeat in June 1940, they were submitted to a British blockade lasting until July 1941, which crippled their foreign trade. The political and military events created in the country a frenzy of speculation in many of the most essential commodities. The results were cornering by the traders on the one hand, and hoarding of supplies by consumers on the other, thus bringing about a considerable rise in prices. The whole economic life of the country was distorted. A war economic system was needed to face these new conditions.

The present work is an attempt to describe the war economic legislation enacted in Syria and Lebanon since the beginning of the present war (September 1939). A very brief and general description of the pre-war economic situation of Syria and Lebanon is given in the beginning of Chapter 1. Details referring to some special economic activities are given in the different chapters dealing with the peculiar problem concerned.

The author has drawn freely from his B.A. Thesis treating the same subject, and which may be considered in a way as a detailed outline of the present work. (3)

I am especially indebted to Professor Said B. Himedeh under whose supervision this work has been undertaken. I am also indebted to Professor George Hakim for his help in various ways, and to my mother, Mrs. Joseph I. Klat who read part of the manuscript and gave very valuable suggestions.

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(3)+ The work referred to above is deposited in the Department Of Economics of the American University of Beirut.

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Chapter 1.

CONTROL OF FOREIGN TRADE:

The dislocations that are occasioned by a war such as the present one extend literally 'unto the ends of the earth'. The war has revealed to the layman as no amount of theoretical statements could have done the necessity of a wise and extensive control of trade. As a matter of fact, the more a nation has depended upon others, the more likely it is to be seriously crippled by an attempt to meet new conditions. We all know that in general goods are produced in the localities where favorable conditions make costs lowest and that, through a world-wide division of labour nations satisfy each other's wants. By seriously crippling the communications upon which the division of labour depends the war makes specialization between nations almost impossible. Each country has to so organize its resources as to insure the supply of the commodities that are essential to the maintenance of health and efficiency and to meet the needs of war.

Syria and Lebanon, like most other countries, were faced by that fundamental problem. There was developed an elaborate machinery of control designed to fit with the conditions special to the Syrian and Lebanese foreign trade. In fact, unless we keep in mind those general conditions, most of the measures adopted would seem incomprehensible.

A- General Features of the Syrian and Lebanese Foreign Trade.

One of the most striking characteristics of the Syrian and Lebanese foreign trade is the great and continuous deficit in the balance of trade. For thirty years and more, Syria and Lebanon have imported two to three times as much as they have exported. The disproportion between imports for domestic consumption and exports of domestic production was even greater.

Table 1.

Syrian and Lebanese Imports, Exports, Reexports and Transits. (1)
(1933-1938).

Year	Imports and Transit in.		Exports, Reexports, Transit out	
	Value in £S.	Tons	Value in £S.	Tons
1933	45,176,650	721,230	17,383,300	135,717
1934	30,832,300	593,331	15,564,000	169,218
1935	30,053,300	590,299	16,803,800	207,863
1936	33,856,050	564,259	21,865,050	356,964
1937	64,621,000	670,724	37,451,000	363,419
1938	85,384,800	639,628	44,611,600	460,219

This unfavorable balance of trade was corrected before the war by numerous invisible items, such as emigrants' remittances, services in connection with transit and reexport

(1)- RAPPORT A LA SOCIETE DES NATIONS SUR LA SITUATION DE LA SYRIE ET DU LIBAN, 1938, p.29.

Table 2

The Chief Ten Categories of the Syrian and Lebanese Exports
From Local Production in 1938. ⁽²⁾

Categories of Articles	Value in £S
1- Vegetable Products.	10,121,529 ^a
2- Textiles products.	6,266,846 ^a
3- Animal and Vegetable oils.	3,682,529 ^a
4- Living animals and animal Products	3,043,924 ^a
5- Products of Foodstuff Industries.	2,269,440 ^a
6- Hides and Skins.	1,456,327 ^a
7- Mineral Products.	696,076
8- Leather articles.	659,281 ^a
9- Pharmaceutic and Chemical Goods.	427,059
10- Metal and Metal Goods.	379,148

trade, tourists expenditures, revenues accruing to Syrians and Lebanese from their property abroad and other items of minor importance. In wartime most of these items cannot be relied upon. Emigrants' remittances decrease considerably due to restrictions in countries of immigration; tourists, because of the difficulties in transportation and communication, come in smaller and smaller number. For similar reasons, revenues

(2)- Compiled from the BULLETIN ECONOMIQUE TRIMESTRIEL, 1938 pp. 734S to 819S.

a- These goods of animal and agricultural origin amounted to £S.27,508,876 or about 95% of the total of the chief ten categories of goods imported.

Table 3
 The Chief Ten Categories of the Syrian and Lebanese Imports
 (3)
 For Local Consumption in 1938.

Categories of Articles	Value in £S.
1- Textiles Products.	18,574,469 ^a
2- Metals and Metal Goods.	6,491,613 ^a
3- Precious Metals.	6,376,923 ^b
4- Mineral Products.	5,879,225 ^b
5- Vegetable Products.	5,579,730 ^c
6- Products of Foodstuff Industries.	4,058,255 ^c
7- Machinery.	3,975,862 ^a
8- Pharmaceutic and Chemical Goods.	3,597,608 ^b
9- Hides and Skins.	3,159,016 ^c
10- Transportation Vehicles.	2,746,962 ^a

from services rendered have declined, and receipts from income of property held abroad have decreased. Consequently the adverse balance of trade has to be met by other means. To bring about equilibrium, either imports must decrease or

(3)- Compiled from the BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp. 781S-820S.

^a- Manufactured wares amounted to £S. 31,409,209 or about 50% of the total.

^b- Mineral and Chemical Products amounted to £S. 15,849,806 or to about 1/3 of the total.

^c- Agricultural and Animal Products amounted to £S. 12,796,971 or to about 1/6 of the total.

exports must increase. When trying to control the foreign trade of the country, the Authorities could not but bear this fact in mind.

A second important feature was the nature of the goods handled in the Syrian and Lebanese foreign trade. The exports from local production were composed almost exclusively of agricultural and animal products. (See Table 2 and footnote) On the other hand, manufactured wares constituted about one-half of the Syrian and Lebanese imports for domestic consumption mineral and chemical products in a finished or semi-finished form accounted for one third; and finally agricultural and animal products amounted for about one-sixth. The above features had to be taken into consideration in devising a system of trade control.

There remains one point to be made clear, and that is the exceptional conditions of the Syrian and Lebanese foreign trade in 1939.

B-Syrian and Lebanese Foreign Trade in 1939.

The year 1939 was characterized by two major facts. The first was the general strike in February and March, which started because of political circumstances, the overthrowal by the Mandatory Power of the national governments and their replacement by a Council of Directors, and which affected very much the productive capacity of the country and reduced the exports accordingly. The second and more important one was the denunciation by the Palestinian Authorities of the Free Trade Agreement of 1929 between Syria and Lebanon on the

Table 4.

Importance of Palestine in the Syrian and Lebanese Export
(4)
Trade during 1929-1938.

Year	Total Exports (in £S.)	Exports to Palestine (in £S.)	% of total	Rank
1929	21,745,661	3,213,415	14.9	3
1930	19,282,706	2,878,917	14.9	3
1931	12,007,442	3,043,365	25.3	1
1932	7,978,866	2,548,340	32.5	1
1933	7,453,962	2,977,187	39.9	1
1934	8,194,839	3,106,569	37.9	1
1935	11,734,977	5,342,917	45.5	1
1936	16,478,887	6,035,820	39.5	1
1937	25,714,113	8,082,103	31.5	1
1938	29,278,000	8,073,287	30.0	1

one hand and Palestine on the other. This denunciation created great anxiety in Syria and Lebanon. As a matter of fact, Palestine was the most important market for the Syrian and Lebanese goods. As shown by Table 4, for eight years Palestine has ranked first among the countries importing Syrian and Lebanese goods, buying for herself about 40% of their total exports. On the other hand, Palestine exported relatively very little to Syria and Lebanon, importing from those countries three to four times as much as exporting to them. (See Table 5). It was this unfavorable balance of trade which

(4)- COMMERCE DU LEVANT, April 20, 1939.

Table 5.

Syrian and Lebanese Trade with Palestine during 1927-1940. (5)
(in Palestinian Pounds)

Year	Exports to Palestine	Imports from Palestine
1927	882,132	260,757
1928	944,654	358,085
1929	1,155,011	307,007
1930	1,035,411	210,342
1931	1,016,873	222,527
1932	813,218	229,903
1933	942,663	212,982
1934	1,083,095	222,643
1935	1,310,365	302,988
1936	1,401,484	310,243
1937	1,374,450	625,258
1938	1,014,953	412,825
1939	1,355,203	289,223
1940	501,966	243,850

led the Palestinian Authorities to refuse the renewal of the Agreement of 1929.

A new agreement was negotiated; it was signed on November 30, 1939 and put into effect on December 1 of the same year. It superceded the earlier agreement of 1929 which provided for the exchange of goods between the two mandated territories practically duty free. The new agreement

(5)- STATISTICAL ABSTRACT OF PALESTINE, 1941, pp. 73-74.

agreement steered a middle course between two opposing tendencies, that for the retention of the former regulations and that for the abolition of any preferential treatment on both sides. The following were the salient points of the agreement as finally adopted:-⁽⁶⁾

All articles produced in either of the two territories which appear in either customs tariff schedule are divided into three classes:-

(a)- goods admitted free of custom duty.⁽⁷⁾

(b)- goods submitted to customs duty or other import charges which are taxed at the same rate as those of similar foreign articles.⁽⁸⁾

(6)- The PALESTINE GAZETTE, number 966 of November 30, 1939 Supplement 2.

(7)- These goods are: rice, rough, clean and broken; apples; bananas; lemons; oranges; grape fruits; other fresh fruits; nuts; onions; fruit juices; olive oil; cotton; oil seeds; hides; cotton yarn; woollen and worsted yarn; silk yarn; artificial silk yarn; wire; toilet preparations; soap; cattle and fish; potatoes, imported from September 1 to October 30; eggs, imported from July 1 to February 29. Altogether this group includes about 164 items.

(8)- They are about 33 items mainly of a sort subject to excise duties such as: alcohol, beer, wine, benzine, kerosene, salt, cigarettes, tobacco, matches and playing cards.

(c)- All other goods admitted at a rate of customs duty being $\frac{2}{3}$ of the rate charged on similar foreign products. (9)

The new agreement was, of course, much less favorable to Syria and Lebanon than that of 1929. The Syrian and Lebanese exports to Palestine dropped from 1,355,203 in 1939 to 511,199 Palestinian Pounds in 1940. This decrease, however, was not due only to the new agreement; part of it was caused by the establishment of the exchange control and by the prohibition of exporting certain articles. (10)

Having now shown the general features of the Syrian and Lebanese foreign trade and its peculiar situation in 1939, we are in a better position to understand the whole machinery of control designed to regulate the current of trade. That control was established in two different ways, firstly, by the institution of a rigid exchange control, and, secondly, by a series of laws forbidding the export of certain commodities and prohibiting altogether the trade with the enemy. We shall study separately those two ways of control.

C- Exchange Control.

The system of exchange control was instituted in Syria and Lebanon on December 3, 1939. (11) Its aim was neither

(9)- They constitute 563 items of the whole 764 classified.

(10)- For those measures, see following pages.

(11)- Arrêtés 336, 337, 338, 339, 346, 348LR of 3.12.1939.

to restrict the foreign trade nor to prevent the payment of foreign indebtedness nor to freeze the foreign assets held in Syria and Lebanon. As a matter of fact, the Office des Changes which was made the only legal person which could hold foreign exchanges, ⁽¹²⁾ was authorized to deliver the bills necessary for the payment of any indebtedness contracted before December 3, 1939. ⁽¹³⁾ The import of essential commodities was also permitted. Travellers were allowed to carry with them, when leaving the country, a very reasonable sum. ⁽¹⁴⁾ The new system was, therefore, 'a system of controlled liberty rather than a system of managed economy'. ⁽¹⁵⁾ The chief purpose was to prevent a flight of capital which would weaken the national currency. The other reasons advanced for the institution of the control are the followings: ⁽¹⁶⁾

a- It was said that a rigid system of exchange control was necessary for the good financing of the Syrian and Lebanese foreign trade. As we have already shown, the balance of trade in those countries was much unfavorable. Before the war it was made good by many invisible items

(12)- Arrêtés 338LR of 3.12.39 and 152LR of 12.6.40.

(13)- Arrêté 340LR of 3.12.39.

(14)- See Chapter 1, footnote 24.

(15)- Communiqué, published in the LE COMMERCE DU LEVANT of 5.12.40.

(16)- CONTROLE DES CHANGES (pamphlet published by the General Delegation in 1943), p.3.

which, in wartime, could not be relied upon. A system of exchange control was, therefore, necessary in order to equalize exports and imports. To bring about such an equilibrium, the Lebanese and Syrian traders were to be allowed to use a part of the great amount of bills owned by France. ⁽¹⁷⁾ But the French people themselves could not use those foreign credits without restriction. As a matter of fact, since September 11, 1939, a rigid system of exchange control had been established in France and in all her Empire. It was quite logical, therefore, to impose upon the Syrian and Lebanese merchants the same regulations as those already imposed upon the French people themselves.

- b- One of the purposes of the control was to prevent the enemy from getting new bills of exchange which he could use in buying raw materials and manufactured goods from neutral countries. As a matter of fact, if the bills were left in the hands of the individuals, those individuals might use them in ways that would help Germany or her Allies. By a strict control over the use of those bills, the Authorities were able to check any such direct or indirect help.
- c- By a concentrated ownership of the bills of exchange, the control could give the Allies that greater purchasing power that it was denying to the enemy. In fact by taking

(17)- LE COMMERCE DU LEVANT, 5.12.39, loc.cit..

hold of the bills, the Authorities could use them as they saw fit for the Allies' war effort.

- d- The control insured the stability of the rates of exchange between the currencies of the Allied Nations.

In the attempt to achieve the foregoing aims, the laws pertaining to exchange control had to ^{be} amended and reformulated in accordance with the exigencies of the time. Due to changing conditions, such as the defeat of France in June 1940, and the occupation of Syria and Lebanon by the Allied Forces in July 1941, the term 'enemy' referred to different countries at different times. Before June 1940, it referred to Germany and the occupied territories; after the French defeat, it referred to the British Empire alone. (18) Again in July 1941, when Syria and Lebanon were incorporated in the Sterling Area, Germany and Italy were once ^{again} considered as enemies. But all these changes did not affect very much the nature of the system adopted in December 1939, which in essence remained the same. The legislation enacted by the Delegate General of the Free French Forces is quite the same as that of his predecessor the High Commissioner. In order not to get confused in all that series of arrêtés and decisions, we shall study the system in its final form as it was applied in the first days of 1943. (19)

The system was based on two general principles, the prohibition of export of capital and the control of exchange operations. (20) The following acts were considered as export of

(18)- Arrêtés 150, 152, 153, 159LR of 12.6.40.

(19)- Arrêtés 48 and 49FC of 29.1.43.

(20)- CONTROLE DES CHANGES, pp.6-7.

capital:-

- a- the use of bills to buy foreign assets.
- b- the leaving outside the States, ⁽²¹⁾ or the conserving in the form of foreign money, all or a part: of the proceeds of the exports of goods, of the remuneration of services rendered abroad, of foreign revenues, and of gifts fixed in foreign bills.
- c- the export outside the States of any means of payment. ⁽²²⁾
- d- the acceptance ~~to~~ receive in Syrian and Lebanese money or in francs the payment for an export of goods, for services rendered, for foreign revenues, and for gifts fixed in foreign bills.

Exchange operations were defined as all the transactions which aimed at buying, selling, against Syrian and Lebanese money or francs, negotiating against foreign bills, ceding, transferring, cashing all bills of exchange and, in a general way, all assets stipulated in foreign currency.

All the bills of exchange available in the country were to be ceded to the Office des Changes, which was an autonomous body operating under the authority and for the ⁽²³⁾ account of the General Delegation, and which was responsible for the centralization and the partitioning ^{of} of the bills and for delivering the authorizations allowed under special ⁽²⁴⁾ conditions. The Banque de Syrie et du Liban and other

(21)- The term 'States' included Syria and Lebanon and all the French colonies under the jurisdiction of the F.F.F.

(22)- By means of payment was meant: coins, banknotes, checks, letters of credit, drafts, sight and short term bills whatever may be the currency in which they were fixed.

(23)- Arrêté 381FL of 12.11.41.

Agreed Institutions (Crédit Foncier d'Algérie et de Tunisie et Compagnie Algérienne) served as intermediaries between the people and the Office des Changes, which was the only legal person allowed to hold and to sell foreign bills of exchange, to perform exchange operations and to export capital. The Agreed Institutions were simple agents of the Office des Changes, through which all authorized operations were to be made. The other banks or private bankers in the country could serve as commission houses, that is as intermediaries between the people and the Agreed Institutions, and, thus, could be considered as sub-agents of the Office des Changes. But in this case they were obliged to keep a special account of the operations they were transmitting to the Agreed Institutions. (25)

(26)
D. Control of Imports.

The system of import control could be considered as

(24)- For instance, the Syrian and Lebanese citizens were allowed to carry, when leaving the States, an amount of money equal in value to 1,255 pouds, but usually they could not carry with them more than AS.150. Foreigners could not take with them more than they had when entering the country,

(25)- CONTROLE DES CHANGES, p.7.

(26)- Ibid. pp. 9-11.

a part of the wider machinery of exchange control. Any trader wanting to import foreign goods had to ask for a licence. Licences were delivered by the Supply Departments of the two States when the goods were to be imported from a country of the Sterling Area. When the country of origin did not belong to the Sterling Area, the licence was to be delivered by the 'Conseiller des Affaires Economiques de la Délégation Générale'. The licence was valid for four months, for the neighboring countries, and for six months for the countries beyond Aden. When issuing the licence, the Supply Department also gave a certificate to enable the importer to buy the necessary bills of exchange. As we have already seen, only the Office Des Changes was allowed to sell those bills. When the importer received bills for a greater amount than necessary for the payment of the goods imported, he had to return the balance within two months. If the importer possessed already some bills abroad, he could use them with the authorization of the Office des Changes, in order to pay for the goods he wanted to buy.

The bills delivered by the Office des Changes varied according to the country of origin of the goods to be imported. The countries were divided into two groups:-

a- Countries of the Sterling Area; the goods were paid for as stated above.

b- Countries outside the Sterling Area; this group was divided into five sections:-

(27)

1- Countries of Special Account:- the goods imported

(27)- Argentina, Bolivia, Brazil, Spain and Spanish colonies
Chili, Paraguay, Perou, Portuguese Empire? Sueden,
Turkey and Uruguay.

were paid for in sterling by a credit opened in London in the name of a Bank or a Commission House of the exporter's country.

- (28)
2- Countries of Registered Account:- the goods were paid for in American dollars or in Swiss francs according to the holdings of the Office des Changes. In case the Office des Changes did not have dollars or Swiss francs, the goods were paid for in sterling just as for the countries of the Special Account.
- (29)
3- Countries of Central American Account:- goods were paid for as in the countries of the Special Account.
- (30)
4- Countries of Authorized Account:- as for the countries of the Special Account, except when the Office des Changes held bills on those countries.
- (31)
5- Countries of the Sterling Account:- as for the countries of the Authorized Account.

(28)- United States of America and Switzerland.

(29)- Colombia, Costa-Rica, Cuba, Republic of Saint-Dominica, Equador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Salvador and Venezuela.

(30)- Canada and New Found Land.

(31)- Iran and all countries not mentioned above.

These were the general regulations to which were subjected the Syrian and Lebanese import trade. In brief, any importer had first to get an import licence, and then to ask for the necessary bills. The nature of the bills delivered varied according to the country wherefrom the goods were to be imported.

(32)

E-Control of Exports.

Any person who wished to export goods outside Syria and Lebanon had to get an export licence from the Supply Department of one of the respective States (Syria and Lebanon). The licence was valid for three months only. Once he had got the licence, the exporter had to promise that he would cede to the Office des Changes the bills received in payment for the goods exported. In case perishable goods were sold outright, the bills had to be ceded:

- Within two months if the sale was made in Turkey, Iraq, Palestine, Transjordan and Egypt.
- Within six months if the sale was made in India, Africa or England.
- Within nine months if the sale was made in America.

Moreover all exports for consignment were forbidden without authorization. In case they were authorized, special delays for the cession of the bills were fixed. When the goods exported were to be paid for in goods (barter), the exporter

had to promise that he would import those goods or else that he would sell them abroad and cede to the Office des Changes the bills received in payment for them. (33)

Thus by instituting the exchange control mechanism the Authorities were able to regulate the currents of the Syrian and Lebanese foreign trade. Import licences were granted only if essential and desirable goods were to be imported. Export licences were given in case an unnecessary surplus of certain articles remained on the market. Besides those regulations, laws were enacted prohibiting the export of certain commodities and forbidding any trade with the enemy. It is that second part of the machinery of the trade control that we are going to study under the heading of trade prohibitions.

F. Trade Prohibitions.

Just before the war broke out, the export and reexport of many essential commodities were prohibited. (34)
When the situation became more serious and the possibility

(33)- Arrêté 247LR of 2.10.40.

(34)- Arrêté 178LR of 25.8.39 prohibited the export and reexport of living animals, milk and milky products, eggs and honey potatoes, coffee, tea, wheat and millet, barley and oats, vegetable oils, sugar, pharmaceutical goods, hides and skins, rubber and rubber articles, wool, cotton, rice, alcohols, mineral oils, chemical goods, wood, metal and metal goods.
- Arrêté 191LR of 29.8.39 added: beer, wine, shoes, machines cars and other transportation vehicles, instruments of optic
- Arrêté 196LR of 31.8.39 added meat, margarine, chocolate.

of renewing the stocks more uncertain, the prohibition of export and reexport was extended to many industrial raw materials, manufactured and semi-manufactured goods. (35)

In December 1940, with few exceptions, all export and reexport was made subject to authorization given by the Director of the Economic Department. (36) Licences were given only when the goods to be exported were not needed by the country.

Moreover a special office called the 'Direction Générale des Affaires Economiques' (37) was created with the idea of finding new markets, of making new treaties and agreements with the neighboring countries, of determining and evaluating the means of exchange, of controlling the foreign and internal

(35)- Arrêté 373LR of 23.12.39, reformulated by Arrêté 40LR of 20.2.40 prohibited the export and reexport of:-

- Grains of cotton, arachides, ricin, linen, sesame.
- Parts of shoes (sole leather, talons, etc..)
- Papers and cartoons (and products).
- Raw silk, silk yarn and silk tissus.
- Raw wool, woollen thread, cloth and tissus.
- Clothing, whatever may be its nature.

(36)- Arrêté 322LR of 6.12.40. Exception was made for dogs, bees sand, stones, books, rolling vehicles and samples.

(37)- Arrêté 20LR of 1.2.41.

trade, and of determining the relations between the Customs Administration and the Office des Changes.

The finding of new markets, however, was very difficult because since September 1939, all trade with the enemy was prohibited, and the enemy was getting to occupy all Europe. ⁽³⁸⁾ Besides, the seas and the oceans were insecure and all trade with America was consequently curtailed. But even when new markets were found, there was always the fear that they would reexport to the enemy what they had imported from Syria and Lebanon. That is why a law was passed asking those ⁽³⁹⁾ who wished to export certain kinds of goods to secure from the foreign importer a promise not to reexport the imported goods.

The situation became even more serious when Japan entered the war on the side of Germany and Italy. All trade with America became, then, impossible. It is true that the British occupation of Syria and Lebanon made possible some trade with Palestine, Egypt, Irak and India, but, on the other hand, it eliminated all trade with France and the

(38)- Arrêté 210LR of 4.9.39 and arrêté 317LR of 10.11.39; they were abrogated after the defeat of France by arrêtés 211LR and 219LR of 23.9.40. The same legislation was again applied after the occupation of Syria and Lebanon by the Allied Forces, by arrêtés 45 and 46FL of 1.8.41 and 196FL of 10.9.41.

(39)- Meat, sauné, cheese, eggs, potatoes, wheat, rice, barley, fats and gresses, sugar, skins, rubber, charcoal, wood, cocoons, silk yarn, silk tissus, cotton and woollen tissus, hemp, metals, machines, spare parts. (See arrêté

(40)
French Empire.

G-General effect of the war on the Syrian and Lebanese Foreign

Trade.

The loss of markets, the exchange control, the control of exports and imports and the difficulties of transportation have contributed to reduce greatly the volume of exports and imports and to reduce to almost nothing the reexport and transit trade. (See Table 9 below).

The cessation of trade with Germany and the German occupied territories was important. In 1938, the value of imports from Germany, ⁽⁴¹⁾ Austria, Poland and Czechoslovakia amounted to about 8% of the value of the

28LR of 28.5.41.

(40)- Arrêté 497FL of 23.12.41 prohibited any commerce with:-

a- Germany, Italy, Bulgaria, Finland, Hungary, Rumania, Japan.

b- Belgium, Denmark, France and her Empire, Greece, Luxemburg, Monaco, Poland, Holland, Norway, Channel Isles, Czechoslovakia, Yugoslavia, Thailand and all territories occupied by Japan.

(41)- Syria and Lebanon imported from Germany mainly coal, pharmaceutical goods, dye products, cotton tissues and machines.

Table 5
 Syrian and Lebanese Trade with Germany
 and Occupied Territories (1938)⁽⁴²⁾

Countries	Imports (in £1000)	Exports (in £1000)
Germany	2,655	1,555
Austria	380	129
Czechoslovakia	1,302	206
Poland	818	11
	5,155	1,896

total imports, and the value of the exports to these countries amounted to about 6% of the value of total exports.⁽⁴³⁾ The loss of this trade partly explains the drop in the figures of the Syrian and Lebanese trade between September 1939 and June 1940. Other important causes were the rigid control of trade and the inefficiency of the licence system. Authorizations for exports were often granted 'in extremis'. The Damascene traders still remember that in 1940 the licence for exporting apricot paste was given so late that when the goods reached the Egyptian market, it was already the end of Ramadan, which is the period during which the product is most demanded. The prices offered were so low that some of the traders sent their goods back to Syria where they were sold with great losses. This is only one example, but it serves to illustrate the bad working of the licence system in the beginning of the war.

(42)- LE COMMERCE DU LEVANT, 31.10.39.

(43)- The value of total imports and total exports amounted in 1938 to £8,70,811,000 and £8,29,278,000 respectively.

Table 7

Syrian and Lebanese Foreign Trade during the first
(44)
semesters of 1938-1941.

1st sem. of:	Quantities (in tons)			* Values (in £000)		
	Imports	Exports	Reexports	Imports	Exports	Reexport)
1938	264,318	90,784	2,791	27,764	10,961	395
1939	278,148	181,560	3,533	37,474	20,386	511
1940	271,554	91,968	348	47,903	14,361	143
1941	38,941	38,941	8	8,581	2,631	29

In spite of the foregoing factors, however, the foreign trade in the first semester of 1940 was not very bad. Up till June, the Mediterranean Sea was open and trade with France and the French Colonies was more or less prosperous.

It was only after the French defeat and the entrance of Italy in the war on the side of Germany that the situation became very serious. Not only was the Mediterranean Sea closed but all trade with Palestine, Irak, Egypt, and India was eliminated because of the British blockade which came after the refusal of the High Commissioner to continue the war against Germany and Italy. The English blockade was very severe. Any trade by sea became consequently impossible. The only commerce possible was with Turkey, and sometimes with Europe through Turkey. (45) This situation remained until July 1941, when the

(44)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, pp.16-17.

(45)- Ibid, p.16.

A Table 8
 Syrian and Lebanese Foreign Trade during the Fourth
 (46)
 Quarters of 1939-1941.

4th. quar. of:	Quantities (in tons)		Values (in £1000)	
	Imports	Exports	Imports	Exports
1939	109,092	56,233	17,890	8,051
1940	13,113	17,967	2,783	2,896
1941	122,206	13,541	26,184	5,636

)))

Allied Forces occupied Syria and Lebanon and incorporated them within the Sterling Area. Up till that date, the foreign trade had dropped to a very low figure. As shown by Table 7, the imports dropped from 264,318 tons in the first semester of 1938 to 38,941 tons in the first semester of 1941. During the same period, the exports dropped from 90,784 to 8,941 tons, and the reexports from 2,791 to 8 tons.

After July 1941, the situation improved considerably: It was once more possible to trade with Palestine, Egypt and even with India and America through the Suez Canal. During the fourth quarter of 1941, the imports amounted to 122,206 tons whereas during the same period in 1940, that is during the Vichy occupation, they amounted to 13,113 tons only. They had increased, therefore, about ten times. (See Table 8 above). The exports, on the other hand, decreased as a result of the desire of the Authorities to keep in the

Table 9

(47)

Syrian and Lebanese Foreign Trade, 1938-1942.
(Quantities in tons)

Year	Imports	Exports	Reexports	Transits
1938	861,231	378,201	5,619	2,286,902
1939	542,234	525,830	5,319	2,249,997
1940	311,224	121,563	374	948,868
1941	176,558	29,487	16	37,742
1942	361,960	23,781	-	75,215

country most of the exportable commodities for the requirements of the Army. The favorable situation for the import trade continued during the whole of the year 1942. In that year, the imports amounted to 361,960 tons, or about 64% of what they were in 1938. (See Table 9 above). If we consider that in 1938 Syria and Lebanon imported a good deal of non-essential goods, whereas, in 1942, the imports were limited to articles of great necessity, we may conclude that during that year the imports of foreign goods reached a very satisfactory level. (48)

In value, however, the imports in 1942 amounted to \$8,104,562,000 a figure much higher than that of 1938. (See Table 10 below). This is due mainly to the general rise in the prices of the imported articles, and the increase in the freight and the maritime insurance charges.

(47)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.15.

(48)- Ibid., p.15.

has been

Since 1942, the import trade ~~was~~ submitted to a very strict control. The necessity of using more and more ships for the transport of war equipment and troops reduced very much the freight space devoted to the import of foreign articles. A severe regulation was enforced consequently. The goods to be imported were classified into two categories according to whether their country of origin was in or outside the Middle East. For the goods of the second category, that is those originating from countries beyond Aden, the following (49) regulations were applied:-

The quantities needed by the country were first determined by the 'Commission Supérieure du Ravitaillement'. The figures were, then, sent to the Middle East Supply Center in Cairo the functions of which were to centralise and to divide the available freight space among the different countries of the Near and Middle East. The quantities admitted by that center were communicated to the 'Commission Supérieure du Ravitaillement' which, in turn, delivered licences to the local importers in proportion to the allotted quantities.

In order to reduce the pressure on freight by civilian trade, the Authorities have tried to change the currents of commerce by asking the importers to buy their goods in certain countries which are nearer to Syria and Lebanon. Thus, cotton goods were to be bought exclusively from India, and raw hides from the neighboring countries and from East Africa.

Moreover, in order to insure a fair division of certain products between Syria and Lebanon, it was necessary

(49)- Ibid., p.16.

Table 10

Syrian and Lebanese Foreign Trade (1938-1942).⁽⁵⁰⁾
 (values in £1000)

Year	Imports	Exports	Reexports	Transits
1938	70,811	29,278	760	36,659
1939	75,567	36,517	867	37,659
1940	57,098	19,302	173	26,779
1941	38,587	11,223	44	37,336
1942	104,562	23,753	-	67,790

to monopolise the imports of some articles. Thus the United Kingdom Commercial Corporation (U.K.C.C.) had a monopoly for the import of cereals, of tea, of iron, of oils, etc.. The import of tyres, paper, cotton threads, bicycles, etc., was reserved to the War Economic Office, whereas the import of pharmaceutical goods and of medical dressings was reserved to the Office of Pharmaceutical Goods.⁽⁵¹⁾

As regards trade with the neighboring countries, no special restrictions were made, but the difficulties in transportation and the restrictive measures adopted in those countries as regards their exports hindered very much the exchange of goods. Besides, the Egyptian Government adopted a military measure in 1942 aiming at keeping in its territory the goods temporarily admitted in transit. This measure accounted for a further decrease in the imports of Syria and

(50)- Ibid., p.15.

(51)- Ibid., p.17.

Lebanon.

On the other hand, the exports were a good deal less than they were in 1938. Only 23,781 tons were exported in 1942 as against 376,201 tons in 1938. The drop is explained by the fact that the export of all goods required for the civil population and the army (which increased considerably in 1942) was prohibited. Moreover, certain exports were monopolized. Thus the export of silk and raw wool was reserved to the Authorities.

Table 11
Syrian and Lebanese Balance of Trade.
(1933-1942) ⁽⁵²⁾

Year	Imports (in \$1,000)	Exports (in \$1,000)	Deficit (in \$1,000)
1933	45,176	17,383	-27,793
1938	107,470	66,697	-40,773
1940	83,878	46,253	-37,623
1941	75,925	48,608	-27,315
1942	172,353	91,543	-80,810

The value of the exports in 1942 was \$3,23,753 ⁰⁰ as against \$3,29,278 ⁰⁰ in 1938. The very big difference between the drop in tonnage and the drop in value may be explained partly by the rise in the general price level and partly by the shift of the export trade from heavy and cheap articles such as fruits and vegetables, to more expensive goods such

(52)- Ibid., p.19.

(53)
as wool, silk, tobacco, etc...

As shown by Table 11, as usual the balance of trade has been unfavorable. The large expenditures of the Allied Armies, however, has not only made the deficit good, but has left a great deal of purchasing power in the country ready to be used for importation after the war.

Chapter 2

CONTROL OF MANUFACTURING ENTERPRISES
AND DISTRIBUTION CONTROL OF MATERIALS USED
IN THE MANUFACTURING INDUSTRY:A- Special Situation of the Manufacturing Industry in 1939.

The last war has made it clear that a world war is not merely a conflict between armies; that it is rather a titanic struggle between rival economic organizations. The mobilization of a nation's industry is, therefore, as important as the mobilization of armies. Indeed mobilization of the military forces and mobilization of the industrial forces are inseparably linked and must be viewed as a single problem.

It is true that Syria and Lebanon are not countries at war; they are living, however, in war-like conditions. They have to feed and shelter a foreign army occupying their territories. They have to produce under very unfavorable conditions the essential commodities which used to be imported before the war. They have, moreover, so to organize their resources as to give the greatest possible help to the United Nations whose future is intimately connected with theirs. They know that wars, as now waged, involve the human and materials resources of every nation; that every factory, every man, woman and child may be needed; and that every sinew of industry, of transportation and of finance must be harnessed in the country's service.

Even before the outbreak of the hostilities, the Authorities have felt the weaknesses of the Syrian and Lebanese industry and all the problems that would have to be solved in wartime. They knew, for instance, that native industries depended greatly on foreign raw materials, and that the interruption of normal channels of trade brought about by the war would hamper the supply of essential raw materials and, consequently, the good working of some of the industries. They also realized that a large part of the industrial machinery in Syria and Lebanon was bought from Europe and America, and that the supply of spare parts from the countries of origin would be difficult or impossible.

All the foregoing problems emphasized the necessity for regulation and control. Since the first days of the war, laws were passed in Syria and Lebanon in order to control the running of factories and industrial plants, to regulate the use of the scarce raw materials and fuel, and to place them under a régime of controlled distribution, and finally to readjust the wages of the workers in accordance with the rising cost of living. Wage adjustments are studied in a later section. (See Chapter 7, on the Readjustments of Wages and Salaries, and Control of Rents).

B- Control of Factories and Industrial Plants.

The laws enacted in order to control the use of factories and industrial plants aimed at placing in the hands

of the Authorities the running of those industries which produced articles necessary either for the national defence or for the supply of essential goods for the population. Since October 1939, that is one month after the declaration of war, a measure was adopted placing under a régime of controlled production the factories producing goods necessary for the Army and for the good working of the economy of the country. Individual notices⁽¹⁾ were to be sent to the owners telling them what to produce and how much. Some of those factories were practically requisitioned, while others regularly received government orders, so that, according to a newspaper report, in the first days of 1940, some 12,000 workers were employed at

(1)- Arrêté 260LR of 4.10.39; the most important are:-

Cement Factory of Shekka.

Arida's Cotton Weaving and Spinning Factory. (Tripoli).

Wool Weaving Factory of Hadeth. (Lainière Nationale).

Hosiery Factory. (Bauchineh).

Hides and Skins Factory. (Bourj-Hammoud).

Jabre's Biscuits, Matches and Pastes (macaroni and others) Factories. (Bourj-el-Brajjine).

Electric Generators.

Jabre's and Comaty's Grease and Soap Factory. (Jel-el-Dib).

- Decision 336 AE/AD 41 of 15.1.41 added the 'Société des Entreprises Industrielles' of Aleppo.

army supplies. The number went on increasing until the French defeat in June 1940. During the Vichy occupation, as a result of the almost complete liquidation of the French Army, a greater freedom of action was left to the private factories, which, however, remained under the indirect control of the authorities. When, in July 1941, the British and Fighting French Forces, attacked Syria and Lebanon, the French High Commissioner, afraid of the possibility of sabotage in the industries working for the supply of the Vichy troops, issued a military order compelling the Syrian and Lebanese industrialists to maintain in their present state all factories and industrial plants of interest to the national defence and to the economy of the country. Any transformation to be made had to be previously authorized by the Director of Supply and of Economic Affairs. ⁽²⁾

After the British occupation, the right to regulate the use of the industrial plants was left to the local governments. The Syrian and Lebanese Authorities did not amend the previous legislation. The production of most of the factories remained under their control. Moreover, in June 1942, they adopted separately a similar measure compelling the producers not to open a new industrial enterprise or to enlarge an old one before notifying the Minister of Supply and of Commerce and Industry. ⁽³⁾ Similarly it was decided that new factories using goods that are under controlled

(2)- Arrêté 147LR of 15.6.41

(3)- Decree 184SI of 18.6.42 for Lebanon, and decree 150 AS of 16.6.42 for Syria.

distribution could be opened without authorization of the
 Ministry of Supply. ⁽⁴⁾

A few month later, an order was issued authorizing
 the Ministry of Supply to requisition, partly or wholly,
 temporarily or indefinitely, any commercial, industrial
 and agricultural enterprise. ⁽⁵⁾ It is not known, however,
 that such requisition was ever practised.

6 Control of Raw Materials.

One of the most serious problems that confronted
 the Syrian and Lebanese industry since the beginning of the
 present war was the shortage of raw materials. Most of our
 textile industries, for instance, depended before the war
 on foreign raw materials. After the outbreak of the
 hostilities in Europe, some of them were obliged to use locally
 produced goods, very often of inferior quality. Others were
 less lucky in the sense that the raw materials they needed
 were not produced in the country at all and some of them
 were, thus, obliged to go out of business. Moreover, the
 Syrian and Lebanese producers of raw materials, seeing the
 large demand for their goods, began raising their prices to
 such an extent that an intervention of the Authorities was
 necessary. Sometimes a schedule of prices was fixed and
 sometimes a system of distribution among the different

(4)- See Chapter 4 and 5.

(5)- Decree 1045NI of 24.8.42.

Table 12

Production of Raw Cotton in Syria and Lebanon, 1938-42.
(in tons) (10)

	(6) 1938	(7) 1939	(8) 1940	(8) 1941	(9) 1942
Lebanon	-	-	-	-	-
Syria:-					
Damascus	6,076	-	27,150	25,000	22,400
Aleppo	52,200	-	-	-	-
Euphrates	14,252	-	1,100	-	1,000
Djebel-Druze	-	-	-	8,320	+
Homs-Hama	-	-	6,890	-	5,500
Lattakia	4,000	-	41,297	19,799	2,600
TOTALS:	75,787	-	76,437	53,119	31,500

industries of the available raw materials was used. The government's interferences were concerned mostly with the control of cotton, of silk, of chemical goods, and with the fixing of the prices of some other articles such as leather goods, flour of wheat, etc..

(6)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, p.856S.

(7)- No available information.

(8)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.37.

(9)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.39.

Table 13

Cotton Industry in Syria and Lebanon.
(1938-1942)

	Units	(10) 1938	(11) 1939	(12) 1940	(12) 1941	(12) 1942
Cotton Thread	Tons	1,200	1,385	1,950	2,145	1,960
Cotton Cloth	Pieces	-	-	430,000	725,000	1,100,000
Cotton Tissue	m	-	-	3000,000	2750000	1,880,000
Tissus 'Lafha'	Pieces	280,000	368,000	210,000	212,000	1,029,000
Blankets	'	35,000	36,000	65,000	72,000	13,100
Aghabani	'	76,000	50,000	31,000	5,250	45,280
Coutil, Drill	m	-	+	198,000	881,000	1,485,000
Imitation 'drap'	'	-	-	58,000	200,000	950,000

a- Cotton.

Cotton is one of the most important industrial raw material used in the Syrian and Lebanese industry. Besides, it has gained much ^{importance} use as a result of the war. Many silk weaving factories have changed to producing cotton cloth because of the great difficulty of importing artificial silk yarn.

Before the war, Syria and Lebanon used to import raw cotton from Egypt and cotton thread from America and India. During the war, the cotton spinning factories had to depend upon raw cotton produced in Syria, and the weaving factories

(10)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, p.5.

(11)- RAPPORT SUR LA SITUATION DE LA SYRIE ET DU LIBAN, 1940-1941, pp.51-52.

(12)- RAPPORT SUR LA SITUATION DE LA SYRIE ET DU LIBAN, 1942, pp.70-72.

had to depend partly on cotton thread produced by the domestic spinning factories and partly on imported cotton thread, which was available in limited quantities. The four cotton spinning factories in Syria and Lebanon have been unable to provide the cotton weaving industry with its needs in cotton thread.

The production of raw cotton increased in 1940, especially in the region of Lattakia, because of the greater demand of the cotton spinning industry. (See Table 12 above). In 1941, and 1942, however, the production decreased due to climatic conditions. ⁽¹³⁾ Similarly, the production of cotton thread has increased considerably since the beginning of the war, but, nevertheless, as we said, the supply has not been enough to meet the demand of the cotton weaving industry. The price of cotton thread was going up very rapidly. In 1939, the parcel n° 20 of 10 lbs. was sold at 295 Syrian piasters, while in December 1940, it was sold at 1000 piasters. ⁽¹⁴⁾ That rise led the authorities to fix the prices of the different grades of cotton threads. ⁽¹⁵⁾

(13)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.5.

(14)- LE COMMERCE DU LEVANT, 19.9.41.

(15)- Decision 10325/40 of 14.12.40. It fixed following schedule:

the parcel of 4,530 kilogs n°6 at 630 piasters.

"	"	"	n°8 at 630	"
"	"	"	n°10 630	"
"	"	"	n°12 630	"
"	"	"	n°14 664	"
"	"	"	n°16 640	"

But the new law fixing the prices could not be enforced properly, partly because of the inefficient administration and partly because the weaving factories were ready to pay higher prices. In 1941, the Authorities issued a series of arrêtés tending at regulating the use of raw cotton and of cotton threads. It was thought that in that way both the spinning and the weaving industries would be protected. In February 1941, a law was passed forbidding any person to hold more than a certain quantity, raw or waste. ⁽¹⁶⁾ Any person who was holding, for himself or for others, an amount of cotton exceeding 115 kilos had to declare it to the Authorities. That law was aimed at reducing the price of cotton by preventing cornering and speculation. The same method was applied to the cotton threads in March. Nobody was allowed to hold, for himself or for others, more than five parcels of 4,530 kilos each. ⁽¹⁷⁾

the parcel of 4.530 kilos n°18 at 640 piasters.

"	"	"	n°20	650	"
"	"	"	n°22	670	"
"	"	"	n°24	680	"
"	"	"	n°28	700	"

(16)- Arrêté 48LR of 28.19.41.

(17)- Decision 1937 AE/AD/41 of 26.3.41.

The surplus was to be handed over to the Authorities who would insure its fair distribution among the different industries. (18)

Apparently all those measures did not succeed in lowering the prices. The price of cotton thread reached the high level of 2400 piasters ^{per} the parcel n°20 in December 1941. The new rise was not due to an increase in the price of cotton; in fact, the price of cotton (American Lone Star) had risen from 33 piasters the kilo in 1939 to 90 piasters in 1941, that is an increase of 172%, whereas the price of cotton threads had increased about 7 times during the same period. (19) Moreover neither the increase in wages nor the high price of spare parts could have been responsible for that great rise. It could not be explained except by the lack of good legislation and by the greed of the producers who, being very few, were enjoying a kind of monopolistic situation. They were left free to sell their articles at any price they could charge with no regard to the cost of production or to the welfare of the country.

That unprecedented rise in the prices of cotton threads occasioned a diminution in the production of some of the cotton weaving factories the demand for the products of which was not high enough to enable their charging prices commensurate with the very high prices of cotton thread. (See Table 13).

(18)- Arrêté 77LR of 9.5.41.

(19)- LE COMMERCE DU LEVANT, 6.1.42.

b- Silk.

Before the 1st World War, the production of silk was one of the most important industries in Lebanon. After the war it suffered from the competition of artificial silk. From the year 1935 to the year 1939, however, due to the protection by the Authorities, it experienced a certain degree of recovery. The present war helped further the production of silk chiefly because of the greater demand of France and England for silk yarn which is used in the making of parachutes.

(20)

As shown by Table 14, the production of fresh cocoons in Lebanon was 1,200,000 kilos in 1940, whereas the average production of the three preceding years was only 900,000 kilos. The production of fresh cocoons increased also in Syria.

After the defeat of France and the entrance of Italy into the war on the side of Germany in 1940, any export of cocoons and of silk yarn was impossible. This explains the diminution in production in 1941 and 1942. Prices dropped to a very unsatisfactory level. They were relatively lower than before the war. As a matter of fact, the kilo of silk yarn 'Standard' 13/15 which was sold in 1939 at 1550 piasters was sold, in 1942, at 3250 piasters. If we consider that the price of a ton of wheat rose from 60 ponds in 1939 to 800 in 1942, the kilog of silk which

(20)- RAPPORT DU COMITE SERICICOLE LIBANAIS, published by
LE COMMERCE DU LEVANT, 30.1.41.

Table 14
Production of Fresh Cocoons.
(in kilos)

Year	Lebanon	Syria	Together
(21) 1937	800,000	252,000	1,025,000
(21) 1938	955,000	280,000	1,215,000
(22) 1939	800,000	-	-
(23) 1940	1,200,000	373,000	1,572,000
(23) 1941	700,000	359,000	1,059,000
(24) 1942	600,000	300,000	900,000

used to buy 258 kilos of wheat in 1939, could buy only about 40 kilos in 1942.⁽²⁵⁾ This situation led many silk producers to stop producing and even to cut their mulberry trees to be sold as wood, thus endangering one of the most important and oldest Syrian and Lebanese industries.

Very fortunetely, the intervention of the Authorities

(21)- BULLETTIN ECONOMIQUE TRIMESTRIEL, 1938, p.189.

(22)- RAPPORT DU COMITE SERICICOLE. No information available for Syria.

(23)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.48.

(24)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN?1942, p.8.

(25)- LE COMMERCE DU LEVANT, 6.1.42. For the price of wheat see Table 31.

came in time, when, in May 1942, the British Authorities decided to buy all the local production of cocoons at the price of 250 piasters the kilo. ⁽²⁶⁾ The whole produce was then to be spinned in the Syrian and Lebanese factories. This measure was helpful to both the silk producers and the silk yarn manufacturers

Table 15

Production of Artificial Silk Tissus in Syria and Lebanon. (in meters)

Year	Quantities
(27) 1937	8,110,000
(27) 1938	7,140,000
(28) 1939	8,893,000
(28) 1940	5,268,000
(28) 1941	3,220,000
(29) 1942	3,997,000

(26)- Lebanese decree 171NI of 2.5.42, and RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.6.

(27)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp.194-196.

(28)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, pp.51-52.

(29)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.70-71.

As to the artificial silk yarn which was used in most of the Syrian and Lebanese silk weaving industries, the stocks accumulated in the country ^{were} ~~was~~ disappearing very rapidly, and their prices were going up tremendously, because of the impossibility of importing new yarns from the United States or from Japan. The oke of French yarn 'Comptoir' which was sold at 130 piasters in January 1939 reached the level of 3,000 in January in 1942, that is an increase of 2,207%. Similarly the price of Japanese yarn increased from 85 to 1900 piasters the oke during the same period, or a rise of 2,135%.⁽³⁰⁾ That increase compelled many weavers to abandon the production of silk textiles and to turn to that of cotton cloth. The French Authorities believing that the rise was due to cornering prohibited the holding by any person of more than 5 parcels of 4,530 kilos of artificial silk yarn.⁽³¹⁾ This measure helped to prevent the production of artificial silk tissues from diminishing still more in 1942. (See Table 15).

(32)

c- Industrial Chemical Goods.

Since the beginning of the war, the Authorities have seen the importance of controlling the use of the existing supply of the industrial chemical goods. Control was necessary because of the stoppage of trade with Germany

(30)- LE COMMERCE DU LEVANT, 6.1.41.

(31)- D cision 1967 AE/AD/41 of 26.3.41.

(32)- For more details concerning the legislation of control of Pharmaceutic and Chemical Goods, see Chapter 5.

Table 16.
Syrian and Lebanese Soap Production.

Year	Quantities in tons.
(33) 1937	3,053
(33) 1938	2,845
(34) 1940	3,246
(34) 1940	5,950
(34) 1941	4,381
(35) 1942	4,600

which before the war was the most important source of chemical goods for Syria and Lebanon. (36) The first step taken by the Authorities was to prohibit the export and reexport of industrial chemical goods in August 1939. (37) A few months later the High Commissioner was given the right to ask for a declaration of, and to requisition, any kind and quantity of chemical goods necessary for the good working of the industry of the country. (38) The prices to be paid for them were to be equal to the price in the country of origin plus

(33)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp.192-196.

(34)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, pp.51-52.

(35)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.70-72.

(36)- See Chapter 1, footnote (44).

(37)- Arrêté 178LR of 25.8.39.

(38)- Arrêtés 147LR of 11.6.40 and 345LR of 27.12.40.

the cost of transportation and the import duty. (39) The articles thus assembled were then to be fairly distributed among the different enterprises and factories needing them. (40) In 1941, there was also created a "Comité Technique de Contrôle du Commerce des Produits Pharmaceutiques et Chimiques", the functions of which were:- (41)

- 1- to determine what should be imported.
- 2- to control the distribution of goods among the different territories.
- 3- to control the conservation of stocks.
- 4- to propose to the General Director of Supplies measures for the control of trade in those articles, especially in the goods used in industry.
- 5- to control prices according to the existing laws.

All those measures brought a great relief to the industrialists using chemical goods and especially to the soap producers who, since the beginning of the war, has been much affected by the shortage of sodium hydroxide. As a result, the production of soap not only did not decrease, but went on increasing during the four years of war.

(39)- Arrêté 248LR of 2.10.40.

(40)- Arrêtés 12LR of 20.1.41 and 3CLR of 14.2.41.

(41)- Arrêté 12 LR of 20.1.41, Règlement 1, and Arrêté 374LR of 5.11.41.

d- Other Industrial Raw Materials.

A number of other regulations were promulgated in order to control the use and distribution of various other raw materials. In order to protect the wool weaving industry, a law was passed forbidding any person to hold for himself or for others an amount of woollen yarn exceeding 20 kilos. ⁽⁴²⁾ This measure aimed at reducing the prices of that important semi-manufactured article and at insuring its fair distribution among the different weaving factories and handicrafts. Similarly in order to protect the shoe-making industry and in general all industries using leather, the prices of leather produced in Syria and Lebanon ⁽⁴³⁾ were fixed in January 1941.

(42)- Decision 1967 AE/AD/41 of 26.3.41.

(43)- Decision 235/AE/AD/41 of 10.1.41; it fixed the following

prices: 1- Box Calf	B-	87.5	piasters	the	0,0929m ²
	C-	82.5	"	"	"
	Cc	77.5	"	"	"
	D-	72.5	"	"	"
	Dd	67.5	"	"	"
	X-	62.5	"	"	"
2- Sole leather (1 to 3 m/m).					
			1st choice	220	piasters the kilo
			2nd	" 210	" "
			3rd	" 200	" "
3- (3to 4m/m) at 270, 255 or 240 piasters					
4- (4 tend more) at 350, 325 or 300 piasters					
			according to the choice.		

Table 17
 Syrian and Lebanese Industries Using Wheat.
 1938-1942

Item	Units	(43)	(44)	(44)	(44)	88 (45)
		1938	1939	1940	1941	1942
Flour of wheat	Tons	163,850	203,050	245,000	210,000	+
Biscuits	Kilos	400,000	200,000	214,000	198,000	40,000
Macaroni	Tons	1,640	2,470	2,130	2,914	745
Starch	Tons	1,625	1,500	840	574	658

Moreover, because of the large demand of the Army for wheat and other cereals and the consequent relative scarcity of those articles, different measures were issued reserving those articles for the making of bread. As a result all industries using wheat or any other cereal were greatly affected. ⁽⁴⁶⁾ Some of them, such as the flour mills, were encouraged; others, as the biscuits and the macaroni industries, were unfavorably affected. The factories producing starch had also to reduce their output from 1620 in 1938 to 658 tons in 1942.

(43)- BULLETTIN ECONOMIQUE TRIMESTRIEL, 1938 pp.194-196.

(44)- RAPPORT SUR LA SITUATION DE LA SYRIE ET DU LIBAN, 1940-1941, pp.51-52.

(45)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.70-72.

(46)- See section on "wheat", in chapter 4.

In addition to all those measures, the Industrial Department of the Economic Office of war was created with the function of insuring the supply of foreign raw materials and developing the production of local goods. Thus, it encouraged the extraction of alcohol and various oils, the collection of old tyres and rubber goods, the production of chemical goods and so on. (47)

B- Control of the Use of fuel.

The control of the use of fuel was one of the most arduous problems that confronted the Syrian and Lebanese Authorities since the beginning of the war. Up till the defeat of France and the resulting English blockade, the stores of both the solid and liquid fuels had been sufficient to cover the needs of the Syrian and Lebanese industry and agriculture. After June 1940, because of the impossibility of importing new supplies, the situation became rather precarious and strict measures had to be adopted in order to prevent wastes in the use of the available fuel.

a- Mineral Solid Fuels Combustibles.

Even before the outbreak of the hostilities, the Authorities had foreseen the difficulty of importing solid fuels in time of war. In August 1939, a decision was taken by the French Authorities creating a commission with the

(47)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.25-26.

function of insuring a fair distribution of the scarce solid combustibles⁽⁴⁸⁾ minerals among the different industries. Immediately after the war was declared, an order was issued placing the commerce of those articles under a régime of controlled distribution.⁽⁴⁹⁾ Any import, sale, or purchase were made subject to authorization. Moreover, any industry consuming more than 60 metric tons per year had to notify the «Direction Générale du Ravitaillement» how much it had consumed in 1937, 1938 and in the first semester of 1939. The authorities had hoped that in that way they could estimate more or less correctly the legitimate needs of the different concerns. According to these estimates, «bons» were given to the industrialists enabling them to buy the quantities allotted to them from the authorized wholesalers and retailers. Those bons were to be used by those to whom they were delivered; they could not be sold or given outright.⁽⁵⁰⁾ Against delivery of those «bons», the authorized wholesalers and retailers were obliged to sell their goods at prices fixed by the «Direction Générale du Ravitaillement». The fixed prices were very often changed and adjusted to the rising price level. Table 18 gives the prices as fixed during the four years of war. Those prices were those fixed for Beirut. Prices in the other places of Syria and Lebanon were equal to those in Beirut, plus the local taxes, the cost of transportation and 175 piasters per ton representing the

(48)- Decision 248 of 31.8.39.

(49)- Arrêté 213LR of 5.9.39.

(50)- Règlement 2 of 7.9.39.

Table 18

Fixed Prices for Solid Combustibles.
(per metric ton)

Items	(51)	(52)	(53)	(54)
	7.9.39	11.11.39	2.12.40	26.11.42
English Briquettes	£S 20.00	20.00	49.95	
Bulgarian	£S -	-	42.60	52.37
Big Anthracite	£S 22.00	35.00	54.80	65.40
Small Anthracite.	£S 21.00	22.00	53.00	
Bulgarian Coal	£S 21.00	21.00	42.60	80.00
Coal (Cardiff)	£S 17.00		45.90	
Coke for Gas	£S 29.00	29.00	46.00	59.00
Coke for Foundry.	£S 22.00	22.00	49.90	

(55)

profit of the trader.

The continuous increase in the price of foreign coal led the Syrian and Lebanese people to use the lignite mines of Lebanon though of inferior quality. The production of local lignite reached 8,140 tons in 1941 and 15,000 in 1942. (56) The whole quantity was absorbed by the local industries which, in some places, preferred it to the coal of foreign origin which was sold at much higher prices.

(51)- Decision 1 of 7.9.39.

(52)- Decision 11 of 11.11.39.

(53)- Decision 14 of 2.22.40.

(54)- Arrêté 752 of 26.11.42.

(55)- Decision 14 of 2.12.40.

(56)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU

LIBAN, 1942, p.72.

Fuels

b. Liquid Combustibles.

The most important liquid combustibles used in the Syrian and Lebanese agriculture and industry were gas-oil, diesel-oil, fuel-oil and mazout. As long as France was fighting on the side of Great Britain, the import of those articles from Iraq and Palestine was easy. This is why the order issued at the beginning of the war placing the commerce of liquid combustibles under a régime of controlled distribution was abrogated a month later. (57) The trade in those articles and the use of them remained free until the French defeat in June 1940. At that time, the English blockade began preventing any import of those essential articles. The Authorities the thought of making the best possible use of the stocks available in Syria and Lebanon and of distributing them as fairly as possible among the different industrialists and agriculturists needing them. A system of "bons" similar to that used for the solid mineral combustibles was instituted. (58) Those entitled to those "bons" were to buy the needed fuel from the Petroleum Companies or their authorized agents. The Authorities were to make their estimates of the needs of the industrialists and agriculturists according to the records of their past years. The fuel thus allotted was sold at prices fixed by the "Direction Générale du Ravitaillement".

(57)- Arrêté 212LR of 5.9.39 abrogated by arrêté 291LR of 23.10.

(58)- Arrêtés 189LR and 10LR of 10.7.40.

Table 19
(59)
Fixed Prices of Fuel.

Places	Gas-Oil		Fuel Oil	
	Tons	15 kilos (in tin)	Ton	15 kilos (in tins)
Tripoli				
Refinery	£S 79.00	.	83.00	
Companies' stores	£S 81.00	1.82	85.00	2.18
Beirut				
Companies' stores	£S 87.00	1.91	91.00	2.27
Franco Beirut	£S 89.00	1.94	94.00	2.31
Damascus	£S 97.00	2.06	101.00	2.42
Aleppo				
	£S100.00	2.10	104.00	2.46

The amounts of fuel available in the country were disappearing very rapidly, however. The High Commissioner decided to refine the raw petroleum accumulated in the tank reservoirs of the Iraq Petroleum Company in Tripoli. A refinery was built in that town with very primitive machinery. (60) By the end of 1940, its production had reached 400 tons of gas-oil and 1,390 of fuel-oil. The output increased in 1941 about 40 times. As a matter of fact, in that year, the production of gas-oil was estimated at 13,101 tons and that

(59)- Decision 15 of 15.1.41.

(60)- Arrêtés 312LR of 27.11.40 and 218LR of 31.9.40.

(61)
of fuel oil at 48,278 tons. The output of the Refinery was sold by the High Commissioner at reduced prices. That policy helped very much ~~to~~ lowering the price of imported fuel. (See Table 19 above). It was very easy to enforce those prices as the sale was to be made only by a few authorized wholesalers.

Those measures became, however, more or less needless when the Allied Forces invaded Syria and Lebanon. The import of fuel from Palestine and Iraq became again possible. The prices dropped very much and reached sometimes a level lower than that fixed by the Authorities. The Refinery of Tripoli did not stop working, however; it continued producing in order to save as much freight space as possible to be used for the imports of those articles that could not possibly be produced locally.

E- Effects of the War on Production.

Since the beginning of the war, the Syrian and Lebanese export and import trade has been much hampered as a result of either the difficulty of transportation and communication or of the measures adopted by the Authorities who wanted to see the essential goods available in the country remain therein. That situation stimulated the

agricultural production and that part of industry which, before the war, was much affected by the competition of foreign articles. Goods which used to be imported had to be produced locally, thus giving rise to new industries. (62)

But this was only the favorable side of the picture. On the other side, most of the industries were confronted with such problems as the difficulty of importing new machinery and spare parts, the shortage of raw materials, the lack of foreign markets and so on.

As a matter of fact, the new commercial agreement with Palestine which came into effect on December 1, 1939, has been much less favorable to Syria and Lebanon than that of 1929. Palestine which was one of the best markets was practically closed to the industrial goods. At about the same period had come the exchange control and the prohibition of exports. All those measures affected very much the Syrian and Lebanese production, in general, and especially the textile industry which more or less depended on the export trade. The situation became even more serious after the defeat of France and the resulting English blockade. The imports of raw materials, machinery, fuel, became impossible. In spite of all the measures placing under a régime of controlled distribution most of the essential goods, such as cotton, silk, cotton thread, sodium hydroxide coal, iron, fuel oil, mazout and many others, most of the

(62)- Ibid., p.1.

industries have experienced a certain regression in 1941 in Lebanon as well as in Syria. (See Table 20 and 21 below).

The weaving of natural silk cloth was almost stopped because of the lack of good dyeing products. (63) The wool and silk hosiery was partly replaced by the cotton hosiery, inspite of the great rise in the price of cotton thread.

The lack of iron has resulted in the almost complete cessation of the building activity. As a result numerous connected industries have been more or less affected such as carpentering, painting, cement tiles industry, etc.. (64)

Due to war conditions, however, some industries developed, such as the cotton spinning and weaving industry, the wine making and beer industry, flour milling and matches industries, and in general all industries using locally produced raw materials.

After the British occupation of Syria and Lebanon, the situation became quite different as a result of the opening of the sea. The industrialists could import raw materials, spare parts and new machinery. The fuel became again abundant. For instance, the cement factory of Damascus which had ceased producing in the beginning of 1941 because of the lack of mazout, opened again and in 100 days had an output seven times greater than that of 1940. (65)

(63)- Ibid.,p.10.

(64)- Ibid.,p.11.

(65)- Ibid.,p.12.

Table 20
Lebanon's Most Important Industries.
1938-1942.

Items	Units	(66) 1938	(67) 1939	(68) 1940	(68) 1941	(68) 1942
Macaroni	Tons	970	1,375	1,450	1,402	450
Biscuits	Tons	400	280	214	198	40
Chocolates	Tons	190	235	145	100	
Alcohol	Kilos	269,020	351,735	585,297	733,409	627,36
Beer	Litres	1,558,054	3,063,253	1,121,819	3434,409	4793518
Arack	Kilos	153,396	910,066	215	714,578	753743
Jams	Tons	185	185	23,930	180	800
Matches	1000 boxes	14,980	27,360	2,550	25,696	27577
Soap	Tons	2,000	2,550	5,500	1,500	2000
Olive Oil	Tons		2,800	45,500	2,700	12000
Cologne Water	Litres	8,236	21,729	1,350	20,000	
Cotton Thread	Tons	820	910	320,000	1,200	1150
Hosiery	12 pairs	189,000	220,000	89,568	250,000	390000
Cement	Tons	171,000	169,285		67,862	171966

Similarly the soap factories received great quantities of sodium hydroxide and were able to increase their production. Moreover, all unemployment disappeared as a result of the

(66)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, p.193.

(67)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.53.

(68)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.72.

Table 21
 Syria's Most Important Industries.
 1938-1942.

Items	Units	(69) 1938	(70) 1939	(70) 1940	(71) 1941	(72) 1942
Macaroni	Tons	275	1,095	680	1,512	905
Starch	Tons	1,620	1,500	840	574	658
Flour	Tons	138,000	203,000	245,000	210,000	
Soap	Tons	905	690	3,400	2,900	2,600
Olive Oil	Tons		7,150	13,500	6,200	16,000
Cement	Tons	20,000	56,575	2,085	14,455	42,778
Cement Tiles	m ²		7,300	5,000	120,000	10,300
Matches	1000 boxes		9,000	11,000	13,000	85,000
Hides	Pieces	297,705	300,000	340,000	340,000	310,000
Cotton Thread	Tons	400	475	600	945	810
Women's Stocks	10 pairs	130,000	91,000	42,000	28,000	376,000
Stockings	12 "	202,000	158,000	62,000	40,000	
Aghabani	Pieces	56,000	50,000	31,000	5,250	45,280
Hosiery	Pieces	962,000	794,000	636,000	427,000	284,000
Tissus "lafha"	"	280,000	388,000	220,000	212,000	1029,000
Cotton Cloth	"	35,000	35,000	65,000	72,000	13,000
Silk Tissus	"	7,140,000	8893,000	5835,600	3228,900	4107,000

(69)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp.194-196.

(70)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, pp.51-52.

(71)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.70-71.

great demand of the Army for Syrian and Lebanese labourers.

That favorable trend continued during the whole year 1942. Imported raw materials were distributed rapidly and equitably among the different industries. The Refinery of Tripoli was able to produce the fuel necessary. Trade with the countries of the Near East was developed as much as possible. The local market was becoming more important because of the increased purchasing^{power} of a great part of the population and of the demand of the British and French Armies occupying the country.

However, while war conditions have given an impetu to the growth of some existing industries or have given rise to new ones, on the other hand, they have greatly hampered others, such as some of the foodstuff industries. As for the milling industry, though the production of flour mill did not decrease, some mills were obliged to stop running by order of the Supply Department which, in order to facilitate control, decided to concentrate the production of flour. Similarly the production of starch and of macaroni was reduced to a very low figure, because the whole production of wheat was devoted to the making of bread. Again the cement production, inspite of the great demand of the Army, was still smaller than it was before the war. The total production of Syria and Lebanon dropped

(72)- As we shall see later, the increased purchasing power of the population was due to the inflatory policy of the Authorities and to the large benefits made by some traders and industrialists out of war conditions.

(73)- This is very surprising as it is well known that both factories are working at full capacity.

from 254,000 tons in 1938 to 214,704 in 1942.

On the other hand, foodstuff conserve industry greatly increased its production because of the demand of the foreign troops; its output passed from 1,341 tons in 1941 to 6,000 tons in 1942. ⁽⁷⁴⁾ Similarly, the textile industry doubled its activity. The cotton spinning factories worked day and night to satisfy the demand of the weaving industry. The locally produced cloth replaced the foreign one. The difficulty of importing artificial silk yarn somewhat hampered the silk weaving producers who more and more turned to the production of cotton cloth.

Moreover, new institutions were born out of the war conditions. Two cardboard factories were opened in Damascus in 1941 and worked at full capacity in 1942. They produced during the latter year 7,000 ^{units} ⁽⁷⁵⁾ pieces. Similarly glass-making was introduced using the sand and the limestone available in the country as well as the old ^{pieces} ⁽⁷⁶⁾ pieces of glass. It produced bottles, glasses, pots, inkstands and especially insulators for the telephon and telegraph lines. More than 5 million ^{units} ⁽⁷⁶⁾ pieces were produced in 1942. Numerous other less important concerns were also created. The result was that the supply of goods to be imported diminished appreciably, thus enabling the Authorities to reserve the shipping space available for the import of war equipments and to the movement of troops.

(74)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.10.

(75)- Ibid., p.11.

(76)- Ibid., p.12.

Chapter 3

CONTROL OF DISTRIBUTION OF MATERIALS FOR TRANSPORT AND
BUILDING:A- Control of Benzine and Rubber Tyres.

Before the war, Syria and Lebanon used to import their benzine requirements mainly from Rumania and Palestine. After the outbreak of the war, imports from Rumania stopped, but benzine continued to come from Palestine and other Middle-East countries. Until the French defeat in June 1940, there was no shortage of benzine and the transport by automobiles was not hampered, though the import of cars and lorries from America had become difficult. The number of automobiles imported passed from 1956 in 1939 to 872 in 1940. (1)

After the French defeat, however, and the resulting English blockade, the situation became quite different. Syria and Lebanon had to live on the supplies of benzine accumulated before the war. Those supplies were not very large and, consequently, in order to prevent their too rapid consumption, a rigid system of rationing was needed. In July 1940, the High Commissioner

(1)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.14.

decided to place benzine under a régime of controlled distribution. ⁽²⁾ Nobody could buy, sell, import or give outright any quantity of benzine without the authorization of the General Department of Supply. The petroleum companies and their agents were not allowed to sell their benzine except against delivery of ration "bons" which were given to the drivers by the responsible authorities. Moreover, those companies were obliged to sell their benzine at the price fixed by the authorities.

Every month, ration "bons" were distributed to the drivers enabling them to buy certain quantities of benzine. These "bons" could not be bought or sold, and were to be used during the month for which they were intended. At the beginning, the quantity of benzine allocated to each driver was fairly large and allowed him to run the greatest part of the month. But as the stock of benzine held in the country was diminishing and as no new import was possible, that quantity was continuously diminishing. Accordingly, a law was issued authorizing the drivers to work only every other day, or fifteen days a month. Cars with even numbers were allowed to run in even days, and cars with odd numbers on odd days. Exception, however, was made for trucks that carry goods and for lorries and buses that carry merchandise and passengers. ⁽³⁾

(2)- Arrêté 189LR of 10.7.40.

(3)- Arrêté 213LR of 23.9.40.

The lorries were to receive the benzine they needed for the transport of goods from official bureaus located in the different towns of the country, where the conditions of transport were determined and the benzine given accordingly. Buses for the transport of passengers were treated in a similar way. (4)

In spite of the foregoing measures, the Authorities saw clearly that something had to be done if the country was not to become very soon short of benzine. Large amounts of raw petroleum were accumulated in the tanks reservoir of the Irak Petroleum Company in Tripoli. The High Commissioner thought of refining that petroleum in order to produce the benzine and other fuels necessary for the economy of the country. A refinery was, therefore, built in Tripoli in September 1940 and by the end of that year it had already produced 3,000 tons of fuel. In 1941, its production reached 14,500 tons. (5) In this way, the Authorities could continue their monthly distribution of benzine to the drivers, but the rationed quantity had to be reduced considerably.

When in July 1941, the Allied Armies occupied

(4)- Arrêtés 260LR of 17.10.40 and 129LR of 26.5.41.

(5)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.11.

Syria and Lebanon, they brought with them large quantities of benzine. The system of rationing was not abolished, but the rations were increased and the cars were again allowed to run every day. (6)

But soon after another problem arose confronting the Authorities responsible for the good running of the system of transport by automobiles. The occupation by Japan of the East Indies Islands in January-March 1942 caused a scarcity of rubber in all the United Nations. Syria and Lebanon found it very difficult to import new tyres from America or elsewhere. A shortage of tyres, therefore, ensued and their prices rose to unprecedented heights. In order to remedy that situation, and to restrict as much as possible the consumption of rubber tyres, the Authorities decided to prohibit the running of private cars except those used for the general benefit of the country. Since November 1942, no private cars have been allowed to run without special permission. (7)

Moreover, and for the same purpose, the taxis were again authorized to run only every other day, or 15 days a month. (8)

(6)- Arrêté 102FL of 21.8.41.

(7)- Arrêté 524FC of 26.10.42.

(8)- Arrêté 525FC of 26.10.42.

In addition, the trade in tyres was put under the control of the Authorities. All purchase, sale, exchange and holding of tyres without authorization was forbidden. Any person owning tyres had to notify the "Service du Contrôle de la Circulation et de l'Emploi des Pneumatiques" ⁽⁹⁾. This department was entrusted with the ⁽¹⁰⁾ following functions:-

- (a)- to deliver special authorizations for the circulation of private cars and of taxis (in forbidden days),
- (b)- to sell tyres at reasonable prices,
- (c)- to determine the needs of Syria and Lebanon in tyres, lorries, spare parts for cars and to try to import them,
- (d) fix the retail selling price of benzine,
- (e)- to distribute the ration "bons" of benzine, to regulate the transport of goods and to control the consumption of benzine, and
- (f)- to fix, when it is possible, the rates for the transport of goods and passengers.

In spite of the foregoing measures tyres remained very scarce throughout the year 1943.

(9)- Arrêtés 526, 527 and 528FC of 26.10.42.

(10)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.14.

B- Distribution Control of Building Materials.

Before the war, the Syrian and Lebanese building industry depended partly on locally produced materials, such as cement, and partly on materials of foreign origin such as steel, iron and timber. A small amount of timber was, however, produced in the country. By hampering the import trade of Syria and Lebanon, and by reducing their productive capacity because of the shortage of fuel, raw materials and spare parts, the war has much affected, therefore, the supply of materials used in the building industry. This is why, in order to prevent the country from becoming short of most of those materials, a system of controlled distribution was instituted since the first days of the war, and a special commission was set up to ration the consumption of those materials. ⁽¹¹⁾ Different measures were enacted concerning the distribution control of cement, iron and steel, and timber.

a- Cement.

Before the war, Syria and Lebanon used to produce all the cement necessary for their building industry. Large amounts of cement were also exported every year mainly to the neighboring countries and to France. Table 22 gives the Syrian and Lebanese production of cement between 1938-1942.

(11)- Decision 280 of 30.9.39.

Table 12

Syrian and Lebanese Production of Cement.

1938-1942.
(in tons)

Year	Syria	Lebanon	Together
1938 (12)	80,000	171,000	251,000
1939 (13)	56,575	269,000	225,575
1940 (14)	2,035	-	
1941 (14)	14,445	67,862	82,307
1942 (14)	42,778	171,966	214,744

As shown by the above Table, the production of cement has much decreased as a result of the war. The Syrian factory of Damascus reduced its production to 2,035 tons in 1940 because of the lack of mazout, and it ceased producing at all in the first days of 1941. ^{(15) It resumed} There is work again after the British occupation in July 1941. are no figures for the Lebanese production in 1940, but, presumably it had also dropped to a level much lower than that of 1939. In 1941, Lebanon produced only 67,862 tons. The Commission entrusted with the distribution control of materials for construction had, therefore, to adopt strict

(12)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp.193-196.

(13)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, pp.51-53.

(14)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.70-71.

measures towards the rationing of the consumption of cement. The whole of the output of the two factories in Syria and Lebanon was taken over by the General Department of Supply. The greater part of it was reserved to the Army. The remaining part was to be distributed among the civilian population. The Authorities, however, were very strict in their distribution of cement, which was given out only when the construction to be undertaken was of general interest to the community, such as the carrying out of agricultural and industrial schemes. Only in very rare cases, was cement granted to be used in the building of houses in the cities.

In 1942, the production of cement increased again and reached the pre-war levels. But as the demand of the Army was very great, the proportion reserved for the civilian population remained relatively small. Consequently, the General Department of Supply continued to sell out cement only when it was absolutely necessary for the country.

b- Iron and Steel.

Before the war, Syria and Lebanon depended, for their iron and steel requirements, wholly on their imports from foreign countries. But as the greatest part was imported from France, the supply of iron and steel

remained relatively large even after the outbreak of the hostilities in Europe. But in order to prevent the cornering of those materials, the Authorities decided, in November 1939, to place them under a régime of controlled distribution. Nobody was allowed to import, buy or sell an amount of those materials exceeding one ton, without authorization. The authorization was secured from the General Department of Supply.

(15)

It was only after the French defeat in June 1940, and the resulting English blockade, that a relative shortage of iron and steel ensued on the market. The building industry had to live on the stocks accumulated in peace time. In order to prevent a too rapid consumption

(15)- Arrêté 327LR of 22.11.39; the followings were the kinds of iron and steel:-

- round steel for concrete, from 5 to 24m/m.
- round iron No.3, all dimensions.
- iron IPN, all dimensions.
- ordinary black sheet iron from 1 to 5 m/m of width.
- waved sheet iron.

of those supplies, a system of rationing was adopted in November 1940. All purchase and sale of iron and steel without authorization was prohibited. A system of ration "bons" was instituted. Those who wanted to buy steel or iron had to secure a "bon" from the General Department of Supply. Those ration "bons" were to be used within the week after their delivery. They could not be bought and sold. They could serve only to the person to whom they were given by the Authorities. ⁽¹⁶⁾

c- Timber.

The timber needed by the Syrian and Lebanese building industry was, before the war, partly produced locally, and, partly, imported mainly from Rumania. As long, therefore, as the Mediterranean Sea was opened, there was no need for regulating the distribution of timber, which remained the only material for construction which could be traded in freely. In June 1940, however, when because of the British blockade, no new supplies of timber could be imported, the amount available in the country had to be controlled, as the local production was not large enough to meet the requirements of the building industry. Consequently, timber was included in the number of controlled materials for construction. It was placed under a régime of controlled distribution similar to that applied for the

(16) - Article 248 LR of 15.11.40.

the trade in iron and steel. A system of ration "bon" was instituted. No one could buy any amount of timber without special authorization of the General Department of Supply.
(17)

(17)- Arrêté 147LR of 11.6.40. Timber was classified as follows:-

- Wood Katrini No.384/a1
- Wood Bayan No.384/a2
- Pine Wood No.384/b.
- Buech Tree No. 384/c
- Oak Wood No.384/d.

Chapter 4

CONTROL OF DISTRIBUTION OF FOOD AND PHARMACEUTIC PRODUCTS.

A- Governmental Departments entrusted with the supply of the

 country.

A few days before the outbreak of the war, the French High Commissioner established the General Department of Supply (Direction Générale du Ravitaillement),⁽¹⁾ the function of which was to insure to both Syria and Lebanon their supply in food and other essential commodities. In order to facilitate its working, it was given the right of compulsory acquisition of any foodstuff, raw material, or fuel necessary for the smooth running of the general economy of the country.⁽²⁾ It was divided in two Departments, the Department of Local Production and the Department of Foreign and Internal Trade. The Department of Local Production was entrusted with questions relating to the distribution of goods, the control of consumption, the
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(1)- Arrêté 185LR of 26.8.39 puts into effect Arrêté 10M of 3.9.38.

(2)- Arrêté 149LR of 11.6.40 modified by Arrêté 365LR of 27..2.40.

evaluation of the respective needs of the Army and the civilian population, the determination and the conservation of stocks, the study of costs, the rationing and requisition policies and the control of distribution. The Department of Foreign and Internal Trade was charged with the finding of markets, the making of agreements with the neighboring countries, the determination and evaluation of the media of exchange and the control of foreign and internal trade. Moreover it was authorized to regulate the relation of traders with the Customs Administration and with the Office des Changes, to fix prices and to repress any fraud, speculation or cornering. (3)

The General Department of Supply proved to be more or less unable to solve most of the problems under its authority. Its authority was too concentrated, indeed, to be effective. The High Commissioner decided, therefore, to decentralize its functions. A "Commission Supérieure du Ravitaillement" was created with the function of solving problems of interest to both Syria and Lebanon. Moreover each state was to have its own Department of Supply to solve its own peculiar problems. (4)

The "Commission Supérieure du Ravitaillement" was composed of a representative of the High Commissioner,

(3)- Arrêté 20LR of 1.2.41.

(4)- Arrêté 100LR of 6.5.41.

of one delegate of the Syrian Government and one delegate of the Lebanese Government. It was to meet in Damascus and in Beirut. Its main functions were: (1) to fix the prices of essential articles, such as sugar, rice, soap, charcoal, cotton and cotton thread; (2) to determine the quantities of wheat necessary for each state and the procedure of purchase of wheat and the fixing of its price, and to control the conditions of its transportation and partitioning; (3) to determine what could be exported and what should be imported to satisfy the needs of the civilian population and of the Army; (4) to examine the requests of exportation and importation; (5) to fix the price and the quantity to be given to each state of rationed goods and goods under control; and (6) to prepare the laws aiming at suppressing cornering and illegitimate rise in prices, those laws to be enacted separately by the Governments of Syria and Lebanon.

The decision taken by the "Commission supérieure du Ravitaillement" were communicated to the Syrian and Lebanese Governments by their respective delegates, which had to adopt measures in accordance with those decisions. As the delegate was very often an influential member of the Government, it was very unlikely to have a deadlock between the "Commission Supérieure du

Ravitaillement" and the local Authorities.

The functions of the local Departments of Supply were: (1) to fix the prices of goods outside the control of the "Commission Supérieure du Ravitaillement"; (2) to enforce the prices fixed by the "Commission Supérieure du Ravitaillement" and to repress cornering and illegitimate rise in prices; (3) to deliver licences of exports and imports within the amounts determined by the "Commission Supérieure du Ravitaillement"; (4) to deliver "bons" for the rationed articles; and (5) to purchase wheat for the immediate needs of the population and for the accumulation of stocks according to the plan drawn by "Commission Supérieure du Ravitaillement".

The new system of control was much more effective than the preceding one. While it enabled some degree of decentralization, it made it possible to adopt more effective measures and led to a better enforcement of the laws enacted. Moreover, though it maintained a superior body for dealing with the problems of common interest to Syria and Lebanon, it created local departments of supply thus safeguarding the internal autonomy of these countries.

In January 1942, a new department, the War Economic Office (Office Economique de Guerre), was created to work side by side with the "Commission Supérieure du Ravitaillement". The functions of the War Economic Office

were to adapt the economy of the country to war conditions by guiding individual initiatives and by directly managing certain enterprises, ⁽⁵⁾ to develop the industrial and agricultural production in order to reduce imports to a minimum, to import certain essential goods which could not be imported in large quantities, and ,to help in providing ⁽⁶⁾ facilities for internal transport of goods.

Besides the foregoing departments dealing with the general control of essential supplies, a number of offices were established to control supplies of particular classes of commodities. The work of those offices will be discussed with the control of commodities with which they were entrusted. The chief commodities subjected to distribution control were: wheat and other cereals suitable for bread making and the pharmaceutical goods.

B- Control of Wheat and Other Cereals Suitable for Bread Making.

Syria and Lebanon together are self-sufficing in wheat; in years of good crop they even have a surplus. Excess of wheat over local requirements used to be exported mainly to Palestine and Turkey. The pre-war annual local

(5)- Arrêté 64FI of 31.1.42.

(6)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.25-27.

requirements of wheat and other cereals suitable for bread making may be estimated at 525,000 tons. The estimate is figured on the basis of a population of 3,500,000 inhabitants with a consumption of 150 kilos per person.

Of the 525,000 required for human consumption, 500,000 tons represent wheat consumption, ⁽⁷⁾ and the balance barley, maize and sorghum consumption.

The problem of wheat, at the beginning of the war was not so much a question of encouraging the production, or facilitating the import, of that cereal. It was a question of preventing cornering and speculation.

Still remembering the starvation that occurred during the last World War, the Syrian and Lebanese population, following the outbreak of the hostilities, began accumulating large amounts of wheat for fear of future shortage. Moreover the traders, expecting a rise in the price of wheat due to the increased demand of the civilian population and of the army, started cornering wheat as well as other essential commodities.

In order to stop that frenzy of excessive buying an order was issued on January 30, 1940, compelling any person holding more than 5 tons of wheat to notify the Authorities, who were given the right to requisition any amount necessary for the supply of the country. ⁽⁸⁾ The price

(7)- LE COMMERCE DU LEVANT, of 19.9.39.

(8)- Arrêté 23LR of 30.1.40.

Table 20
Wheat Production in Syria and Lebanon.
(in tons)

Year	Quantity
1934	443,042 (9)
1935	507,035 (9)
1936	427,390 (10)
1937	468,845 (10)
1938	627,265 (11)
1939	- (12)
1940	601,960 (13)
1941	473,075 (13)
1942	507,385 (14)

to be paid for the requisitioned wheat was set ~~at~~ at
23.57.5 the ton. Besides, any purchase or sale of wheat
was not to exceed that official price. That tariffication
(15)

(9)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1935, pp.510S-512S.

(10)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1937, pp.779S-781S.

(11)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, p.873S.

(12)- No information available.

(13)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU
LIBAN, 1940-41, p.31.

(14)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU
LIBAN, 1942, p.41

(15)- Communiqué officiel of 26.1.40 published in LE COMMERCE
DU LEVANT of 30.1.40.

Table 2A (16)
 Rise in the Wholesale Price of Wheat.
 1938-1943.

Month	Price of a ton. (in piasters)
January 1938	75.00
June 1938	70.00
January 1939	50.00
June 1939	50.00
January 1940	85.00
June 1940	75.00
January 1941	150.00
June 1941	220.00
January 1942	200.00
June 1942	750.00
January 1943	1000.00
June 1943	850.00

however, was not respected and, in the market, the price of a ton of wheat rose to about FS.75 in June 1940. (See Table 2A) On November 26, 1940, the High Commissioner prohibited any person from holding more wheat than needed by his family, and any merchant from holding more than necessary for his

(16)- For 1938, BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, pp.876-88
 880S.

For 1939, 1940 and 1941, RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, pp.56-61.

For 1942 and 1943, *figures collected by the author.*
~~author's personal information.~~

trade or profession. ⁽¹⁷⁾ Several days later, an order was issued prohibiting the circulation and transport of wheat, flour and barley without authorization of the Department of Supply. ⁽¹⁸⁾ The effects of the new measures, however, were very slight. The traders continued refusing to sell their wheat at the official price. It should be noted that the official price was really too low. It had been fixed in the first days of 1940 when the cost of living was relatively low. In December of the same year, the situation was quite different. ~~In December of the same year, the situation was quite different.~~ The price level had risen very much; moreover the taxes on agriculture had been increased by about 40% in Syria and the cost of transportation had almost doubled. ⁽¹⁹⁾ It was not fair, therefore, to require the Syrian farmer to sell ^{his wheat} at the price that was fixed ten months earlier. It is interesting to note that while the official price was £8.57.5 the ton in Syria, the same quantity was sold in Turkey, Palestine and Iraq at the equivalent of £8.100. That explains why the Syrian agriculturists tried to hide their crops, or smuggled it to the neighboring countries.

(17)- Arrêté 310LR of 26.11.40.

(18)- Arrêté 320LR of 4.12.40.

(19)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, pp.33-34.

In January 1941, the official price of a ton of wheat was raised to £3.70.⁽²⁰⁾ The new price did not satisfy the traders who continued cornering their stocks, and the price in the black market continued to rise until it reached about £3.220 in June 1941. (See Table 27 above).

When the Allied Forces occupied Syria and Lebanon the fear of the possibility of importing large amounts of wheat from India and Australia led the speculators to sell part of their stocks. As a result, the prices of wheat dropped a little in the market, but after a very short time they rose again.

It was, then, that was conceived the celebrated "Spears Plan" which consisted of making free the purchase, sale, holding and transport of wheat or any other cereal suitable for bread making. All preceding legislation was abolished.⁽²¹⁾ The idea was that the Authorities would import large quantities of wheat from India and Australia and would sell them at such reduced prices that the local traders would be compelled to sell their holdings at the same price. The United Kingdom Commercial Corporation imported about 16,000 tons of wheat which were sold at £3.205 the ton.⁽²²⁾ The immediate result was that the prices in the black market dropped to about the same level. But, because of the

(20)- Decision 184/AE/AD/41 of 9.1.41.

(21)- Arrêté 472PL of 13.12.41.

(22)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.22.

entrance of Japan in the war on the side of Germany and Italy, the British Authorities were obliged to stop the import and sale of wheat. The quantities already sold were too small indeed to have any permanent effect on the market. The greater part had been bought by a few rich speculators who did not resell it to the retailers. The "Spears Plan" had only helped, therefore, to enable the speculators to replenish their stocks at relatively low prices. After the abandonment of the plan, the prices rose again and reached about £S.750 in June 1942.

The old legislation was again adopted. The declaration of wheat, flour, barley, maize and sorghum was made obligatory in Syria as well as in Lebanon. (23) A new price was fixed; the ton of wheat was to be sold at £S.350 (24) the ton.

By April 1942, the nature of the problem had changed. The Authorities were not as much interested in checking a new rise in the prices as in preventing the new crop of 1942 from disappearing by cornering as the wheat imported under the "Spears Plan" did. In order to prevent

(23)- Decree 459NI of 26.3.42 in Lebanon, and decree 92AS of 1.4.42 in Syria.

(24)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.43.

future cornering the French Delegate General created in April 1942 what is usually called the O.C.P. (Office des Cereales Panifiables), and gave it the monopoly of purchase importation, transportation and sale of cereals suitable for bread making. ⁽²⁵⁾ The Council of the O.C.P. consists of representatives of Syria, Lebanon, France and Great Britain. Its purpose is to insure the supply of the towns and the non-cereal areas with wheat and other cereals at reasonable prices. The programme of the O.C.P. consists in buying from the agriculturists the quantities exceeding their needs (food and seeds for the next year) and then in handing it over to the local Departments of Supply which are entrusted with the distribution of wheat to the population. The agriculturists are prohibited to sell their wheat to any other person than the O.C.P.. Similarly any trade in, or export of, wheat is forbidden. The prices paid by the O.C.P. for cereals purchases are fixed by special decisions of the Commission of Control. Table 25 shows the prices fixed for the crops of 1942, which remained in force for the year 1943 also. The prices of sale to the public were much higher. For instance the price of wheat was on the average about 50 piasters per kilo, or 23.500 per ton. These prices, however, were much lower than those prevailing in the black market.

(25)- Arrêté 229LR of 21.4.42.

Table 25
Fixed Prices of Cereals. (26)

Items	Prices (in ES. the ton)
Wheat	350
Barley	
Kachabi	200
Black	225
White	250
Sorghum	250
Maize	275

In order to facilitate its purchase operations, the O.C.P. fixed the quantities that must be delivered by each locality. The quantities demanded from the different regions are in proportion to their productive capacity estimated according to their output during the preceding years. Table 26 shows the quantities that were to be handed over by each locality in the year 19421

(26)- Decisions 3, 21 and 41 of the Commission of Control of the O.C.P.

Table 26

Amounts of Wheat and Barley Demanded from the Different
(27)
Localities in 1942.
(in tons)

Localities	Wheat	Barley
Hauran	50,000	10,000
Djebel-Druze	7,000	-
Damascus	10,000	5,000
Homs	15,000	5,000
Hama	20,000	5,000
Aleppo	20,000	8,000
Euphrates	40,000	5,000
Djezireh	50,000	-
Latakia	7,000	4,000
Lebanon	8,000	3,000

In 1942, the O.C.P. received much less wheat and barley than it expected. The peasants did their best to hide as much as they could from their crop in order to sell it in the black market and to profit from the high prices prevailing there. Nevertheless, thanks to the O.C.P. the local Departments of Supply were able to continue their monthly distribution to the population of cereals suitable for bread making, though at a declining rate (from 12 to 7
(28)
kilos).

(27)- Decision 52 of 21.11.42.

(28)- For the Rationing of Cereals Suitable for Bread Making .

See Chapter 5, section d.

B- Distribution Control of Pharmaceutic Products.

Before the war, Syria and Lebanon used to import the drugs they needed mainly from Germany and France. The outbreak of the hostilities in Europe closed one of their most important markets. As long, however, as the Mediterranean Sea was opened, the Syrian and Lebanese traders could continue importing from France most of the necessary pharmaceutic goods. No special legislation concerning the trade in those articles was, therefore, enacted.

After the defeat of France in June 1940 and the resulting British blockade, the situation became quite different. Cut from their markets, Syria and Lebanon had to depend solely on the stocks they had accumulated in peacetime. It was quite natural that since no new import was possible, the traders thought of hiding the amounts they were holding in order to profit from future advances in prices. To check that speculative holding, the High Commissioner was given the right to ask for a declaration of the quantities of pharmaceutic goods held by any person. ⁽³⁰⁾ This measure enabled the Authorities to make

(30)- Arrêté 147LR of 11.6.40.

a more or less exact inventory of the quantities available in the country and to legislate accordingly. The holders of drugs were compelled to post up the prices they were charging for their goods. Those prices could not exceed by more than 10% the import cost, taken into consideration the transport cost and the duty paid. ⁽³¹⁾ Moreover, in December 1940, the High Commissioner was given the right to requisition any pharmaceutical goods necessary for the supply of the country. ⁽³²⁾ Those goods were placed under a régime of controlled distribution. Any person holding a certain quantity of those products had to conform to the prescriptions given by the Authorities. At the same time, there was created a technical committee for the control of trade in pharmaceutical goods (Comité Technique de Contrôle du Commerce des Produits Pharmaceutiques), the functions of which were: ⁽³³⁾ (a) to determine what should be imported, (b) to control the distribution of the imported products among the different territories, (c) to control the conservation of stocks and (d) to control prices according to existing legislation.

Thus the trade in lacteous and dietic goods of foreign origin, such as Aledine, Phosphatine, Nestogine,

(31)- Arrêté 173LR of 22.6.40

(32)- Arrêté 345LR of 27.12.40.

(33)- Arrêtés 246LR of 2.10.40 and 12LR of 20.1.41.

Quaker Oats, Janet Flour and so on, was controlled; those products being reserved only for children and sick people. Their use in industry (Confectionery, pastry, etc.) and in hotels, restaurants, cafés and bars was completely prohibited. (34)

When the Allied Armies occupied Syria and Lebanon a great deal of pharmaceutical goods was imported from Palestine and England. The whole situation became much better than under the time of the blockade; many drugs and medical dressings appeared again on the market.

The new Delegate General of the Free French Forces profited from those new conditions to make an inventory of the amounts of pharmaceutical products available in the country. Any person holding medicines, specialities, chemical goods, sanitary articles, surgical dressings, lacteous and dietic goods and in general all products, goods and materials relating to the art of healing was obliged to notify the authorities. (35) The Delegate General abolished all past legislation and enacted a new law which was designed to fit with the new conditions created by the Allied occupation. (36) Two new Commissions were created. The first was a technical commission the functions of which were: (a)- to determine what should be imported, (b) to

(34)- Decisions 10.025/AE/40 of 4.12.40 and 10.329/AE/40 of 14.12.40 and Arrêté 163LR of 21.7.41.

(35)- Arrêté 201FL of 11.9.41.

(36)- Arrêté 274FL of 5.11.41.

distribute the available goods among the different territories, (c) to control the conservation of stocks and (d) to propose measures to ensure the supply in those goods. The second was a control commission the functions of which were to propose measures for organizing and controlling the internal trade in those goods and to fix their prices and enforce them.

In order to facilitate the working of those two commissions, the pharmaceutical products were divided into two different categories, each of them subjected to a special legislation. In the first category were included all medicines, specialities, chemical goods, medical and surgical dressings. The second category was composed of the lacteous and dietic goods, sanitary articles and, in general, all articles connected with the art of healing other than those in the first category. The import and export of all those goods were subjected to an authorization. Internal trade in the articles of the second category was free, whereas goods of the first category could not be sold to the public except by pharmacists and authorized persons. These, in turn, could not get goods from the wholesalers except against delivery of "bons" which had to be secured from the Authorities. Prices were fixed differently according to the nature of the articles. The prices of specialities were fixed by the control commission

and were to be posted up on the goods concerned. The prices of the other items of the first category were fixed by the Syndicate of Pharmacists and were to be accepted by the control commission. The prices of the articles of the second category were fixed by the sellers who were to justify their prices when asked for by the control commission.

Moreover, certain goods could be placed under a régime of special control after advice of the technical commission; that was the case for some lacteous and dietic goods.

The new legislation was, therefore, much more comprehensive than the preceding one. It took into consideration the nature of the goods concerned and the degree of their scarcity. Moreover, it established a more rigid system of control which greatly facilitated the enforcement of the decisions taken. Thus the official prices were more respected and evasions were less frequent.

Chapter 5

CONTROL OF CONSUMPTION

As ~~it~~ has already been stated, the war has caused a considerable decrease in the imports of manufactured goods and of raw materials for the industry of the country. At the same time the population has increased by the presence of a large army and a large number of refugees, together probably exceeding 50,000 souls. A very strict policy of restriction was, therefore, needed. Measures had to be adopted in order to prevent a too rapid consumption of the available commodities essential for both the Army and the civilian population. The chief methods used for restricting consumption were inflation and rationing. Heavy taxation as a method of reducing consumption by civilians was not used because Syria and Lebanon were not countries in war and, therefore, did not have to raise greater revenue to support armies. Some increase in taxation had to be made in order to cope with the increase in public expenditures necessitated by the rise in general prices.

A- Inflation.

Inflation, which is in effect a form of taxation has been the most effective method of restricting consumption. Since the Libano-Syrian currency is based upon the franc and redeemable into franc exchanges, it was very simple for the

French Mandatory Power to secure Libano- syrian currency from the Bank of issue, the Banque de Syrie et du Liban, against franc deposits and French Government Bonds. It was also simple for the British Authorities, after fixing the rate of sterling in Libano- Syrian currency, to secure the needed currency for its army expenditures in Syria and Lebanon against sterling deposits and British Government bonds. By creating currency de novo, the French and British Authorities and their armies were able to compete with the civilian population in the purchase of the available supplies, and therefore restrict their consumption. The degree of such restriction is shown by the rise in currency inflation from month to month. Table 27 shows the volume of currency in circulation at the end of each six months period since January 1940.

The shortcoming of this method of restricting consumption is the fact that it does not provide equitable distribution of the burden of restricted consumption. Some people because of war profits were able to consume more than ever before; while others had their consumption reduced very appreciably because of their much reduced real income.

2- Rationing.

The more just method used for the restriction of consumption has been the rationing system instituted by the Authorities since the outbreak of the hostilities in Europe. The general idea was to conserve sufficient supplies

Table 27
 Currency Circulation in Syria and Lebanon, 1936-1943. (1)
 (in \$ 1000)

Year	Banknotes	Silver Coins	Subcoins	Papernotes of 5,10,25	Total
1936	21,165	1,586	576	-	23,327
1937	23,700	1,956	665	-	26,321
1938	30,850	2,216	684	-	33,750
1939	47,850	2,197	689	-	50,736
January 1940	48,500	2,191	721	-	51,412
July 1940	57,350	2,209	720	-	60,279
January 1941	63,750	2,230	711	-	66,691
July 1941	105,350	2,248	720	-	108,318
January 1942	105,550	2,248	726	-	108,524
July 1942	151,750	2,248	745	284	148,947
December 1942	193,250	2,250	745	1,527	197,772
July 1943	223,500	a	a	a	
October 1943	289,000	a	a	a	

- (1)- Figures for 1936-1941 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.66.
- Figures for 1942 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.86.
- The figure of July 1943 is from the "Annexe du Journal Officiel de la République Syrienne", No.32 of 23.8.1943.
- The figure of October 1943 is from the "Journal Officiel de la République Syrienne", No.46 of 25.11.1943.
- a- No figures available.

of some important commodities for poor persons against better-to-do persons who would otherwise force up the price and take nearly all the supplies available. Two different methods of rationing were adopted. The first consisted of forbidding the consumption of certain articles during some days of the week and was applied to meat and confectionery. The second consisted of fixing maximum monthly rations for individual purchases of certain other articles, and was applied to the consumption of wheat, sugar and benzine. It is generally believed that rice was also subjected to a régime of restricted consumption. Rice, however, was never rationed in either Syria or Lebanon, but fixed quantities of rice were distributed from time to time at reduced prices in order to insure to the poor a small supply of that essential commodity.

a- Meat.

For their meat consumption, Syria and Lebanon before the war, used to depend in part upon imports of living animals mainly from Turkey, Iraq and Transjordan. After the outbreak of the hostilities, the imports necessarily diminished as a result of the measures adopted in those countries with the view of restricting the exports of essential articles. The price of meat, consequently, rose. Until the French defeat, however, the rise was very slow. (See Table 28).

The English blockade after June 1940 resulted

Table 28

Retail Prices of Meat, Sugar, Rice and Bread in Syria and
(2)
Lebanon, 1938-1942.

		Meat	Sugar	Rice	Bread
		(price of a kilo in piasters)			
January	1938	50	12	12	9
March	1938	40	10	13	9
June	1938	35	14	15	9
September	1938	45	14	16	9
January	1939 (3)	-	-	-	-
March	1939	-	-	-	-
June	1939	-	-	-	-
September	1939	-	-	-	-
January	1940	60	25	16	9.5
March	1940	55	25	16	9.5
June	1940	50	25	17	9.5
September	1940	65	40	25	10
January	1941	95	50	34	11
March	1941	105	80	34	15
June	1941	95	100	40	30
September	1941	115	60	30	40
January	1942	160	70	60	30
March	1942	250	110	100	45
June	1942	200	125	200	70
September	1942	250	155	255	90
December	1942	300	175	250	90

(2)- For 1938, averages of prices as given for Damascus,
Aleppo and Beirut in BULLETIN ECONOMIQUE TRIMESTRIEL
1938, respectively pp.876S, 878S and 880S.

in the cessation of trade with Iraq and Transjordan. The number of local ^{live} ~~living~~ ^{stock} animals was decreasing appreciably due to the great demand of the civilian population and of the army. In order to restrict consumption and to conserve

For 1940-41, average prices as given in RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, pp.56-61.

For 1942, average prices as given in RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942 pp.82-84.

(3)- No figures available for 1939.

Table 24
 Syrian and Lebanese Live Stock.
 1938-1942.

Kind	(4) 1938	(5) 1939	(5) 1940	(5) 1941	(6) 1942
Beef	491,918	426,155	502,200	490,000	514,000
Sheep	3,079,877	2,757,677	3,095,000	2,768,500	2,342,000
Goats	2,630,988	2,302,897	2,719,700	2,661,400	1,919,000
Pigs	9,643	7,180	10,010	8,455	5,000
Total	6,212,426	5,493,909	6,326,910	5,928,355	4,780,000

the Syrian and Lebanese live stock, the Authorities adopted a policy prohibiting the consumption of meat in certain days of the week:— On Mondays and Tuesdays, the consumption of all kinds of meat, except ^{hork} that of pigs, was forbidden. On Wednesdays, the consumption of beef was forbidden. And on Fridays, the consumption of the ^{hork} meat of pigs and of fresh sausages was prohibited. Similarly, the slaughtering of animals was forbidden ^m the days where the consumption of their meat was prohibited.

(4)- BULLETIN ECONOMIQUE TRIMESTRIEL, 1938, p.870S.

(5)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.9.

(6)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.9.

(7)- Arrêté 212LR of 23.8.40, as modified by Arrêté 362LR of 24.12.40.

Those measures helped very much in restricting consumption, though evasion of the law was frequent. The number of animals slaughtered diminished in 1941, passing from 714,000 in 1940 to 619,000 in 1941. ⁽⁸⁾ The number of live stock continued diminishing, however, passing from 6,326,910 in 1940 to 5,928,355 in 1941. (See Table 29 above).

When the Allied Forces occupied Syria and Lebanon it was again possible to trade with Iraq and Transjordan. All measures concerning the restriction of meat consumption were abrogated. But in spite of the resumption of imports of live stock from Iraq and Transjordan, the number of living animals in Syria and Lebanon diminished in 1942, and the prices of meat rose to unprecedented heights. As shown by ^{Table 28} ~~Diagram-1~~ the price of a kilo of ^{mutton} ~~meat of sheep~~ rose from 100 Syrian piasters in July 1941 to 190 in July 1942. That great rise in price cannot be explained except by the large demand of the Army. The authorities were, therefore, compelled to adopt once more a policy of restriction of consumption. Both the Lebanese and the Syrian Governments enacted in the early part of 1942 measures prohibiting the consumption and the sale of meat on Mondays, Tuesdays and Wednesdays. ⁽⁹⁾ But in spite of that, the price of a kilo of meat of sheep reached 300 piasters in December 1942, and the number of living animals fell to 4,780,000, or about two-thirds of their

(8)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.8.

(9)- Decision 170NI of 9.3.42 for Lebanon and Decree 45AS of 21.2.42 for Syria.

number in 1938. The different local Authorities have tried to fix the price of meat. Every now and then, a schedule of prices was published in the different towns. But evasion was always very frequent.

b- Sugar.

 At the outbreak of the war, the difficulty of importing sugar became evident. In order to avoid speculation and cornering, the Authorities required that any person holding quantities of sugar in excess of one ton had to declare them. ⁽¹⁰⁾ Besides, they reserved to themselves the right to requisition that quantity for equal distribution among the population. ⁽¹¹⁾

Apparently, these measures did not help ⁱⁿ bringing down the prices which, in January 1940, reached the level of 25 piasters the kilo as compared with 12 piasters the kilo before the war. (See Table 28 and ~~Diagram 1~~ above).

After the defeat of France in June 1940, the situation became even more serious as the prices were rising very rapidly. The Authorities, then, thought of producing sugar in the country. Syria and Lebanon used to produce about 80,000 quintals of sugar cane. ⁽¹²⁾ A special order was, therefore, issued reserving the whole crop for the production

(10)- Arrêté 25LR of 30.1.40.

(11)- Arrêté 149LR of 11.5.40.

(12)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-1941, p.39.

of sugar. The sugar cane was to be sold to the factory of El-Abdé at 12 pounds the ton. ⁽¹³⁾ The output of locally produced sugar was, however, small and of very low quality and could not, therefore, compete effectively with sugar of foreign origin the price of which continued rising and reached the level of 100 piasters the kilo in July 1941.

When the British occupied Syria and Lebanon, large amounts of sugar were imported from Egypt. As only ⁽¹⁴⁾ the authorities had the right to import sugar, and because the imported sugar was intentionally sold at low prices, the price in the black market dropped to 85 piasters the kilo.

In October 1941, a ^{loose} rigid system of distribution and rationing was instituted in Lebanon. The sugar was placed under a régime of controlled distribution. The supply of sugar imported by the Government was sold at fixed prices to authorized retailers who were not allowed to resell it to the public except against delivery of "bons". Those "bons" were given by the Department of Supply to the public, thus enabling them to buy fixed quantities of sugar at reduced prices. Thus while the price of sugar in the black market was 90 piasters the kilo in October 1941, the Government sold it at 45 piasters. This official price was, however, raised to 80 piasters when the price in the black market reached 175 ⁽¹⁵⁾ piasters. The amounts sold to the public at reduced prices

(13)- Arrêté 297Lr of 12.11.40.

(14)- Decree 38 of 31.8.41.

(15)- Those figures are taken from RAPPORTS SUR LA SITUATION ECONOMIQUE EN SYRIE ET LIBAN, 1940-41 and 1942, respectively p.56 and 30.

were very small indeed. Very often only half a kilo was allotted to one person. ^{per month} One should add that the distribution was not regular. In several months, no sugar at all was distributed to the population.

The same measure was also applied in Syria in 1941. ⁽¹⁶⁾ Moreover, from time to time, large amounts of sugar were sold by the Syrian Government to some retailers to be resold to the public at reduced prices. ⁽¹⁷⁾ The general idea was to compel the speculators to reduce their prices. But as no rationing system existed, the speculators used to buy a large amount of the supply sold by the government, thus replenishing their stocks at the reduced prices. As the amount sold by the Government dropped, prices rose again, and speculators were able to reap large profits.

In 1942, the Authorities' monopoly for importing sugar was abolished. Any merchant was allowed to import sugar and to sell it in the market, provided he handed over to the government 20% of the amount imported. ⁽¹⁸⁾ In that way, the Authorities could continue their sale and distribution of sugar at reduced prices.

(16)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.20.

(17)- Decree 363 of 31.8.41.

(18)- Decree 213 of 3.9.42.

c- Sweetmeats.

The shortage of sugar and its high price has much affected the trade in sweetmeats so important in Syria and Lebanon and especially in Damascus. During the time of the British blockade, in order to restrict the consumption of sugar, a law was enacted prohibiting the making and the sale of cakes, pastries, fresh and conserved confectioneries, chocolates, sweets and candies, ice-creams except on Fridays, Saturdays and Sundays. (19)

The law was abrogated when the Allied Forces occupied Syria and Lebanon and the import of sugar from Egypt and the East Indies became once more possible. (20) However, when Japan entered the war on the side of Germany and Italy and occupied all the Dutch colonies of the East Indies, a shortage of sugar again occurred. Both the Syrian and the Lebanese Governments were compelled to restrict the consumption of sweetmeats. The same measures that they had previously taken were readopted. (21)

(19)- Arrêté 193 LR of 18.7.40.

(20)- Arrêté 445 FL of 2.12.40.

(21)- Decree 163 NI of 15.4.42 for Lebanon and 60 AS of 5.3.42 for Syria.

d- Cereals suitable for bread and flour.

It is not intended to analyse in this section the whole problem of wheat and other cereals suitable for bread making. The discussion is restricted to the rationing of these cereals and their derivatives.

Lebanon was never self-sufficient in wheat. It always depended upon Syria for a large proportion of its consumption of this article. After the outbreak of the war it became difficult to secure from Syria the usual amounts, because Syria was anxious to insure an adequate supply of wheat for its own population. Shortly after the war, therefore, the Lebanese Government adopted a system of rationing which consisted of distributing to the population a fixed amount of wheat or flour per person at reduced prices. (22) Until April 1942, the ration was in the average about 10 kilos of wheat or its equivalent in wheat flour. It should be mentioned, however, that the distribution was irregular particularly in the villages. The prices charged were most of the time about 50% less than the prices in the black market. (23)

In Syria, where wheat is abundant, no similar measure was adopted until April 1942. Before that date, however, in order to keep down the price of bread, the

(22)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.20.

(23)- Ibid., p.57.

Government used to supply the bakeries with the necessary flour. In that way the price of bread could be maintained at a relatively low level. Thus, in Damascus, during the whole year 1940, bread was sold at the price of 8.5 piasters the kilo. This price was raised from month to month until in April 1942 it reached 40 Piasters.

At that time was created the "Office des Cereales Panifiables", which was entrusted with the monopoly of purchase, transportation and distribution of wheat in both Syria and Lebanon. All previous measures were abandoned and a new unified policy was applied in the two countries. The amount of wheat available for distribution by the O.C.P. was divided among the Ministries of Supply of Syria and Lebanon, presumably on the basis of their relative needs. Between April and December 1942, the Departments of Supply were able to allot to every person 12 kilos of white bread per month. In December 1942, the rations were slightly reduced, and changed to cereals or flour. The distribution and consumption of bread made with less than 30% of flour of barley, maize or sorghum were prohibited. Consequently

(24)- Ibid.,p.20.

(25)- Ibid.,p.58.

(26)- Henceforth referred to as O.C.P.

(27)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN? 1942,p.24.

(28)- Decision 56f 5.11.42.

the Departments of Supply distributed those cereals together with wheat when cereals were distributed, and mixed flour when flour was distributed. The O.C.P. has, thus, succeeded in insuring more or less adequate supply of this essential food material.

Chapter 6
CONTROL OF PRICES:

A- The Rise in Prices and its Causes.

The war has caused a considerable increase in the wholesale and retail prices in Syria and Lebanon. The index number of wholesale prices has passed from 100 in June 1939 to 772 in November 1943. Table 30 shows the rise in the wholesale prices in Beirut as reflected by the rise in the wholesale prices of 58 articles.

Table 30
Weighted Index Number of Wholesale Prices, 1939-1943. ⁽¹⁾

Basis: June 1939:100.

Month	Foodstuff	Raw Materials	Fuel	Manufac. Goods	Building Materials	General Index
June 1939	100	100	100	100	100	100
Dec. 1939	135	181	115	135	141	126
June 1940	-	-	-	-	-	-
Dec. 1940	195	181	165	238	268	188
June 1941	-	-	-	-	-	-
Dec. 1941	529	465	198	538	441	399
June 1942	671	336	298	529	673	435
Dec. 1942	803	536	429	814	832	643
June 1943	806	790	453	1440	960	718
Nov. 1943	862	766	546	1442	929	772

(1)- Figures for 1939-1942 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.85. Figures 1943 are from REVUE ECONOMIQUE MENSUELLE, April, Novem., 1943

The retail prices have also risen in about the same proportion. The index number which was 96 in June 1939 rose to 800 in December 1943. Table 31 shows the advance in the retail prices in Beirut as reflected by the rise in the retail prices of 18 articles of great necessity.

Table 31
Index Number of Retail Prices. (2)
(August 1938-July 1939:100)

Month	Index Number
June 1939	96
December 1939	122
June 1940	126
December 1940	183
June 1941	271
December 1941	347
June 1942	500
December 1942	665
June 1943	725
December 1943	800

(2)- Figures for 1940-41 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.62.

Figures for 1939 and 1942 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.80.

Figures for 1943 have been collected by the author from the LE COMMERCE DU LEVANT of June and December 1943.

The rise in the wholesale and retail prices has caused a great enhancement in the cost of living. It is calculated that the cost of living has increased about 4 times during the four and half years of war. The index number of the cost of living in Beirut has passed from 100 in the first semester of 1939 to 490 in November 1943. Table 32 shows the rise in the cost of living.

Table 33
Index Number of the Cost of Living in Beirut. (3)
First Semester 1939:100.

Month	Food	Rents	Clothing	Education & others	Direct Taxes	General Index
January 1940	114	102	110	166	100	110
July 1940	-	-	-	-	-	-
January 1941	-	-	-	-	-	-
July 1941	-	-	-	-	-	-
January 1942	334	133	260	178	187	233
July 1942	452	142	333	165	187	285
January 1943	-	-	-	-	-	-
July 1943	564	190	372	254	233	419
November 1943))))	-	-	-	-	-	490

(3)- Figures for 1940-42 are from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.85. Figures for 1943 are from REVUE ECONOMIQUE MENSUELLE, of July and November 1943.

In Syria and Lebanon, several factors have led to the great rise in prices, the most important of them being the monetary-inflation. The amount of banknotes in circulation in Syria and Lebanon has passed from 47,850,000 Syrian pounds in December 1939 to 289,000,000 in October 1943. This tremendous increase in the monetary circulation has created a large surplus of funds seeking investment in the market. These funds could not be exported because of the exchange control. Moreover, because of war conditions, they could not also be used to finance large scale importation. They had to remain in the Syrian and Lebanese market, thus occasioning a considerable rise in both the wholesale and the retail prices.

Another factor responsible for the rise in prices was the large demand of the foreign armies which, since the outbreak of the hostilities, have occupied the country. Large amounts of money were spent by the authorities in order to maintain those Armies, thus increasing the competition for the goods available in the market. The result was a great rise in the general level of prices.

On the other hand, the difficulty of importing foreign articles, and the curtailment of local production caused by the shortage of raw materials, machines and fuel, led to^a decrease in the supply of goods available on the market and, thus, accounted for a further advance in prices.

Once it was felt that there was a relative shortage of the essential commodities, the home purchasers, instead of buying ordinary amounts, purchased in advance of their needs. This frenzy of excessive buying greatly aggravated the situation and led to a still greater rise in prices. Moreover, the Syrian and Lebanese traders, remembering their experiences of the last war, started accumulating great stocks of goods and holding them for future advances in prices. The result of that criminal speculation was a still greater curtailment of the supply of goods offered on the market and a corresponding increase in prices.

A system of control was, therefore, necessary. Various measures were adopted by the Authorities, which varied from time to time according to the circumstances and the conditions involved. The present chapter is devoted to a discussion of these measures. The control of rentals and of salaries and wages are studied in the next chapter.

The Authorities thought, firstly, of controlling prices directly by fixing specific rates, then by adopting a general policy of price ceiling, finally, when that policy proved a failure, a more comprehensive selective price control was adopted. In 1943, the Authorities relied more and more on indirect measures of control, such as the regulation in the use of gold, the restriction of bank credit, the authorization of export of capital to the countries of the Sterling Area and finally the regulation of discount business.

All those steps are going to be studied separately. The chronological order is followed as much as possible.

B- Direct Measures.

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a- First Measures (August 1939- June 1940).

Even before the outbreak of the hostilities in Europe, a small rise in the prices had appeared on the Syrian and Lebanese markets. For a few months, the war had seemed inevitable. The Well-to-do persons, afraid of a possible shortage of the most essential commodities, had started buying their needs for one or several years ahead. The traders, remembering their experiences of the last World War had started accumulating large amounts of the most important non-perishable goods with the idea of selling them in the future with great profits. That increased demand manifested itself by a little advance in prices.

In order to check that rise, the Authorities adopted the method of fixing maximum prices for essential commodities and imposed strict penalties on evaders. ⁽⁵⁾ In order to facilitate the enforcement of this law, the shopkeepers in localities having more than 4,000 inhabitants were obliged to post up the prices they were charging for

(5)- Arrêté 184LR of 26.8.39.

(6)
the goods subject to tariffication. In this way, it became easy to see whether or not the law was obeyed.

Evasion was, however, very frequent. The traders used to post up the official prices and to ask for higher ones. As the people were anxious to get what they needed because of the fear of a possible shortage in the future, they were ready to pay any price provided they could insure their own supply for the coming years.

In the first days of 1940, the feeling grew that the war was going to last for years. This feeling gave a new impetus to cornering. The shopkeepers preferred to hide their goods rather than to sell them at the official price. The result was that most of the essential commodities disappeared from the market or were sold secretly at very high prices. The Authorities were unable to stop those transactions and the more the situation of France seemed desperate, the more the prices mounted in the black market, until the French defeat in June 1940 completely changed the physionomy of the Syrian and Lebanese markets.

b- Price Ceiling Policy.

After the French Armistice, the feeling that no

(6)- Arrêté 331 LR of 25.11.39.

new supplies could be imported because of the English blockade occasioned a rapid rise in all prices even those of the locally produced articles. Cornering and speculation increased. A number of persons started accumulating large stores of goods with the idea of making money rapidly. As shown by Table 3B, the index number of retail prices which was 128 in December 1939 reached the level of 180 soon after French defeat. (October 1940).

Upset by this rapid rise, the Authorities decided to adopt very stringent measures in order to bring about a decrease in prices. An order was issued, in October 1940, freezing all prices at the level prevailing in June 10, 1940. No goods were allowed to be sold at higher prices than those asked for on the above-mentioned date. The law considered as illegal any rise in price above that prevailing the tenth of June 1940 except when it was justified by the fluctuations in the import cost. (7)

The price ceiling policy was met with great opposition by the traders. Petitions were sent to the High Commissioner asking him to abolish the law or at least to amend it. The Chamber of Commerce as well as the Chamber of the Representatives of Commerce criticized very energetically the existing legislation and proposed different solutions for the problem of mounting prices. Their

(7)- Arrêté 257LR of 12,10.40.

(3)
criticisms may be summarized as follows:-

- (1)- It is very difficult to determine even approximately the level of prices prevailing on June 10, 1940. The same article was sold at different prices in different localities and even in different places within the same locality. Which price is to be considered as legal?
- (2)- Many traders have bought large supplies of goods after the tenth of June 1940 and have paid for them prices higher than those prevailing at that date. It is not fair, therefore, to compel them to sell at a price lower than the purchase price.
- (3)- To bring back the prices to the level of June 1940 would be detrimental to the economy of the country. As a matter of fact, that level would seem very advantageous to the consumers who would immediately buy large stocks of the most essential commodities in order to insure their supply for the coming years. Furthermore, the speculators would profit from the relatively low prices in order to replenish their stocks with the idea of selling them with large profits secretly in the black market. That run to the shops

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- (8)- These criticisms are published by LE COMMERCE DU LEVANT, of 22, 24, and 26 October 1940.

would occasion a rapid extinction of the amounts offered on the markets. Is it not much better to let the prices go up slowly in order to restrict purchases and to prevent a too rapid consumption of the available supplies.

(4)- Finally a distinction should be made between necessities and luxurious articles. Whereas it is fair to fix the prices of necessities at a relatively low level, is it not also fair to allow the traders to compensate themselves by letting them charge high prices on the articles of luxury?.

These were the main criticisms levied against the policy of price ceiling. One can add that such a policy can be adopted only when the advance in prices is due solely to shortage. It cannot be applied in a period of monetary inflation. As it has already been shown in the section dealing with the question of inflation, the amount of money in circulation had passed from 50,736,000 Syrian pounds in 1939 to 83,957,000 in 1940. ⁽⁹⁾ That increase in the money in circulation, must have been the chief cause of the rise in the general level of prices. Any policy of price ceiling to be fair, had to take this ^{fact} into consideration.

An amendment of the law was, therefore, necessary. The traders in Beirut had proposed many solutions, the most

(9)- See Chapter 5, Table 27.

important of them being the creation of special commissions which will be entrusted with the fixing of specific prices, taking into consideration the interests of the consumers and of the merchants and the benefits of the general economy of the country. The advantages of such a solution were evident and it was soon adopted by the Authorities,

although the price ceiling policy was never repealed, *in the sense that the law fixing a ceiling to all prices was not abrogated. It was simply no more enforced.*

c- Selective Price Control.

The freezing of all prices at the level prevailing on June 10, 1940 had proved unfair for the great majority of traders. All prices could not be treated alike. Moreover, because of the English blockade and the resulting shortage of most of the essential commodities, a certain advance in the prices was necessary if a too rapid consumption of the available supplies was to be prevented. This necessity was felt by the Authorities who soon adopted a selective price control policy. A maximum selling price, differing according to the nature of the articles concerned, was to be determined by official commissions especially created for that purpose. Those commissions were to prepare schedules of wholesale and retail prices at which articles subject to tariffications should be sold. ⁽¹⁰⁾ That measure was

(10)- Arrêté 309LR of 26.11.40 as amended by Arrêté 29LR of 10.2.40.

on Many points superior to the policy of price ceiling enacted a month earlier. In the same time that it accorded different treatments for different kinds of goods, it made the prices more flexible. The Authorities were made able to readjust prices when necessary for the general economy of the country.

The country, however, was full of speculators and profiteers who always refused to sell at the official prices inspite of the very strong penalties applied on those who openly refused to sell at the fixed rates or asked for
(11)
higher ones.

The Authorities tried to check speculation by prohibiting any person ^{to store} ~~to hold~~ more than necessary for his family and for his business. An order was issued on November 1940 compelling any person who was holding an amount of goods exceeding his legitimate needs to sell this excess in the market before the 25th of December 1940, or before a
(12)
month.

Apparently very few speculators obeyed the law. The prices continued rising in the market. The index number of wholesale prices rose to 188 in December 1940. The index number of retail prices reached 183 in December 1940, and 271 in June 1941, or one month before the Allied occupation of Syria and Lebanon. (See Tables 30 and 31).

(11)- These penalties are given by Arrêté 29LR of 10.8.40.

(12)- Arrêté 31OLR of 26.11.40.

At that time, it was hoped that the opening of the sea and the incorporation of Syria and Lebanon in the Sterling Area would cause a drop in the prices due to large imports of most of the essential commodities. That feeling, however, lasted only very little as it became soon evident that the large demand of the Armies would more than counterbalance the small supplies that could be imported. The merchants, therefore, who had sold part of their stocks, once more started accumulating goods in anticipation of future advances in prices. Speculation doubled its activity inspite of the strong penalties applied by the authorities such as trying before the Military Court those who refused to sell at the fixed prices or hold more goods than justified by their legitimate needs. (13)

In 1942, the Syrian and Lebanese Governments were entrusted with the task of checking speculation and cornering. In June 1942, they prohibited by decree any person to hold more goods than the normal needs of his family, and any trader to hold more goods than necessary for his commerce or business. The surpluses were to be sold in the week that followed the enactment of the order. Moreover it was also prohibited to any person to trade in goods which were not included in his ordinary commerce. (14) But this

(13)- Arrêté 209FL of 14.9.41.

(14)- Decree 189NI of 16.6.42 for Lebanon and Decree 150AS of 16.6.42 for Syria.

decree like all the preceeding ones remained on paper. The public services were not equal to the job with which they were entrusted. They were not efficient enough to carry out the existing legislation.

By the end of the year 1942, the index number of wholesale prices reached 643 and that of the retail prices rose to 665. (See Table 30 and 31 above).

In 1943, the Authorities continued their attack on speculation and cornering. Measures were adopted regulating the trade in different basic commodities in order to prevent speculative rises in prices. In June 1943, both Syria and Lebanon enacted decrees prohibiting any future sale and purchase of some of the most important goods usually subject to speculation and cornering, such as artificial and natural silk yarn, cotton thread, cotton tissues, wool and sugar.⁽¹⁵⁾

But the effects of all those measures on prices could not be felt as the amount of money in circulation was increasing considerably. This tremendous inflation was making any decrease in, or even any stabilization of, prices impossible. Both the wholesale and the retail prices continued rising during the whole year 1943. The index number of wholesale prices reached 772 in November 1943 and that of the cost living 490 whereas they were respectively about 650 and 400 in the first days of 1943. (See Table 30 and 32)-

(15)- Arrêté 940 of 7.6.43 for Syria and arrêté 527R of 21.7.43 for Lebanon.

The Authorities tried to reduce a little the purchasing power in circulation. It is that policy, inaugurated in May 1943, that we are going to describe in the next section.

Indirect Measures.

The indirect measures used by the Authorities to control prices were aimed at combatting the speculators by limiting their purchasing power. As a matter of fact, as we have already said, one of the main reasons for the rise in the prices was the abundance of funds seeking investment. In order to diminish the supply of available funds, different measures were adopted, such as the regulation of the use of gold, the restriction of Bank credit, the export of capital to the countries of the Sterling Area, and the control of the discount business.

a- Regulation of the Use of Gold.

Soon after the outbreak of the war, because of the rise in the price of gold, the Authorities have adopted a measure prohibiting the use of ^{the} gold pound in any commercial transaction. All trade contracts were to be fixed in Syrian and Lebanese currency. ⁽¹⁶⁾ Theoretically speaking, the gold pound had ceased to be money and was

(16)- Arrêté 18LR of 26.1.40.

bought and sold in the market merely as a commodity. The Authorities had hoped that when gold ~~was~~ demonetized, it would have no more influence on the price level. But the fact is that people were never quite rid of the influence of gold. It can be said that, in general, a rise in the price of gold was always accompanied by a simultaneous rise in the general level of prices. When the people lacked confidence in the national currency, they bought gold, and since gold, in the interior, was still considered as the only standard of value, a rise in the price of gold resulted inevitably in an advance in the prices of the essential commodities. Table 33 shows the fluctuations in the prices of the Sterling and the Turkish gold pound.

Up till 1943, the Authorities were convinced that since gold was no more legal money, the fluctuations of its prices could have no influence whatsoever on the price level. That is why until March 1943 no measure was taken tending at regulating the use of gold in some way or another. The price of gold was left uncontrolled and its use free.

In March 1943, however, in a press conference, Professor Leduc, the Economic Adviser of the Delegation General, gave his opinion that the movements in the prices of gold had much to do with changes in the price level and said that measures were going to be taken in order to prevent any such relationship in the future. (17) The first

(17)- LE COMMERCE DU LEVANT, of 23.3.43.

Table 33

Fluctuations in the Price of Gold in Libano-Syrian pounds. (18)
(1939-1943)

Date	Sterling gold pound	Turkish gold pound
December 1939	18.95	16.65
January 1940	20.03	18.01
June 19 1940	41.43	34.70
December 1940	26.27	22.59
January 1941	28.00	24.64
June 1941	29.88	24.86
December 1941	32.40	26.53
January 1942	32.65	28.27
June 1942	47.83	39.27
December 1942	43.23	37.13
January 1943	44.04	38.00
June 1943	70.00	64.25
September 1943	41.50	35.50

of those measures was the regulation of the use of gold. Gold could no more be used as a collateral in any lending operation. The banking institutions were prohibited to

(18)- Figures for 1939-42 were taken from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1940-41, p.63, and from RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU LIBAN, 1942, p.88. Figures for 1943 were collected by the Author from LE COMMERCE DU LEVANT, of January, June and September 1943.

(19)
 lend any amount of money against gold or jewelry. The aim of that measure, as it was put by Professor Leduc, was to diminish the fluctuations in the price of gold and to prevent those fluctuations be taken as a pretext for similar movements in the price level.

Table 33 shows a rather considerable decrease in the price of gold after June 1943. As a matter of fact, the Sterling gold pound which was sold at 70.00 in Beirut in June 1943 was sold at £S. 41.50 in September of the same year. That drop was not due, however, to the above-mentioned law but partly to the large quantities of gold pounds that were offered for sale by the Banque de Syrie et du Liban on behalf of the British Authorities with the idea of putting down the price of gold, and partly to the authorization of exporting capital to the countries of the Sterling Area and to the regulation of the discount business that we are going to describe in the coming sections.

b- Attempts to limit inflation.

As we have seen at the beginning of this chapter, one of the main causes of the rise in prices in Syria and Lebanon was the monetary inflation. Since the beginning of the war, the large expenditures of the Armies occupying the country have created an excess of money in circulation, which, because of the prohibitions of its export and investment abroad and of the difficulties of its use in purchasing foreign articles, was to remain in the local market. It was used mainly either for buying gold or

(20)
Table 34

Prices of the Most Important Syrian and Lebanese Securities
(in francs)

Security	1939	1940	1941	1942
Banque de Syrie	1,200	2,200	2,200	2,200
Cie. du Levant	235	300	470	1,300
Ciment (Stocks)	1,000	1,250	2,500	7,500
Ciment (Bonds)		300	600	7,000
D.H.P.	653	750	800	2,000
Eaux Beirut (Stocks)		5,000	7,000	7,000
" " (Bonds)	4,000	5,200	5,500	6,000
Electricity Aleppo	350	350	700	2,600
Electricity Homs		600	1,000	2,000
Kadisha (Stocks)	800	900	1,100	3,600
Port Beirut	1,248	2,000	3,900	9,000
Radio Orient		2,500	3,900	9,000
Régie des Tabacs	1,500	2,300	4,000	7,500
Ste. Immobilière		500	750	1,100
Industrie Nationale	350	500	2,000	6,000
Trams Beirut	542	850	1,400	4,500
Trams Damascus		250	350	1,200

securities, or for cornering large supplies of goods with the idea of selling them in the future with great profits.

That frenzy of excessive buying, due to the availability of large funds seeking investment was one of the main causes of the rise in prices in Syria and Lebanon. Tables 30 and 33 have shown respectively the rise in the wholesale prices and the rise in the price of gold. Table 34 above shows the rise in the price of some of the most important Syrian and Lebanese securities.

To bring down the prices of goods as well as of gold and securities, it was ^{not} enough to fix official prices and to compel the traders to conform with them. Measures had to be taken to decrease the amount of money in circulation so as to diminish the purchasing power of the speculators and of the whole population in general. The first attempt to limit inflation was made in 1942 when the Banque de Syrie et du Liban tried to restrict the amount of credit granted to the public and, then, in 1943, when the Authorities allowed the export of capital to the countries of the Sterling Area and regulated the discount business.

1- Policy of Credit Restriction.

The policy of credit deflation was inaugurated in January 1942 when, because of the entrance of Japan in the war on the side of Germany and Italy, the prices went up considerably. The idea was to restrict ^{the} credit granted to the traders in order to make them unable to

store great quantities of goods over a long period of time. Many speculators found it impossible in this way to get new credits and were, therefore, compelled to sell a part or the whole of the goods they were holding at rather reduced prices in order to be able to meet their previous obligations. The result was a great drop in prices, especially in the prices of those articles usually subject to speculation and cornering. Table 35 shows the fall in the prices of four essential commodities. The decrease in price was so great for some other articles, too, that 5 merchants in Aleppo and 7 in Damascus went bankrupt and were obliged to suspend their payments. (21)

(22)
Table 35

Fluctuations in the Prices of Four Articles, Nov. 1941-March 1942.
(in piasters)

Commodity	Quantity	Nov. 1941	Dec. 1941	Jan. 1942	Feb. 1942	March 1942.
Coffee "Ceylan"	Kilo	140	180	200	190	170
Cotton Piece Goods "Cat and Hat".	Piece	1,717	2,450	2,250	1,700	1,600
Silk Yarn.	Oke	1,500	2,700	2,850	1,900	1,400
Cotton Thread.	Oke	2,100	2,400	2,150	1,600	1,300

(21)- RAPPORT SUR LA SITUATION ECONOMIQUE DE LA SYRIE ET DU
LIBAN, 1942, p.20.

(22)- Ibid., p.20.

2- Export of Capital.

As we have seen shown in Chapter 1, when dealing with the question of exchange control, any export of capital from Syria and Lebanon was prohibited since the third of September 1939. In May 30, 1943, in view of the rapidly increasing inflation, the Authorities decided to allow the export of capital to the countries of the Sterling Area. In this way Syria and Lebanon could get rid of a part of the huge amount of purchasing power seeking investment in their markets. An order was issued authorizing any person to send any amount of money to the countries of the Sterling Area. ⁽²³⁾ The result was a drop in the prices of gold, goods and securities. As is shown by Table 33, the price of the sterling gold pound dropped from £S.70.00 in June 1943 to £S. 41.50 in September. Similarly for the prices of securities. The price of the "Kadisha" stock which was 225 on the first of June went down to 120 pounds in September. The "Shekka Ciment" Stock also experienced a drop in price of about 50%, passing from £S.450 in June to 220 in September 1943. ⁽²⁴⁾ The wholesale prices were affected in a similar way. In Beirut as shown by Table 36, the wholesale prices dropped from 721 in May 1943 to 704 in the July 1943.

(23)- Arrêté 235FC of 30.5.43.

(24)- Figures were collected by the author.

Table 36
Index Numbers of Wholesale Prices, 1943 (25)

Month	Foodstuff	Raw Materials	Fuel	Manufac. Goods	Build. Mater.	General Index
March 1943	821	671	457	1124	840	693
April 1943	832	675	458	1138	905	708
May 1943	819	733	453	1483	938	721
June 1943	806	790	453	1440	960	718
July 1943	808	757	454	1398	970	704
August 1943	782	668	534	1313	976	717
Sept. 1943	820	645	534	1230	940	726
Octob. 1943	830	757	534	1335	929	747
Novem. 1943))))	862	766	546	1422	922	772

5- Regulation of the Discount Business.

The policy of restricting the credit advanced by banks was found insufficient to bring about the desired restriction of speculation in commodities. The speculators had other sources of getting credit in addition to banks. They could secure credit from the small money lenders and the discount houses. This is why the Authorities decided in the first days of June 1943 to regulate the discount business. An arrêté was enacted allowing only few authorized

(25)- The figures are taken from REVUE ECONOMIQUE MENSUELLE, March-November 1943.

Table 37

Wholesale Prices of Some Essential Commodities in Beirut.
(June-July 1943)

(26)

Item	Quantity	June	July
Red Onions	100 Kilos	29	20
Sanné "Hadidi"	8	550	525
Rice "Rachidi"	"	165	155
Sugar	"	270	240
Hides	"	175	150
Cotton 'hread No.20 Parcel		32	32
Cat and Hat	Piece	41	37

banks and discount houses to discount commercial papers. Moreover no paper could have a maturity of more than thirty days. ⁽²⁷⁾ The result was that some of the speculators were obliged to sell part of their holdings of goods. Wholesale prices dropped accordingly. Table 37 shows the fall in the wholesale prices of some important commodities usually subject to speculation. The index number of the cost of living in Beirut experienced also a small decrease. (See Table 38 below).

As shown by Table 37 and 38, however, the decrease in prices was only temporary. This can be explained by the fact that the small reduction in the monetary circulation due to the foregoing measures was more than

(26)- REVUE ECONOMIQUE MENSUELLE, July 1943.

(27)- Arrêté 240FC of 2.5.43.

Table 38
 Index Numbers of the Cost of Living, 1943. (28)

Month	Food	Rents	Clothing	Education & others	Direct Taxes	General Index
May 1943	542	181	631	253	233	401
June 1943	564	190	672	254	233	419
July 1943	610	192	690	262	233	440
August 1943	552	196	661	263	233	416
Sept. 1943	597	203	685	286	233	438
Octob. 1943	593	203	738	313	233	456

counterbalanced by the currency created de novo in order to maintain the foreign armies occupying Syria and Lebanon. As a matter of fact, the amount of banknotes in circulation has passed from 233,500,000 in July to 289,000,000 in October 1943. (See Table 27). The inflationary influence of the new 65,000,000 pounds in circulation more than compensated the small reduction in prices due to the deflationary policy of the Authorities. The index number of wholesale prices rose again to 747 in October and 772 in November 1943. Similarly the index number of the cost of living reached 456 in October 1943.

(28)- These figures are taken from REVUE ECONOMIQUE MENSUELLE, of May-October 1943.

Chapter 7

CONTROL OF WAGES, SALARIES AND RENTS.

According to official publications, the index number representing the cost of living has passed from 100 in the first semester of 1939 to 490 in November 1943. (See Table 32). It is generally believed, however, that the official figure is too low and that the cost of living has increased from 500 to 600 per cent. The low official figure can be explained by the fact that it includes official prices which in practice are almost never applied in the market.

A large proportion of the Syrian and Lebanese population was not affected by that advance in the cost of living as their income had increased in an equal and sometimes greater proportion. Among those who were hurt most were the wage-earners and the salaried people.

Very often the Authorities were obliged to intervene in order to readjust the income of those people in accordance with the rising price level. It is those government interferences in the realm of wages, salaries and rents that are studied in the present chapter.

A- Control of Salaries and Wages.

Even before the outbreak of the hostilities in

Europe, the situation of the Syrian and Lebanese wage-earners and salaried people was not satisfactory. The depreciation of the franc after September 1936 and consequently that of the Syrian and Lebanese currency brought about a corresponding rise in the price level. According to a study made by the High Commission in 1939, the index number of the cost of living passed from 100 in the period October 1935-September 1936 to about 190 in 1939 whereas in the same period wages and salaries increased only from 15 to 20 per cent. (1)

During the war, the situation of the wage-earners and the salaried people became even worse. Salaries and wages could never catch up with the continuously rising cost of living. It fact it is a common feature of periods of inflation that wages always lag behind mounting prices. That exceedingly bad situation attracted the attention of different responsible Authorities who, separately but more or less simultaneously, adopted measures for the readjustment of wages and salaries.

a- Measures adopted by the Mandatory Power.

It was only in 1941 that the Mandatory Power decided to intervene in the labour problem and to help

8

(1)- Study published in LE COMMERCE DU LEVANT, of 27.4.39.

both the workers and the employees by readjusting their wages and salaries and by building up a kind of a labour code intended for their protection. A "Section sociale" was created for that purpose and also for encouraging the absorption of the labour force in useful industries. The first duty of the "Section Sociale", however, was to fix minimum salaries and wages for the employees and the manual workers in the companies directly or indirectly controlled by the Delegation General, including (a) the enterprises under the financial and technical control of the Delegation General, (b) the public enterprises directly managed by the Mandatory Power, (c) the enterprises having a monopoly granted by the Mandatory Power, and (d) the enterprises profiting from the public works. (2) The minimum wage in each of these enterprises was to be determined by commissions especially created for that purpose by the Delegation General. (3) In the meantime a certain scale of increase over the monthly wages paid in 1936 was provided for all these enterprises: (4)

(2)- Arrêté 405FL of 18.10.41.

(3)- The minimum wages and salaries fixed by the commissions differed according to the enterprises; the mode of procedure for the determination was also different. We give but a few examples in what follows:-
 a- In the "Régie Co-Intéressée Libano-Syrienne des Tabacs et Tombacs", the minimum daily wage was said to be the daily wage actually paid increased by 30 piasters. (Arrêté 264FL of 8.5.42).

120%			for those who received less than £S.40 per month
80%	"	"	between £S. 40 and 80 "
60%	"	"	" £S. 80 " 150 "
30%	"	"	more than £S. 150 "

b- Measures adopted by the Lebanese Government.

The first step adopted by the Lebanese Authorities was towards readjusting the salaries of the employees in the public administration. The idea was not to fix minimum salaries but to provide for those employees indemnities for the high cost of living. The indemnities were based on the

b-In the "Companie d'Electricité de Beyrouth " the minimum monthly salary of an employee was fixed at £S.50 and the minimum monthly wage of a labourer working 232 hours a month was fixed at £S.42.5. After three months, the minimum monthly salary had to be increased from 50 to 55 and the minimum monthly wage from 42.5 to 46.75. (Arrêté 265FL of 8.5.42)

c-In the "Société Radio Levant" the minimum monthly wages were:-

1- Employee	£S.98
2- Operator	
First class	101
Second class	98
3- Electricial	
First class	121
Second class	109

d-In the Banque de Syrie et du Liban the minimum monthly salary was that actually paid increased as follows:- (Arrêté 309FL of 8.6.42)

25% in case it was less than £S. 150

20% " " between £S. 150 and 250

10% " " more than £S. 250

e-In the "Compagnie des Eaux" the minimum monthly salary was that actually paid increased by:-

35% in case it was less than, or equal to £S.100

25% " " between £S. 100 and 250

15% " " more than £S.250

(4)- Arrêté 259FL of 25.9.41.

(5)
salaries paid in 1936 in the following way:-

An increase of 120% if the monthly salary was less than £S:40
 " 80% " " " " between £S 40-80
 " 60% " " " " " £S 80-150
 " 30% " " " " " more than £S.150

Similar indemnities were given to all who received government pensions; those pensions were increased according to the following scale:-
 (6)

120% for those receiving less than £S.10 per month.
 80% " " " between £S. 10 and 40 "
 60% " " " " £s. 40 and 80 "
 30% " " " more than £S. 80 "

(5)- Decret legislatif of 9.10.41.

(6)- Decret legislatif of 14.11.41; this scale was changed in August 1942 as follows:- (Decree 211NI of 31.8.42)

120% for monthly pensions less than £S. 40
 80% " " " between 40 and 80
 60% " " " " 80 and 150
 30% " " " more than £S. 150.

A similar relief was found necessary for the people working in commerce and industry, whose situation seemed still worse than that of the government employees. As the supply of labour was relatively very great, there was the fear that the employers would profit from such a situation to bring about a decrease in the wages. Accordingly the Authorities decided to fix minimum wages for employees in commerce and industry. Those minimum wages were to be determined by a special commission. In the meantime, however, a temporary measure was adopted allowing a certain scale of increase over the wages actually paid:-⁽⁷⁾

100%	increase in case the monthly wages were less than £S10
60%	" " " " between £S 10-50
40%	" " " " " £S 50+100
20%	" " " " more than £S.100

It was stipulated, however, that the increased wages should not exceed by more than £S. 75 the wages paid in September 1941.

As it was possible that the employers would react against this law by dismissing a number of their employees, it was decided that within six months after the enactment of the present law, no employer could dismiss any of his

(7)- Decret legislatif of 15.12.41; this law did not apply to:
 a-enterprises under Arrêté 405 WL of 18.11.41. (See p.132)
 b-enterprises having already increased their wages, provided the increase is not smaller than the one fixed by the present law,
 c-agricultural concerns,
 d-family workshops,
 e-Workshops employing a maximum of two workers.

workers unless he could prove the necessity of his action before the court.

But this law, as it has been said above, was meant to be temporary. As a matter of fact, it was abrogated when the special commission entrusted with the determination of minimum salaries finished its work in August 1942. It was then decided that the minimum salaries in the commercial and industrial enterprises were those paid on December 31, 1939 increased according to the following scale:-⁽⁸⁾

120%	if the monthly wages were less than	£S. 10
100%	" " " " between	£S. 11 and 25
70%	" " " " " "	£S. 26 and 50
50%	" " " " " "	£S. 51 and 80
40%	" " " " " "	£S. 81 and 100
20%	" " " " " "	more than £S. 101

The following ^{firms} enterprises falling under the jurisdiction of the Arrêté 405PL of 18.11.41, i.e. the ^{firms} enterprises working under the direct or indirect control of the Mandatory Power, were excluded. Were also excluded (a) the enterprises where the wages ^{had} already been raised provided the increase was not less than that stipulated by the present law, (b) the family workshops.

(8)- Decret législatif 204 NI of 27.8.42.

c- Measures Adopted by the Syrian Government.

The Syrian Authorities were faced by the same problem of salary and wage readjustments that faced the Lebanese Government. Both the public employees and the commercial and industrial workers were in a very difficult situation. Due to the advance in cost of living, their purchasing power decreased so much that there was a fear that the health of that active part of the population might be greatly injured.

The Syrian Government tried first to solve the problem of the ^{government} public employees. In June 1941, it adopted a measure providing for a certain increase in the salaries paid. The increase was to be calculated over the wages paid in 1936 according to the following scale:-⁽⁹⁾

- (a)- in the case where an employee was receiving less than £S.10 a month his salary was raised by 80%.
- (b)- in case where an employee was getting more than £S. 10 his salary was increased as follows:-
 - (1)- 70% on the first £S.10
 - (2)- 30% on the part between £S. 10.01 and £S.50.
 - (3)- 10% " " " £S. 50.01 and £S. 100.
 - (4)- 5% " " " above £S. 100.00.

(9)- Decret legislatif 16AS of 26.6.41.

This scale of increase was changed in October 1941 when it became evident that it was no more in proportion with the advance in the cost of living. The increase was based on the salaries paid in 1936 as follows:-⁽¹⁰⁾

100%	increase on the first	£S. 10
80%	"	on the part between £S:10.01 and £S.50.
40%	"	" " " " £S.50.01 and £S.100.
20%	"	" " " " above £S.100.00.

A year later a still higher scale of increase was adopted, as follows:-⁽¹¹⁾

180%	for those receiving less than	£S. 40.
120%	"	" " " between £S.40.01 and £S.80
90%	"	" " " " £S.80.01 and £S.150
45%	"	" " " " above £S.150.00

A similar policy of readjusting wages to the mounting cost of living was adopted to the salaries of the workers in commerce and industry. In November 1942, the Authorities decided to fix minimum salaries for those workers and a special commission was appointed for this purpose.⁽¹²⁾ The wages were to be increased over those of ^{actually paid} ~~1936~~ according to the following scale:-

(10)- Decret legislatif 7AS of 14.10.41.

(11)- Decret legislatif 285As of 24.11.42.

(13)- Decret legislatif 268AS of 7,11,42.

120%	increase	if	wages	were	less	than	80	piasters	per	day.		
80%	"	"	"	"	"	"	between	80	and	200	piast.	"
60%	"	"	"	"	"	"	"	200	and	400	"	"
30%	"	"	"	"	"	"	above	400	piasters	"	"	"

The following workers were, however, excluded: (a) workers in agricultural enterprises, (b) workers in enterprises included under Arrêté 405 F1 of 18.11.41, (c) servants, (d) artisans in handicrafts where there were only 3 workers and (e) workers in shops where there were not more than 2 employees.

At the same time, a measure was passed forbidding the employers to dismiss any of their employees without a month notice. In case of dismissal, the employer had to pay an indemnity of 2 months salary per year of service of the last three years and an indemnity of 1½ month salary per year of the preceding years. It was also stipulated that if an employee wished to leave his job, he had also to give a month's notice.

Generally speaking the increase in wages provided for by the Syrian and Lebanese Authorities as well as by the Mandatory Power did not rest on a scientific basis. As a matter of fact, the increase was meant neither to give the labourers the same purchasing power^{as} they had in 1936 (the year taken as basis for the increase) nor a relative purchasing power, i.e. a purchasing power reduced in

proportion to the restriction in real national income. The increase was indeed too small to provide either purchasing power. As a matter of fact, the average increase over the wages in 1936 provided for in the latter part of 1942 was roughly about 110 per cent, whereas in December 1942 the cost of living had risen by about 500 per cent over that prevailing in 1936.

B- Control of Rentals.

The problem of rentals as it arose in Syria and Lebanon after the outbreak of the war was different from the problem of wages that we have just studied in the preceding section. The former problem was to check a great rise in rents. The Authorities anticipated that the owners would profit from the special conditions of war, such as the difficulty of building new houses, the greater demand for housing ^{because due to} the military occupation and so on, and would charge very high rents for their houses. Such a situation would have been intolerable to a great majority of the population, especially the labouring classes whose real income, as we have seen earlier, has been greatly diminished since the beginning of the war. Measures had, therefore, to be taken with a view to restricting the rise in rents.

In January 1940, an order was issued by the High Commissioner which provided that all rent contracts for 1939 were to be prolonged for one year without any

(13) increase. The High Commissioner gave no regard to the increase in the cost of living. In December 1940, the High Commissioner again prolonged the rent contracts of 1939 for another year; this time, however, he allowed, for building used for commercial and industrial purposes, an increase of 10% over the rent of 1939. (14) Since November 1941, The Lebanese and Syrian Governments were entrusted with the control of Rents.

a- Measures adopted by the Lebanese Government.

In december 1941, the Lebanese Government issued a decree providing that, except for the agricultural propetties and for houses used for commercial purposes outside Beirut, Tripoli, Saïda, Zallah and the summer resort centers, the rentals for 1942 would be those of 1939 increased according to the following scale: (15)

(1)- Houses used for lodging:-

10%	increase if the rent was between	ES.1 and 250
15%	" " " " " "	ES:251 à 500
25%	" " " " " above	ES.501

(13)- Arrêté 19LR of 26.1.40.

(14)- Arrêté 368LR of 23.12.40.

(15)- Decret legislatif 134NI of 31.12.41.

(2)- Houses used for commerce and industry:-

15% increase if the rent was between £S. 1 and 250

20% " " " " " " £S. 251 " 500

25% " " " " " " above £S. 500 . (16)

The Lebanese law fixing the rents for 1943 was worked out on the same basis and principle as that of 1942.

The law provided that the rents should be those of 1939 increased as follows:- (17)

(1)- Houses used for lodging:-

20% increase if rent was less than £S. 500

30% " " " " " more than £S. 500

40% " " " " " " £S. 1000

(16)- It also stipulated that the rent was to be paid in four instalments even if there were a previous agreement to the contrary, except if the house was used in industry. If, however, the tenant preferred monthly instalments, he had to pay an additional 10% increase on the whole rent, and if he preferred bimonthly instalments, he had to pay an additional 5% . Moreover, if the tenant had already accepted a certain increase, that increase was to be included in that allowed by the law. If the increase was greater than that permitted, the owner was allowed to keep the difference; if the amount was smaller, he could require payment of the remainder. New rents were made independent of the law, and were to be agreed upon between the owner and the tenant. If the owner wanted to live in his house, which was already rented, he had to warn the tenant six months before the end of the lease and had to give before the court the reasons that obliged him to ask for his house. If three months after the tenant had left the house, the owner had not yet occupied it, he would have to pay to the tenant a compensation which would be fixed by the court.

(17)- Decret legislatif 286NI of 14.12.42.

(2)- Houses used for commerce and industry:-

40%	increase	if	rent	was	less	then	£S.	250
50%	"	"	"	"	"	"	£S.	500
60%	"	"	"	"	"	more	than	£S. 500.

Serious objections may be raised against that legislation.

First we may say that the government has tried to control the increase in rentals without determining the reasons of that increase. As a matter of fact, a government's interference in controlling advances in rents can be justified only when these advances are caused by an increase in the demand for housing due to war conditions. When advances in rentals are due to inflation only, no control at all is necessary since rents always tend to lag behind the general price level. In Syria and Lebanon, the presence of a large army occupying the country has occasioned a great demand for housing, especially in Beirut and in some summer resort centers, such as Aley. But, in the other parts of the country, the increase in rents is due to inflation mainly. Moreover, if the demand of the Army has affected the rents of houses used for lodging, it did not act at all on houses used for commercial or industrial purposes. We can say, therefore, that whereas it was necessary to control the rise in the rents of houses used for lodging especially where the demand of the Army was mostly felt, the control of the houses used for commerce and industry was economically unjustifiable.

Secondly it was a mistake to take the year 1939 as the basis of the increase, because at that time the country was living in a great economic depression and, therefore, rents were relatively low. Moreover, in some parts of the country rents were then fixed in gold whereas, since January 1940, all rents have been stipulated in paper money. The contracts in gold have been converted into contracts fixed in the national currency at the rate of one gold pound equal to 15,7892 Libano-Syrian pounds. ⁽¹²⁾ So the owners not only could not profit from the rise in the value of gold but had also to suffer from the constant depreciation of the paper currency. The situation of the owners was, therefore, already a difficult one and there was no excuse ~~for~~ making it more intolerable.

A third defect resided in the desire of the Government to divide the population into different classes according to the rents they paid and to treat each class differently. Economically speaking, this is unjustifiable. All rents should be treated alike with no regard to the personality of the tenant. If the government wants to help in wartime the poor classes of the community, it can do it by levying a progressive income tax which will take from the rich a part of their excess war profits and, then, by spending the proceeds of the tax in such a way as to increase the real income of the poor. It cannot do it by differentiating between rents. But even if we assume that this differentiation is desirable, the class ^{distinction} interval adopted defeats its own purpose. As a matter of fact the law of 1943 stipulates that if the rent is between one and 500 pounds, the increase

would be 20%. In reality that class is too large. Exception made for Beirut, in all the towns of Lebanon, most of the rents do not exceed 500 pounds. So if the government really wanted to help the poor and middle classes, it would have been much better to take a smaller class, for instance from £S. 1 to £S. 150, as the Syrian government did in 1942 for the houses used in commerce and industry.

Turning now to the question of rentals of buildings used in commerce and industry, as we have already said, any control is economically unjustifiable since the advance in the rents is due mainly to inflation and not to an increased demand. Even if we admit that a certain control was necessary, we should say that the increase was exceedingly low, especially when we remember that the traders and the industrialists have made huge profits out of war conditions. It would have been only fair to allow the owners to get a part of those profits as a compensation for the great rise in the cost of living.

b- Measures adopted by the Syrian Government.

The Syrian legislation for the control of rentals in 1942 and 1943 was similar to that of Lebanon in so far as it decided that all contracts fixed in 1941 should be automatically prolonged. The difference, however, was that the scale of increase allowed by the Syrian Authorities was

much higher than the Lebanese. The Syrian law of 1942 (19) permitted the rents to be increased in the following way:-

(1)- Houses used for lodging:-

15% increase over rents of 1939, if the rent was less than £S.250
 20% " " " " " " " " " "between £S.251-500
 30% " " " " " " " " " "above £S. 501

(2)- Houses used for commercial and industrial purposes:-

20% increase over rents of 1939, if rent was between £S.1 and 150
 30% " " " " " " " " " "£S.151-300
 35% " " " " " " " " " "above £S. 301

A comparison between these scales ^{an} with those adopted in Lebanonⁱⁿ 1942 shows that the Syrian scales of increase were about 50% higher than the Lebanese ones.

In 1943, the Syrian Authorities adopted a new kind of legislation. Though they stuck to their idea of prolonging all past years' contracts, a new system of increase was inaugurated. The increase allowed was no more to be calculated over the rents of 1939. The new law fixed an increase which varied with the year^s in which the lease was made. It stipulated that the rents of 1943 should be calculated as follows:- (20)

(1)- Houses used for lodging:-

30% over rents of 1939 (end of the year)
 40% " " of 1940

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(19)- Decret legislatif 4AS of 11.1.42 as amended by Decret legislatif 49AS of 22.2.42.

(20)- Decret legislatif 22AS of 4.2.43.

30% over rents of 1941

10% over rents of 1942 (end of the first semester).

No increase was allowed over rents fixed in the second semester of 1942.

(2)- Houses used for commercial, industrial and professional purposes:-

100% over rents of 1939 (end of the year)

80% " " of 1940

60% " " of 1941

30% " " of 1942 (end of the first semester)

No increase was allowed on leases made in the second semester of 1942.

The Syrian legislation is superior to the Lebanese one from all points of view, because the Syrian Authorities when trying to control the increase in rentals have never lost sight of the interests of owners. Though, like the Lebanese Government, they established an economically unjustifiable control over the rents of houses used for commercial and industrial purposes, the increase allowed was relatively high. Moreover, in 1943, they gave up the idea of differentiating between rents. All rents, whether high or low, were treated alike. As we have already seen, this equality of treatment of rents is greatly advisable.

SUMMARY AND CONCLUSION

The Syrian and Lebanese industries have always depended upon foreign countries for their supply of raw materials, machinery and fuel. The war considerably hampered the foreign trade of Syria and Lebanon. Measures had, therefore, to be taken to regulate and control the import and export trade in order to insure to the country its supply in the goods essential for the smooth running of its economic life.

The old supply of imported raw materials and fuel as well as fresh imports had to be controlled in order to insure their distribution among the different industries needing them. Thus, the most important materials used in the Syrian and Lebanese industry, such as cotton, silk, chemical goods, fuels, materials for construction, were put under a régime of controlled distribution. Those measures were of great help to the industrialists, but as the supply of materials available for distribution was relatively small, the productive capacity of Syria and Lebanon was greatly curtailed.

The difficulty of importing foreign products, the curtailment of local production and the large demand of the Army occupying the territory, have caused in the

country a relative shortage of the most important commodities. Measures had, therefore, to be taken in order to control the consumption of those goods and to insure their fair distribution among the population. A system of rationing was applied to the consumption of meat, confectioneries, wheat and other cereals suitable for bread making. In order to restrict the consumption of meat and confectioneries, their sale was prohibited on certain days of the week. Fixed quantities of flour of cereals were distributed monthly to the population at reduced prices. From time to time, a small quantity of sugar and rice was also distributed to the population by the Departments of Supply at relatively low prices, though there was no real rationing in the strict sense of the term, since rice and sugar were available in the market for whoever was ready to pay the market price. The sale of sugar and rice was not monopolized by the Authorities as in the case of wheat and other cereals suitable for bread making.

In order to maintain their armies, the French and British Authorities have greatly inflated the Libano-Syrian currency. The amount of banknotes in circulation has passed from 47,850,000 in December 1939 to 289,000,000 in October 1943. This considerable inflation has caused a tremendous rise in the price level and in the cost of

living. According to official publications, the wholesale prices have risen about 7 times during the first four years of war, and the cost of living has advanced about 4 times. It is generally believed, however, that those official figures are too low since they include official prices which, in practice, are almost never applied in the market. It is estimated that the wholesale prices have increased 10 times and the cost of living a little more than 5 times.

The Authorities have tried to restrict that rise in prices in different ways, but in general their efforts were not successful. They were unable to restrict the monetary inflation because this was not under their control. As regards the measures aimed at preventing cornering and speculation, they were, on the whole, ineffective, mainly because of the inefficiency of the public services entrusted with the carrying out of the laws.

Whereas the rise in the cost of living did not affect a great part of the population whose income had increased in the same, or even in a greater, proportion than the cost of living, it affected badly the wage-earners and the salaried people who, for their living, depended on more or less rigid incomes. The Authorities were, therefore, obliged to intervene in order to help

the workers and the employess by readjusting their wages and salaries.

Thus, the war has led the Authorities to interfere in every sphere of the economic life of the country. The foreign trade as well as the local production were controlled. Consumption was restricted. The distribution of essential goods and materials was regulated in the interest of the whole community. A new economy, where almost everything is under direct or indirect control, was substituted to the free pre-war economy. This passage

from a peacetime economy to a war economy is of the greatest importance. As Shadwell puts it: ⁽¹⁾ "When this war comes to be reviewed in proper prospective, its economic aspects will be found at least as remarkable as the military events, and perhaps more instructive. And among them the influence of industry on war and the converse influence of war on industry will take a prominent place. We are indeed witnessing a phenomenon so extraordinary that we can only see its surface as we pass by, and are hardly able to comprehend even that. There has not been time to look beneath and to try to read the

(1)- Quoted in Clark's, Hamilton's and Moulton's READINGS
IN THE ECONOMICS OF WAR, p.IX.

deeper meaning of it all. But certain lessons present themselves which he who runs may read."

It is the reading of those lessons, however, superficial they may be, that constitutes, as it were, the *raison d'être* of the present work. Our experiences of the last years of war should prevent us from falling into similar mistakes again, and should help us in building, for the future, a healthy and constructive economic legislation.

The great problem now confronting the Syrian and Lebanese Authorities is the considerable rise in prices which is distorting the whole economic life of the country. As we have seen, the rise is caused mainly by the tremendous inflation of the Lebanese-Syrian currency. The Authorities have tried to check this rise by fixing the maximum prices at which specific articles should be sold and by combatting cornering and speculation. All these attempts did not succeed in restricting the rise in prices. The continuous inflation of the currency has made impossible any such restriction of prices. Prices will continue rising as long as the Banque de Syrie et du Liban continues issuing new banknotes to maintain the Allied Armies occupying the territory, and as long as those funds remain in the local market. Because of war, the exchange control cannot

be abolished to enable the export of those funds to foreign countries. The export of capital to the countries of the Sterling Area is now authorized, but the amount exported is too small indeed to counterbalance the increase in the quantity of currency. The greatest part of the funds created de novo have, therefore, to seek investment in the local market, thus occasioning a rise in the prices of all the commodities available.

To enable the population to stand this considerable rise in prices, the Authorities can only rely more and more on rationing. As we have already said, up till the present time, very few consumers' goods have been rationed in the real sense of the term. The rationing of wheat and other cereals suitable for bread making, however, has been a relative success. The O.C.P., during the second half of 1942 and in 1943, was able to insure to the Syrian and Lebanese their supply in bread at reduced prices. There is no reason why the same system should not be applied to rice, sugar, coffee, olive oil, saffron, and all essential foodstuffs. Fixed quantities of those goods should be distributed monthly to the population at reduced prices according to fixed rationing plans. The Authorities should monopolize the purchase, sale, transport and distribution of the rationed articles. But there is the fear that the prices fixed by the Authorities for the purchase of these goods from the producers will be too low, as it was the case for the wheat bought by the O.C.P. in 1942 and 1943. The

As a matter of fact, whereas the price level has risen about 8 times since the beginning of the war, the price paid by the O.C.P. is only 5 times greater than that prevailing in 1938.

price paid to the farmers was so low that some of them are thinking of reducing their wheat production and turning to the production of those cereals the prices of which are not fixed by the Authorities. As Pigou puts it: Authoritative limitations of prices are likely to check production. For goods produced under competitive conditions sellers cannot charge more than the supply price of the quantity sold and, therefore, limitations of prices at the same time that it prevents the occurrence of abnormal profits, will cause output to be smaller than it would be if prices were left free. The reason, of course, is that when there is a shortage of anything it is just through the prospect of high prices and high profits that the shortage corrects itself. The prospect of exceptional gains diverts free resources into the industry which is making the thing that is short. Cut off this prospect, and the associated increases of production will be checked. Any practical policy of price control must take account of this fact. There should be no question of cutting special profits that well-managed and fortunately situated firms were doing before the war, or at striking at the differential advantages they enjoy as against other firms. The war profit that one should ask to prevent or to reduce is further profit due to high prices associated with war in which, in general, all firms share. Nobody would suggest fixing down the prices below the point at which this special profit is done away with. The time issue is how much higher than this they should stand. A little war "profiteering" is less harmful than a large check ~~the supply~~; a great deal of "profiteering" is more harmful

than a very small check. A government which has decided in a general way to control prices has to decide further how far it will cut them below the level that free competition would bring about towards the level that would yield the prewar scale of profit.⁽²⁾

But here two difficulties arise. The first one is:- Is the country endowed with a administrative staff efficient enough to carry out the rationing plans and to determine what prices should be paid to the producers? The answer is that up till the present time the Syrian and Lebanese public services have proved unable to carry out the task with which they were entrusted. Many a time, in the course of this work, I have endeavoured to show the inefficiency of our governmental officials. It is a fact that most of the laws were not obeyed by the people because the administration entrusted with the enforcement of these laws was inefficient and, I should say, corrupted. Bribery is said to have been frequent. I am inclined to think, however, that the passiveness of the officials was due more to their incapacity than to their dishonesty.

We need, therefore, a good, enlightened and

(2)- Pigou's POLITICAL ECONOMY OF WAR, pp.129-130.

educated administration to enforce in the most effective manner the laws and measures submitted to it. This is one of the most essential steps that should be taken by the Authorities if they want to build a healthy and constructive economic legislation. They should get new men on the job, educated and trustworthy men whose ideal is the promotion of the community's benefits and not the furtherance of the interests of a few persons or classes of persons.

The second problem is wherefrom will the Authorities get the funds necessary to finance the rationing plans. The answer is that the Authorities should rely on new forms of taxation. The huge profits made by the traders and industrialists out of war conditions should be taxed very heavily. Lebanon has already adopted a War Excess Profit Tax, which, however, has never been enforced. The Syrian and Lebanese Authorities should not hesitate to adopt a measure which, by cutting down the war profits of some people, will help ⁱⁿ draining ~~out~~ of circulation part of the excess money seeking investment in the market. Moreover, such a measure will provide the Authorities with an important source of revenue, which will enable them to carry out large rationing plans in order to help the poor ^{and possibly to prevent further inflation.} The Authorities should never hesitate to tax the people who are making

large profits out of war conditions, in order to help those who because of those same conditions are on the verge of destitution.

Beirut, February 15, 1944.

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