

Economic Survey 1952

UNLIKE previous surveys, the 1952 *Economic Survey* contains little in the nature of establishing targets or estimates to which the economy would be geared. In a sense this departure reflects the general policy of the present Government in economic affairs. Detailed planning has been abandoned in favour of reliance on the broad application of control of credit and the price mechanism. Further, in the past, the publication of this important document has been the occasion for wide and deep public discussion on the Government's economic policy and all with a *Hair* for economic investigation and debate eagerly awaited the issue of this white paper. The current survey, however, has been published not only after the Budget but after a comprehensive three-stage declaration of economic policy by the Chancellor of the Exchequer. Under the circumstances, it could hardly be expected to break new ground.

The basic problem before the country, according to the *Survey*, is the foreign payments crisis. The origins of the crisis are to be found in the large increase in imports and a decline in invisible earnings coming at a time when exports were being handicapped by shortages of steel and other raw materials and by the competing claims of defence and investment upon the engineering industries. The immediate task ahead, not only for the United Kingdom, but for the rest of the Sterling area as well, is that "each should stop living beyond their means"

The deficit of the UK on trading and capital account with the dollar area is estimated at \$1,466 in. for 1951 compared with a surplus of \$93 million in 1950. The position of the rest of the Sterling area (excluding dependent territories) shows an even greater turn from a surplus of \$315m in 1950 to an estimated deficit of \$16m, in 1951. The *Survey* maintains that the "deficit with the dollar area is the hard core of the problem and is likely in the long run to prove much more intractable than the deficits with the European Payments Union and other non-dollar countries outside the sterling area" Contrary

to the generally held view that the main culprits in this swing from surplus to deficit were the non-dependent countries of the sterling area, the *Survey* says, "the United Kingdom and the Overseas Sterling area each accounted in roughly equal measure for the swing which took place in 1951 in the balance of payments of the Sterling area as a whole with the outside world.

Whilst believing that in March there was a marked revival in world confidence in Sterling, the *Survey* points out that a number of special and non-recurring receipts helped to stem the loss of gold and dollars which amounted to \$71m in that month as compared with a monthly average of \$282 m. in January and February. The basic problem therefore still remains. Referring to the recent Commonwealth Ministers' Conference and the action taken by the Commonwealth countries in pursuance of the decision for an all round cut in imports, the *Survey* noting that these cuts will impose hardships on the United Kingdom, rather piously declares, "it must be our aim to divert some of these exports to the non-sterling markets". The fact that markets are increasingly becoming inflexible from the exporter's point of view and in view of the efforts being made by US manufacturers to push the wall of protection even higher around their country, the drastic steps taken by Australia and South Africa appear more to be semi-permanent losses for British exports, than temporary set backs.

Hitherto, the *Surveys* have barely recognised the impact of short-term fluctuations and cyclical patterns which still plays an important and vital part in the real economic world. They had believed that these ups and downs would be ironed out in the course of time and thus would be of little consequence. The present survey still shows something of the same attitude. It states, for example, that consumers "are still showing strong resistance to high textile prices". Such resistance, however, is only one aspect of the problem. The textile industry shows all the symptoms of a major illness and is suffering from a slump of familiar pattern. It should, therefore, be discussed in

this light. While the *Survey* agrees that the general prospect for the consumer goods industries "is not promising", it neglects completely the problem of duration and extent of the slump. This is particularly important in view of the large cuts in civil investment which are now in swing.

The *Survey* states rather bluntly that if a loss of market prevents the sale of any line of goods, "production will have to be curtailed, so that men and materials can be released for transfer to defence and export work elsewhere". The presumption that mobility of labour and of resources are such that this could easily be effected is belied by the experience of 1951 when the rearmament industries continued to work below capacity in spite of the then growing numbers of unemployed in the motor and textile industries.

Thus the general proposals to meet the economic situation remain the same as those outlined by the Chancellor in November 1950 and in his Budget speech. Externally, the order of the day is to cut imports and expand exports, notwithstanding the "temporary hardships and sacrifices" they entail. Internally, the closely inter-related proposals in revising monetary policy, i.e. increased Treasury control over the now restricted base of credit, would stem demand for increased investment and so create the flexibility desired, with resulting opportunities of diverting labour and resources where they are most required. The Commons is yet to discuss the *Survey*, but it seems unlikely that anything new will come from that quarter in the nature of discussion since all that could be said by the Opposition has already been said in the Budget debate.

International Cotton Conference in UK

An international cotton industry conference, convened by the British Cotton Board, will meet on September 17 in Britain to consider the problems of international trade in cotton textiles.

Invitations to the conference have been accepted by the three largest producers of cotton textiles overseas India, the USA and Japan. Representatives of a number of European cotton industries will also be present at the conference.