From the London End

Economic Survey For 1953

UNLIKE the previous surveys, the *Economic Survey* for 1953 gives less attention to the problems with which economic policy has to grapple in the present year. It is rather an analysis of the developments in 1952 and as such is of less value than the more pointed and relevant reports issued when the Labour Party was in office. May be it is in accord with the Conservative ideology to refrain from making detailed forecasts and setting specific. " targets " as the Labour Chancellors of the Exchequer did until 1951. But what is remarkable about the current *Survey* is that the Tories have gone to the further point of abandoning any mention of at least the general outline of the assumptions on which economic policy will be based. It is possible that this departure is the outcome[1] of changed climate in the British economy—described by the *Survey* as follows:

> " . . . total demand is no longer excessive, economic activity has become much more directly dependent on the assessment made by business people of economic prospects, for changes in business expectations can have far-reaching effects on stocks, and through stocks on production ".

What in effect the *Sundry* attempts to outline is the confirmed Tory philosophy that planning is bad and that the forces " natural " to the free market economy should once again be let loose for a free run.

Ever since the Tories resumed power, the strengthening of sterling has remained the prime objective of economic policy. There can be no doubt that the immediate measures they took did assist powerfully in bringing about an improvement in the balance of payments and in halting the drain on the sterling area's gold and dollar reserves. These measures subjected the internal economy to a thorough dose of deflation even at the risk of forcing a number of non-sterling countries to adopt retaliatory measures. The supply of money was tightened and rigidities wherever possible were removed. Externally, imports were severely restricted and exports given a major boost. The *Survey* speaks of the resolve of the January 1952 Commonwealth Conference to achieve a balance with the rest of the world by the second half of 1952 as having been achieved. This resolve, however, was only the immediate aim. For the future, a steady surplus annually of between £300 and £350 millions will have to be achieved, if sterling is to reach and maintain complete convertibility.

The balance of payments statistics contained in the *Survey* are illuminating. 'The sterling area achieved a surplus with the rest of the world of £242 million in the second half of 1952 and a surplus of £77 million for the whole year. The United Kingdom's current account surplus for the whole year, including American aid, was £291 million. It increased from £119 million in the first half to £172 million in the second halt of 1952. Compared with 1951 when the UK's current balance showed a deficit to the tune of £398 million (which includes £4 million of US aid), the total improvement of 689) million in 1952 is accounted for as follows:

	£ million Change frorn 1951
Contributions from:	
Lower payments for imports . .	569
Higher export earnings	88
Fall in invisible earnings	—85
Defence aid	
Total improvement	680

The decline in invisible earnings is apparently due to the loss of Abadan, to a fall of receipts from interest, profits and dividends largely due to the decreased receipts from Malaya and to the increased interest payments on the sterling balances.

The most striking feature of the foregoing figures is the dominating position which the ' lower payments for imports holds among the items contributing to the general improvement. It reveals a number of important trends in the British economy as well as in the world economy. The *Survey* believes that of the reductions of £423 millions in the value of import arrivals (according to the Trade Returns) in 1952 as compared to 1951, about three-quarters were on account of volume and one-quarter on account of price", The most marked fall in import prices were those concerned with raw materials. In general, import prices were some 2 per cent lower in 1952 than in 1951. As is to be expected, the reduction in food imports was mainly the result of the restrictions imposed at the beginning of 1932. The reduction in the imports of raw materials is, however, associated with what the *Survey* calls " reductions in excessive demand " as was the case in earlier years. Both in foreign and internal demand the coming into dominance of the consumer has been all pervading. There were big falls in consumption of most textile and paper-making materials, timber, rubber zinc: and lead.

Although the balance of payments figures reflect an increase of £88 million in export earnings, the total value of exports shipped in

1952 was lower than in the previous year in spite of the fact that over 1952 as a whole, export prices averaged 5 per cent higher than in 1951, The volume of exports fell by 6 per cent. The reasons for this are obvious. 1952 has been a year in which the struggle for markets became one of the crucial problems facing the major exporting countries. The ECE Survey which was recently published in Geneva, traces the changes that were brought about in 1952 as a consequence of the re-emergence of Germany and Japan as leading exporters. Similarly, the present *Survey* complains of the fall in export markets- of the fact that most of South America and the United States is outside the field of normal competitive selling, that a number of countries, particularly those who are members of the OEEC, had introduced import restrictions, and finally., that a number of sterling area countries had also cut down their imports as a necessary condition for correcting the sterling area's balance of payments. Today the market for capital goods remains the easiest to reach, but it is precisely in this field that the financial programme has impinged upon the ability of me country to take advantage of the possibilities here provided.

One of the most significant developments in the internal economy during 1952 was the drop in industrial production—-the first time since the end of the war. This was due, says the *Survey,* to the fall in exports and to the fall in local demand for many types of consumer goods, particularly textiles. There still remain a number of avenues for capital investment but the demand for a deflationary policy rules out any extravagant indulgences in such things as housing schemes, public utility services, and social amenities. Of internal food consumption, the *Survey* speaks of the total energy value in calories consumed in 1952 as being 2,950 per day as compared to 3,030 in 1949. There were significant changes in the pattern of consumer's expenditure. The largest fall was in household goods, on which personal expenditure at constant prices was about 8 per cent less than in 1951. Expenditure on food has generally kept pace with rising prices.

The concluding sections of the *Survey* refer constantly to the need for forthering' the *expanscing sec*tions of the economy, particularly those undertaking export activities and for supporting the campaign for strengthening sterling, so that London may once again become the financial centre of world trade. The *Survey* says, " . . . in order to pay its way and obtain necessary imports, this country will probably have to increase its share of export markets, above all in the non-sterling world. In many important markets . . , our share is smaller than before the war, while the United States has greatly increased its share of world trade. There is need, therefore, for an improvement in our competitive power in the widest sense." Since the *Survey* offers no quantitative forecast of the development of the national resources and of their use, particularly for exports, we have to wait for the Budget- it is believed that the Chancellor of the Exchequer will take the opportunity, when presenting the budget, of giving the broad indications necessary for any estimation of the future course of British economics, particularly in regard to the plans recently formulated at the Commonwealth Ministers Conference.