



EUROPEAN CO-OPERATION

Memoranda submitted to the Organisation
for European Economic Co-operation
relating to Economic Affairs in the period
1949 to 1953

*Presented to Parliament by the Secretary of State for Foreign Affairs and
the Chancellor of the Exchequer by Command of His Majesty
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FOREWORD

I.

In Article I of the Convention for European Economic Co-operation (Cmd. 7388) the Contracting Parties undertook to elaborate and execute a joint recovery programme which would enable the participating countries to achieve as soon as possible and maintain a satisfactory level of economic activity without extraordinary outside assistance. To this end the Organisation for European Economic Co-operation at the beginning of August invited each participating country to prepare a general statement showing the main lines on which it hoped to proceed in order to achieve this by the end of Marshall Aid—the middle of 1952. At the same time the participating countries were also asked to prepare a programme for the year July 1949 to June 1950. This programme was to show the progress expected to be made in that year towards the objective of a self-sustaining economy and provide a measure of the financial assistance expected to be required from the United States in 1949-50 in order to sustain the levels of industrial activity and personal consumption provided for in the programme. The memoranda prepared by the United Kingdom and described respectively as “The Long Term Programme of the United Kingdom” and “The 1949-50 Programme” are now reproduced in the form in which they were submitted to the O.E.E.C. on 1st October. Accordingly the estimates of the United Kingdom position are the best which could then be made, but necessarily were based on such information as was available prior to 1st October. In those cases where figures can be produced only at intervals, the latest figures then available were compiled some months earlier.

2. Both the United Kingdom programmes were drawn up within the framework of the instructions laid down by the O.E.E.C. Thus, the memorandum on the Long Term Programme had to outline important plans of action—actual and potential—in the field of production both in metropolitan and overseas dependent territories, and in particular to estimate their dollar earning and saving aspects; it had to reckon on the contribution of such services as shipping, tourism, insurance, etc., generally known as “invisibles”, to the achievement of an external balance, and to show the effect of the production effort on the pattern of international trade. It had to describe investment plans, and also deal with the general policies envisaged in order to make the various production, investment and export plans effective. Countries were also invited to produce a forecast of their balance of payments for 1952-53 in a prescribed form to illustrate the external financial implications of these various plans. In this connection it was laid down that countries should aim at an overall balance in their external payments, and that they could not assume that they would be able to earn dollars from one another.

3. The 1949-50 Programme was required to be based upon the plans of action and objectives of the Long Term Programme. Countries were required to bear in mind that E.R.P. aid in 1949-50 was likely to be less than that for 1948-49, and also that the total amount of financial resources available to facilitate intra-European payments was likely to be less than that available in 1948-49. Particulars were to be given, among other things, of the progress expected to be made with dollar-earning and dollar-saving projects, and of the general levels of consumption to be achieved in the period.

4. For the purposes both of the Long-Term Programme and the 1949-50 Programme, the assumption laid down was that export and import prices would be the same as those for the revised 1948-49 Programme (Cmd. 7545), i.e. in general the prices ruling at the middle of 1948 modified according to the terms of long term contracts, etc.

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II.

5. All the participating countries' programmes have in recent weeks been examined in O.E.E.C. An interim report on the Long Term Programmes with the individual countries' programmes attached as submitted has been presented to the E.C.A. and will shortly be published. This report will review the work already done on the Programmes and will outline the economic problems that have so far revealed themselves in the course of this work.

6. The Long-Term Programme submitted by the United Kingdom sets out the general policies which the United Kingdom proposes to follow so far as can be seen at present in order to establish not later than the middle of 1952 an equilibrium in its balance of payments at a level consistent with the full employment of its resources. When these individual programmes were drawn up, no country knew what the other countries' programmes were. The next step, therefore, is for each participating country to review its programme in the light of those of the other countries and it is to be expected that in the result the countries will need to modify their programmes in order to develop them into a joint recovery programme. For this reason the present programmes have a particularly provisional character.

7. Any programme of economic planning must be in the nature of a broad strategical plan sufficiently flexible to meet unpredictable and rapidly changing events. It is not possible to establish firm and definite plans which would bind the United Kingdom economy to a pre-determined course of action so far ahead as 1952-53 or even eighteen months hence. Certain elements in both the Long Term and the 1949-50 Programmes—viz. those relating to major home production and investment plans—are more firmly based than those which are more directly dependent on developments in the rest of the world. But neither programme is intended as a detailed forecast of what will actually happen. The United Kingdom national programmes set out to define the general objectives which the country will seek to follow. No other method of programming is possible in a democratic community. For, quite apart from the unpredictable impact of external events, policies can be fulfilled only if they gain the voluntary co-operation of the people as groups and as individuals.

8. For this reason the statistical basis of both Programmes, particularly in the balance of payments field, is very much less precise than the nature of the tables would imply. Detailed conclusions cannot be drawn from these forward estimates about the pattern of the standard of living to be attained or about the exact distribution of production at home or of our trade overseas. The figures are illustrative of the nature and relative scale of the problems that on present evidence seem likely to arise, the possible solutions, and the points upon which special effort will have to be concentrated.

9. Progress towards our objectives is essentially a continuous process of attack on a succession of individual problems and of adjustments to ever-changing conditions. These programmes will be kept continuously under review in O.E.E.C. in the light of developments both in this country and in the world generally. His Majesty's Government will continue to maintain close touch with other countries of the Commonwealth on these matters. The co-operative work of forward programming cannot be expected to produce at any point a single master plan which could be looked upon in any sense as final, but it can lead to common action to solve the economic problems that can now be revealed and examined through the new machinery of the O.E.E.C.

III.

10. His Majesty's Government will continue to publish annually Economic Surveys for the United Kingdom on the same bases as in former years. These Surveys will have full regard to the plans submitted to the O.E.E.C.

THE LONG TERM PROGRAMME OF THE UNITED KINGDOM

Material submitted by the United Kingdom to the
Organisation for European Economic Co-operation
on 1st October, 1948

CHAPTER I.—INTRODUCTORY

(1) THE GENERAL OBJECTIVES

It is the purpose of this Long-Term Programme to describe in some detail the policies which the United Kingdom proposes to follow in order to “achieve and maintain a satisfactory level of economic activity without extraordinary outside assistance” by 1952-53. Alone and unaided the United Kingdom could not succeed in this endeavour; strengthened by its close contacts with the other members of the Commonwealth, in co-operation with the other participating countries of Western Europe and aided by the generous assistance afforded by the United States under the European Recovery Programme, it is confident of success. As means to this end, the United Kingdom has undertaken in common with the other participating countries to make the fullest use of productive resources, to increase production, to develop and modernise industrial and agricultural equipment, to maintain the stability of its economy, to expand trade and to join in measures to reduce the barriers obstructing it.

2. The Government must give a clear guide as to the direction and intensity of the sustained and strenuous efforts which will be needed to reach these objectives. In present conditions, the quasi-automatic operation of economic forces could not produce the right results or produce them without immense social upheaval. But large-scale and long-term economic planning in time of peace is a novel field for Government initiative in democratic communities. Moreover, it must never be overlooked that for a democracy economic planning is a means to an end and not an end in itself.

3. Economic planning in the United Kingdom is based upon three fundamental facts: the economic fact that the United Kingdom economy must be heavily dependent upon international trade; the political fact that it is and intends to remain a democratic nation with a high degree of individual liberty; and the administrative fact that no economic planning body can be aware (or indeed ever could be aware) of more than the very general trends of future economic developments. Many of the assumptions about the future on which plans must be based are profoundly uncertain and many economic events are wholly outside the control of any one nation; many can only be partially influenced by international agreements, and those such as the effect of weather on the crops are beyond human control. Even in purely domestic economic matters the means of control which can be effectively used within a democracy are limited. Underlying economic uncertainties there is the factor of political stability in the world at large.

4. It is nevertheless essential to prepare long-term forward programmes in those fields of economic activity in which substantial changes will have to be made if the United Kingdom is to overcome those difficulties which lie within its own power, and to play its full share in the combined task before the O.E.E.C. countries as a whole. To follow any other course would be to jeopardise all hope of recovery. But the uncertainty which necessarily

attends the future makes it essential that many of the long-term plans must be kept flexible. A persistent adherence to targets or timetables based on assumptions which have been falsified by events might well be as disastrous as leaving the whole matter to chance.

5. For a nation with an open economy like the United Kingdom, the assumptions and forecasts underlying long-term plans are largely assumptions and forecasts about events overseas and these plans cannot be effectively prepared in isolation in its own capital. They need to be formulated and kept under review in collaboration with countries overseas, and especially, in this case, with the other parts of the Commonwealth, with the countries of O.E.E.C., and with the United States. Such consultation will narrow the range of uncertainty about future developments and thus enable the plans to be made more precise and realistic. Still more, it will allow both the plans of the United Kingdom and the plans of other nations to be modified by agreement to mutual advantage. The benefits of a world-wide division of labour must be secured. Until these possibilities are explored, the plans must remain provisional.

6. Finally, recovery must not be bought at the price of arbitrary and excessive interference with the rights of the individual. The United Kingdom intends to make resolute use of its traditional techniques of financial policy and of the direct public control of certain basic industries. A large measure of control will have to be retained over imports, over the total amount of home consumption, and over the scale and composition of investment. But powers of prohibition and compulsion, though they must be used to set limits to economic freedom, must not be allowed except in very special circumstances to infringe the personal freedom of the individual. The execution, as well as the preparation, of plans must be based upon the willing co-operation and understanding of the general public.

7. For the United Kingdom, therefore, a long-term plan can be no more and no less than a statement of economic strategy. It will not attempt to be a complete and rigid set of instructions for several years ahead. Certain of its parts will be worked out in detail, but its main purpose will be to provide the framework within which more precise short-term plans can subsequently be worked out. The practice of preparing annual programmes has already been established in the United Kingdom and this system has been adapted to the needs and opportunities of the European Recovery Programme in the programmes submitted for 1948-49 and 1949-50. These annual programmes are the necessary instruments with which the broad strategic plans contained in the Long-Term Programme will be given precise content. The United Kingdom hopes, therefore, that the joint discussion and revision of this draft of its Long-Term Programme, side by side with the programmes of the other countries of O.E.E.C., will result in a joint programme and a set of national programmes that will be clear and effective guides in the preparation of detailed plans in the coming years.

(2) THE PROBLEM BEFORE THE UNITED KINGDOM

8. The crucial immediate problem for the United Kingdom, as for all member nations of the O.E.E.C., is the balance of payments. In some respects, however, the United Kingdom's problem differs from that which faces Europe as a whole.

9. For Europe as a whole in 1947 imports had increased and exports decreased by comparison with 1938; net incomes from shipping and investment had fallen and the world rise in prices had enormously enhanced the

monetary measure of the increased deficit. These changes were accompanied by very large structural changes in the pattern of intra-European trade and payments.

10. By contrast the United Kingdom by 1947 had already increased the volume of visible exports to 9 per cent. above 1938; and visible imports were kept 20-25 per cent. below the 1938 level, despite the greatly increased volume of employment and output. Though the terms of trade were 15 per cent. worse than in 1938—in contrast with the experience of most other O.E.E.C. countries—the proceeds of exports paid for a far greater proportion of imports than in 1938. This was a great achievement; but it was more than offset by the loss of investment revenue, and by the increase in necessary Government overseas expenditure caused by the aftermath of war. The result was a current deficit of £630 million in 1947 compared with only some £70 million in 1938. The figures are summarised in the following table:—

	(£ million at current prices)	
	1938	1947
Total Payments for Imports (f.o.b.)	835	1,540
Receipts for Exports and Re-exports	533	1,102
Deficit on Visible Trade	- 302	- 438
Invisibles (Net)	+232	- 192
Total Deficit	- 70	- 630

11. The deficit in 1947 was due wholly to a deficit with the Western Hemisphere of £670 million (\$2,700 million); with the remainder of the world the United Kingdom had, in fact, a small surplus. In 1947 by far the gravest problem was therefore the dollar problem.

12. In 1947 the gold and dollar reserves of the sterling area (including the expenditure of loan resources) were subject to a net drain of \$4,100 million, of which over \$800 million was on account of the rest of the sterling area. These reserves are, of course, the reserves of the sterling area as a whole. Very large reductions have already been made in this outflow during 1948; in the first half of the year the net outflow was at an annual rate of little over \$2,000 million, half that of 1947.

(3) NATURE OF THE SOLUTION PROPOSED

13. The task before the United Kingdom for the next four years, as for the other participating countries, is to close the gap in the balance of payments and to overcome the shortages of essential commodities which were experienced even when expenditure on imports exceeded overseas income by so large a margin. A wide variety of policies must work together to this end.

14. Total home production must be increased. This requires steady increases in productivity and the maintenance of stable financial conditions. Exports must be expanded, and the proportion of imports coming from non-dollar sources must be increased. The general policies which it is intended to follow on these matters are set out in Chapter II.

15. A number of particular industries have especially important parts to play. These are described in Chapter III.

16. A large home investment programme and a careful control of its composition are clearly of great importance. This is discussed in Chapter IV, while Chapter V deals with investment in overseas territories.

17. If these policies are carried through successfully and are accompanied by the development of international collaboration on the one hand and on the other by the continuance of external aid on an adequate scale, it is believed that the objective of stable and satisfactory economic conditions independent of outside aid can be achieved in the United Kingdom in 1952-53. Chapter VI sets out estimates of the balance of payments that might be reached and indicates some of the problems associated with it.

18. In Chapter VII the consequences of the policies and programmes set out in Chapters II-VI on the levels of activity and consumption in 1952-53 are briefly described. Finally, this Chapter emphasises the vital parts which external assistance and international collaboration must play in the development and execution of this programme.

19. Before commencing the full exposition it may be convenient to summarise at the outset certain essential features of these policies.

20. This Programme pays full regard to the obligations entered into under the Convention for European Economic Co-operation signed in Paris on 16th April, 1948, and the Economic Co-operation Agreement with the United States Government signed in London on 6th July, 1948. It is submitted to the Organisation for European Economic Co-operation as a contribution towards the preparation of a joint recovery programme.

21. It has been prepared on the assumption that the obligations of the European Convention will be continuously and progressively implemented during the period to 1952, and that the co-operation thus achieved will continue to bear fruit in later years. The results it is hoped to achieve would be impossible without the continuance of external assistance during the period of recovery and without the closest co-operation with the participating countries, and with other countries of the British Commonwealth.

22. A major objective of the United Kingdom's programme is the maintenance of sterling as an international currency: this in itself is a positive contribution to international economic stability. In order to secure this objective the maintenance of the sterling area gold and dollar reserves is essential.

23. The policies and programmes described are designed to solve both the general balance of payments problem and within this the particular problem of the balance with the Western Hemisphere. The solution of the former is seen to lie much more in the continued increase of overseas earnings than in a reduction of overseas payments. Thus exports in 1952-53 are estimated at 150 per cent. of the volume of 1938, and 38 per cent. above the level achieved in 1947. A very great improvement is also sought in the balance of invisible payments, including under this term earnings from oil. Net invisible earnings are estimated to yield in 1952-53 over \$1,000 million against some \$950 million, at the present exchange rate, in 1938, and a deficit in 1947 of nearly \$800 million. Aggregate imports, after allowing for a measure of overseas investment, are expected to remain at around the level now programmed for 1948-49, somewhat above the 1947 level, but still significantly less than pre-war.

24. The programme shows a potential solution of the Western Hemisphere payments problem along the following lines. Starting from the huge deficit of \$2,700 million in 1947, it shows a gain in net invisibles of some \$600 million, largely due to shipping, oil and tourism. It allows for an expansion of export earnings of \$800 million, an increase of some 120 per cent. above the 1947 level, and a reduction of imports of \$1,000 million. Even these large changes will still leave some \$300 million to be covered by gold or dollar earnings

from the rest of the sterling area. These increases in exports and invisibles presuppose an immense effort, and it should be made quite clear that the reduction in imports from the 1947 level is in no way conceived as desirable in itself. This reduction, much of which has already taken place, is in the main a return towards the traditional distribution of imports from the distorted pattern of 1947 when the United Kingdom, in common with other European countries, was abnormally dependent on supplies from the Western Hemisphere. On present evidence it is not now thought realistic to estimate direct earnings of Western Hemisphere currencies at a higher figure than here shown, or to rely upon earning more gold and dollars by trade with the rest of the world. If in the event it proves possible to increase these earnings further, the Western Hemisphere import programme can be readily increased to the advantage of the United Kingdom economy and without modification to other plans.

25. The eventual balance of payments shown is consistent with levels of production and consumption substantially higher than the present. This is due not so much to the increase in imports over 1947, as to the fact that home production is planned to increase by more than is needed to provide the additional exports. The expansion of home agriculture will enable the level of food consumption to rise considerably above that of 1948-49. Manufacturing output, supported by the increased output of steel and by provision in the import programme of a higher scale of raw material supplies, can be about 25 per cent. above 1947, and the supply of capital equipment to industry about 15 per cent. above.

(4) PROGRESS SINCE 1947

26. The attainment of such levels clearly calls for a sustained effort from the British people. But the substantial progress achieved during the first half of 1948 is solid evidence that it will be forthcoming.

27. The improvement in the balance of payments has been striking. The following table compares the provisional estimate of the balance in the first half of 1948 (expressed as an annual rate) with the figures for 1947 and the estimates for 1952-53 given in Chapter VI:—

UNITED KINGDOM BALANCE OF PAYMENTS ON CURRENT ACCOUNT

	(A) <i>With all Areas</i>	1948	\$ million
	1947	(Annual rate)	1952-53
	(Current	January—June	(Programme
	Prices)	(Current Prices)	Prices)
Total payments for Imports	6,206	7,150	8,030
Receipts from Exports and Re-exports	4,441	5,892	7,377
Deficit on Visible Trade	— 1,765	— 1,258	— 653
Invisibles (Net)	— 774	+ 130	+ 1,053
Balance on Current Account	— 2,539	— 1,128	+ 400
	(B) <i>With Western Hemisphere</i>		
Total payments for Imports	2,885	2,370	1,888
Receipts from Exports and Re-exports	661	944	1,455
Deficit on Visible Trade	— 2,224	— 1,426	— 433
Invisibles (Net)	— 476	— 146	+ 142
Balance on Current Account	— 2,700	— 1,572	— 291

Moreover, as already stated, the net drain on gold and dollar resources in the first half of 1948 was at a rate only half of that ruling in 1947.

28. Similar progress has been made with home production. The index of industrial production for the second quarter of 1948 stood at 13 per cent. above the average of 1947. During the same three months, coal production averaged 9 per cent. above the same quarter last year. In the first six months of 1948 steel production was at the annual rate of 15½ million long tons compared with a total output of 12¾ million tons in 1947. During the second quarter of 1948 cotton yarn output was nearly 20 per cent. above the average for 1947 and rayon yarn about 20 per cent. above. The total value of production of agricultural machinery in the second quarter of 1948 was \$67 millions compared with a quarterly average in 1947 of \$44 millions. There has been a marked expansion over last year in livestock numbers and in the amount of land under cultivation. Poultry flocks have increased by a fifth and the number of pigs by a third. The rate of exports in the second quarter of 1948 was already more than half-way between that of 1947 and the rate now expected to be maintained in 1952-53 and later years. The increases in the exports of engineering products and textiles are especially notable. Many other examples of steady progress could be given to illustrate the distance the United Kingdom has already gone along the road to recovery.

CHAPTER II.—GENERAL POLICIES

29. In this chapter are described the policies of a general nature that the United Kingdom intends to adopt in order to guide the nation's effort in the economic field during the next four years. These general policies are fundamental to the success of the more detailed plans and programmes described in subsequent chapters.

(1) THE PROMOTION OF UNDERSTANDING AND COMMON EFFORT

30. The difficulties of the present economic position do not present themselves in an obvious form to the British public. Unemployment is barely noticeable; jobs are apparently secure; industry is finding it easy to earn profits; wages are relatively high; the necessities of life are more fairly distributed than ever before; and because they cannot buy many necessaries, many people have money which they can spend on things which they would otherwise regard almost as luxuries. A real and grave crisis in economic affairs seems remote and unreal. At the same time many workers have in the background of their minds the unemployment between the wars. This comes to the surface when the practical problems of changes in the structure of industry involve changes of employment, and, perhaps, the risk of unemployment in the transition.

31. For this reason it has been, ever since the end of the war, the policy of the United Kingdom Government to give the people at all times the fullest information about the realities of the economic situation, and to impress upon them the need for a high level of production. A large volume of statistics of current economic affairs is published monthly; and every year there is issued an Economic Survey in which immediate needs, prospects and policies are explained as fully and forcibly as possible. Modern techniques of publicity are used to explain and bring home the contents of these surveys, and generally to make known to the nation its fundamental economic problems and the policies necessary for their solution.

32. Techniques of joint consultation between Government, management and labour in the preparation and execution of plans have been widely developed. These are essential to the efficiency of democratic planning and to the promotion of a proper understanding of national problems. At the

highest national level the Economic Planning Board, the National Joint Advisory Council and the National Production Advisory Council for Industry are particularly concerned with general policies. For particular industries the Departments concerned have their own machinery for consulting the management and trade union side of such industries at the national level. At the regional level the Regional Boards for Industry (represented by their chairmen on the National Production Advisory Council for Industry) bring together the regional officers of Government Departments and the two sides of industry. The general purpose of all these consultative bodies is similar; they provide a regular means of consultation between Government, management and labour.

(2) FISCAL POLICY

33. The central principle which guides the financial policy of the United Kingdom was stated by the Chancellor of the Exchequer in opening his budget on 6th April, 1948, "Government expenditure and revenue ought not to be considered in isolation from their effects upon the general economic prospects of the country. . . . The new task of the Chancellor of the Exchequer is not merely to balance the budget; it is a much wider one—to match our resources against our needs so that the main features of our economy may be worked out for the benefit of the community as a whole."

34. In order to make the fullest use of the available resources, the fiscal policy of the Government must be directed to the maintenance of a high level of employment. It became evident in the course of the year 1947 that a persisting inflationary pressure, originating in the necessities of financing a total war, was liable to impede the course of recovery. The pressure of home demand was competing with the needs of the export drive, both directly and through its tendency to drive up costs and prices. At the same time, an abnormal prosperity was being experienced by all industries, which hindered the best use of resources because of its effect upon the expansion of those industries whose products were most urgently needed from the national point of view. Both the supplementary budget of November, 1947, and the budget for the fiscal year 1948-49 were designed to correct this situation. In opening the 1948 budget, the Chancellor stated one of its principal objectives in the following words: "Sufficient purchasing power must be withheld by taxation and by voluntary saving to offset the purchasing power created by public expenditure and capital investment." Since the current level of voluntary savings was inadequate to finance the investment programme, the 1948 budget was designed to produce a surplus of revenue over current expenditure of £780 million (over 3 billion dollars), which was expected not only to meet the capital expenditure of the Government but to provide a further sum estimated at about £321 million (over 1¼ billion dollars) towards the total saving needed to offset private investment.

35. Thus the policy of public finance is to maintain full employment but to counter any inflationary pressure arising from a deficiency of voluntary saving in relation to the projected level of investment. The application of this policy is a matter of considerable delicacy and it is clearly impossible to forecast the particular form which will be taken by subsequent budgets. The investment policy described elsewhere in this programme, which plays a large part in the plans for recovery, is placing, and will place, a heavy strain on British resources, particularly in view of the objective to eliminate the present overseas deficit within the period of four years.

36. If a deficiency in demand became apparent, the policy of full employment would require an appropriate change in fiscal policy. To quote again from the 1948 budget speech "We must watch the situation carefully and

be ready to detect the moment when the inflationary pressure vanishes and gives place to deflationary tendencies ; if such a thing should happen, we must then make a rapid readjustment of our economic and financial policies.”

37. Within this general framework the fiscal provisions should encourage the general increase in productivity which is looked for during the recovery period ; while the system of indirect taxation and of subsidies contributes towards a general policy of price and wage stabilisation. To encourage productive effort the 1948 budget made considerable reductions in the burden of direct taxation on earned incomes and the rates paid on the lower ranges of income were reduced. The policy of food subsidies, which was designed to keep down the costs of essential foodstuffs and thus to support the general objective of costs stabilisation referred to in the following section, was continued. One of the problems of an inflationary situation is the difficulty of securing the redeployment of labour into the more essential but not always the more attractive industries, and the present fiscal policy, accompanied by the measures described below, is designed to assist this movement.

(3) POLICY IN RESPECT OF PERSONAL INCOMES

38. A general increase in the level of personal incomes unless matched by increased production would merely raise costs and prices, imperilling the drive for exports and imposing hardships on all those with fixed incomes. Ultimately a continued movement of this kind must bring economic ruin and social breakdown. All are agreed that it must be prevented. In the United Kingdom wages are determined by collective bargaining. These methods of free negotiation and agreement have had great success. In the last three years only 10 million days' work have been lost in industrial disputes compared with practically 150 million in the same period after the first world war. It is the Government's constant concern to assist the two sides of industry in developing their machinery for joint negotiation and the settlement of disputes. Owing to the awareness by both sides of industry of their responsibilities, movements of wages and prices have not been so rapid as to cause fears of a runaway inflation. The Government has, however, issued a statement setting out certain vital principles for the guidance of those responsible for determining the level of personal incomes from whatever source. The Government at the same time announced as its policy that when remuneration is increased in any class of employment there can be no presumption, whatever may have been the practice in the past, that the resulting costs will be taken into account in settling controlled prices, charges or margins, or other financial matters requiring Government action. Another problem which is being faced in the United Kingdom concerns traditional or customary relationships between personal incomes which tend to persist in spite of changed conditions. The important industries now short of manpower have in the past been generally the worst paid, and there has been general approval of the movement which has greatly improved the relative earnings of coalminers, farm workers, textile workers and others in essential occupations.

(4) SPECIFIC MEASURES TO SECURE THE REDEPLOYMENT OF MANPOWER

39. Certain specific measures to secure the redeployment of manpower have also been adopted. Publicity has been used to dispel exaggerated beliefs about conditions in undermanned industries, and to explain the national importance of recruitment to them. In certain cases priority has been given to the building work required to modernise and improve working conditions

and to the construction of new houses and hostels in areas where shortage of accommodation is an obstacle.

40. In 1947 certain direct controls were reintroduced. By one Order employers were required to engage their workers, and workers were required to take their jobs, through the machinery of the national employment service. By another, unoccupied persons of certain categories were required to register for employment. Both Orders were supported by the use of the Minister of Labour's powers compulsorily to direct labour to specific employment. The great majority of workers, however, willingly accepted guidance into essential employment and direction has been used only in a very few cases when a worker has refused to take any form of essential work. The need for continuance of these direct controls is kept continually under review.

(5) IMMIGRATION AND EMIGRATION

41. Both to assist in recruitment for essential undermanned industries and also to make a contribution to the problem of displaced persons and of the mobility of European labour reserves, the United Kingdom has welcomed a substantial body of immigrants. Since the end of the war nearly 200,000 foreign workers have been settled here on a permanent basis. Some 70,000 of these were displaced persons, and indeed in this way the United Kingdom has afforded asylum for more displaced persons than any other country in the world. Many other immigrants who have settled permanently were at one time members of the Allied Forces, particularly Poles. In addition, permits for some 50,000 other foreign workers have been issued for employment on an individual basis. All workers so admitted have, of course, been employed at wages and on conditions not less favourable than those applicable to British workers. For the future, for any approved demands which cannot be met by British workers recourse will be had in accordance with existing policy to the recruitment of foreign workers, subject to adequate housing being available. As regards emigration, it is open to British subjects to leave the country as they wish and to move to any countries which are ready to receive them, though that movement is in fact hampered by lack of shipping facilities and by exchange limitations. In the case of schemes approved on economic and other grounds, the Government facilitates recruitment and movement of persons of the kind which the receiving country desires to secure.

(6) POLICIES RELATING TO PRODUCTIVITY

42. The labour force of the United Kingdom is now fully occupied and the numbers available for work may be somewhat less in five years' time. The proportion of the total population which is of working age is becoming smaller, while the average age of the working population is increasing. Increased productivity per head is therefore the only means of solving the present economic difficulties while maintaining and improving the standard of living.

43. Increased productivity partly depends on the maintenance and improvement of capital equipment, both building and machinery. This is recognised in the investment programmes discussed in Chapters III and IV but, as there explained, there are severe limitations on what can be done, and careful measures have therefore been adopted to put the available resources to the best uses, and so make good shortages of new equipment by the more efficient use of existing plant, *e.g.*, by improved layout and adaptation. Improvements in productivity also depend on an adequate flow of raw materials. In regulating import programmes care has to be taken to see that this is not checked by avoidable shortages of imported supplies.

44. In addition research has an important part to play. The contribution of the State to industrial research has been greatly increased, directly through the research establishments administered by the Department of Scientific and Industrial Research and indirectly through Industrial Research Associations fostered and financially assisted by the Department, of which there are now thirty-six. Much of the work of these bodies will only bear fruit after a long interval ; but they are being encouraged to concentrate on the solution of immediate problems and on the widest and most prompt dissemination of their findings. There is also being set up a National Research and Development Corporation, financed from public funds, to take over inventions from Government Research Stations and universities, develop them to the stage at which they are commercially useful and license them out to industry. The Corporation will also take up private inventions of public interest which would otherwise fail to be properly developed. These are steps undertaken by the State. The research expenditure of private industrial firms is equally important. It has recently been estimated that this expenditure is now ten times as great as it was before the war. The combination of intensive research with the traditional skills of British industry will ensure that United Kingdom products remain in the van of technical progress.

45. Most active efforts are being made to increase technical skills. There are to-day twice as many students in the scientific and technological faculties of the Universities as there were in 1938 ; there are more than twice as many in Technical Colleges. The number of young employees released in working hours for technical education has been quadrupled. The limitation on still further expansion is mainly one of premises ; special attention is being given to this in the investment programme. A number of National Colleges for advanced technological education for particular industries are being established. The creation of apprenticeship schemes has the active support of the Ministry of Labour and the training of supervisory workers on the lines of the Training Within Industry Scheme introduced in the United States during the war has been promoted with considerable success. The Ministry of Labour also provides intensive courses in skilled crafts for adults needing this training.

46. The average level of effort, the intensity and length of work, and the adaptability of labour are greatly influenced by a better understanding of economic problems. Information policy seeks to secure this, while fiscal policy attempts to ensure that monetary incentives can operate effectively by maintaining a reasonable stability of prices and money values. Joint consultation between management and employees in industry, which is being developed with the encouragement and assistance of the Government, is also helping toward an effective productive effort.

47. Managements throughout the country are seeking to improve managerial efficiency. To encourage this process, the Government has financed the setting up of the British Institute of Management to collect and spread information on the best management practice, to undertake further research and to encourage education in this field. The research organisations already mentioned also have an important part to play. The object in all this work is especially to raise the level of the bad and the less good to that of the best.

48. This desire for greater productive efficiency must not be impeded by monopolistic practices. Recent legislation has made provision for a Monopolies and Restrictive Practices Commission to enquire into any industrial and commercial arrangements of a restrictive or monopolistic

character which are referred to it by the Government. Power has been taken to deal by Order subject to the approval of Parliament with arrangements which are found to operate against the public interest.

49. In the whole matter of productivity valuable advice is expected to be obtained from the joint Anglo-American Council which is being set up by the two sides of industry, by British and American management and labour to exchange information about their industrial experience.

50. There is clear evidence that the measures taken so far are meeting with a substantial response. It is broadly estimated that during the past two years the volume of physical output per worker in manufacturing industry has regained the pre-war level. An important contribution to this remarkable progress has, of course, been the maintenance of industrial peace to a much greater extent than might have been expected in this difficult period of readjustment or as compared with the experience in the corresponding period after the 1914-18 war.

(7) CONTROLS OVER HOME PRODUCTION AND CONSUMPTION

51. Many types of food, fuel and clothing are at present rationed and the Government controls the prices of nearly all foodstuffs and consumer goods and of many raw materials and semi-manufactured goods as well as the charges for some services. These consumer rationing schemes are necessary to-day to secure "fair shares" of essential goods in short supply and to moderate inflationary forces. More directly affecting specific production plans, both in industry and agriculture, are licensing controls over production and allocation or rationing schemes for materials. In the past these have, in conjunction with price controls over certain materials and semi-manufactured goods, served the same anti-inflationary purposes as consumption controls, and they have moderated the severe dislocations that maldistribution and scarce supplies would have caused. They have moreover, immensely helped the export drive and the breaking of particular bottlenecks in home production, and secured the devotion of productive resources to the most essential purposes.

52. All these rationing schemes are costly in money and in manpower to administer but the possibility of bringing them to an end depends upon a variety of factors, such, for instance, as the balance between demand and supply, the need to secure fair shares of essentials, and, in the case of food, the securing of proper nutritional standards. It cannot be entirely a coincidence that despite the strain of war and the limitation of supplies of many valuable foodstuffs in the last few years, the general health of the British population has continued to improve, as may particularly be seen from the trend of the infant and maternal mortality rates.

53. Controls over production, however exercised, undoubtedly restrain initiative and enterprise. They are being simplified wherever possible. They are a means to an end, not ends in themselves, and will be abolished as soon as their advantages appear to be outweighed by their disadvantages. But they will be retained so long as they are needed to implement production plans and in some cases it is unlikely that they can be relaxed for several years.

54. For the future, food rationing will have to be continued as long as is necessary to secure the allied objectives of fair shares and reasonable nutritional standards. Other rationing schemes for essential consumer goods can be removed as demand and supply come more into balance.

(8) THE STRENGTH OF STERLING

55. The external economic policies of the United Kingdom to which the remainder of this Chapter is devoted have as their primary objective the attainment of a stable balance of payments. The governing principle behind them is that the sterling area gold and dollar reserves must be maintained throughout the period of the economic recovery programme, and that in consequence expenditure of gold and dollars must be limited to the amount of gold and dollars earned together with the amount of external aid received.

56. The whole of the United Kingdom's balance of payments policy thus rests on the maintenance and strengthening of sterling as an international currency. Not only is this vital to the immediate interests of the United Kingdom; it is equally important to the other members of the sterling area and to all other countries which conduct much of their trade in sterling. This policy is itself a positive contribution to international economic stability.

(9) EXPORT POLICY

57. Among policies dealing directly with the problem of the overseas deficit, the expansion of exports takes first place. But it is obvious that it is impossible to "plan" to sell a given volume of exports in any given period since a willingness abroad to buy is as important as the United Kingdom's capacity to supply. A number of domestic policies are directed to ensuring that, wherever possible, ample supplies are available for export. The Government has established the practice of laying down each year, in consultation with each industry, a series of export targets, and has appealed to industry, with very considerable success, to co-operate in reaching them as a matter of national endeavour. Supporting this voluntary effort, general fiscal measures help to prevent the pressure of home demand from restricting export supplies and to secure that production for export is at least as profitable as production for the home market. So long as physical controls over raw materials and production are available, they provide a further means of seeing that production for export is kept at the highest possible level.

58. The means open to Government of directing exports to particular markets are necessarily limited. The growth of British exports rests on innumerable separate transactions. The building of a connection for a steady trade in any individual market is slow and costly and it is rarely possible to switch selling effort quickly from one line or market to another. The policy of the Government has, therefore, been to indicate in broad terms the markets to which it attaches most importance. Special emphasis has been laid on sales to the Western Hemisphere, and assistance is given to manufacturers seeking to promote such exports. These efforts will, however, be fruitless unless exporters are given the opportunity to enter these markets.

59. As already pointed out, neither these nor any other export policies can guarantee a given expansion of exports. Planning cannot be based upon an ideal figure: it must work on a realistic assessment of probable trends. In the provisional estimates of the overseas balance in 1952-53 given in Chapter VI, the volume of exports of 150 per cent. of 1938 has, for reasons there stated, been taken as such a realistic assessment. But it is in no sense a maximum and policy will be adapted to achieve a higher level if sales opportunities allow.

(10) IMPORT POLICY

60. The nature of British imports, which are mainly primary products, is such that planning measures can be applied so far as this is necessary. Despite the utmost exertions in the export field, the volume of imports is bound to

remain below the pre-war level well beyond 1952-53, and Government control over imports is expected to be required in 1952-53 and for some years thereafter.

61. In addition to the need to keep imports down to a total consistent with its overseas earnings, the United Kingdom is compelled to pay careful regard to the sources from which it secures these imports. The achievement of a stable balance of payments requires, according to any realistic analysis of possible world economic trends, a change in the distribution of imports from the acutely distorted pattern of 1947. In particular, as is explained in more detail in Chapter VI, imports from the Western Hemisphere in 1952-53 seem likely to be some 17½ per cent. below the planned level for 1948-49, which is in turn below the 1947 level. This contraction, which is a matter of necessity and not choice, involves a considerable change in the source of supply of a number of commodities. In the majority of cases the increased production in the sterling area is being achieved by private capital in the ordinary course of business. Special Governmental arrangements are, however, made, especially as regards food supplies, and these often take the form of long-term contracts to give assurance of a market to the producer. Developments in the associated overseas territories are described in Chapter V.

(11) THE OBJECTIVE OF MULTILATERALISM

62. The prospective position of the United Kingdom in 1952-53, as set out in Chapter VI, underlines the importance of working for the application of multilateral principles of trade and finance over increasingly wide areas. The United Kingdom's balance of payments policy is designed to encourage movement as fast as possible in this direction. The impossibility of maintaining the convertibility of sterling which was attempted in 1947 made it necessary to embark upon a system of bilateral agreements in order to secure the continuance of as large a volume of international trade as possible. But these agreements have been expressly directed to expand trade by allowing each party to use its purchasing power in the other country in the way that suits it best and thus to maintain the exporter's confidence in the continuance of his market and to counter any danger of a downward spiral in international trade. Throughout the difficult post-war period the United Kingdom has remained the centre of the largest multilateral trading system in the world—the sterling area—and has sought, wherever possible, to extend the field of uses to which sterling can be put. During the E.R.P. period the United Kingdom will seek progressively to widen the scope of multilateral trade and payments agreements. It has already taken its full share in the formulation of the new Intra-European Payments Scheme.

63. In considering the long-term O.E.E.C. programme, the United Kingdom would, therefore, deprecate attempts to work towards complete bilateral balance even between broad geographical groups. On present calculations, it seems likely that the sterling area as a whole will tend to be in surplus with the other participating countries. It is not expected that in the early 'fifties the other participating countries will in general be able to finance such a surplus in dollars or gold, and so contribute to meeting the United Kingdom's dollar deficit. But it is thought possible that part of this surplus could be matched against the sterling area's deficit with certain other non-participating countries in the Middle East, in Eastern Europe and in South America. For example if the sterling area were in deficit with Brazil, and if France had a surplus with Brazil and a deficit with the sterling area of the same amount, it would be possible to clear these deficits against one another provided that appropriate payments arrangements existed. The development of multilateral payments arrangements between the participating countries

and their monetary areas should not be allowed to develop in any way which would prejudice the matching of surpluses and deficits over a much wider field.

64. How fast the United Kingdom will be able to modify its own trading and financial policies in the direction of a more complete multilateralism depends upon a number of factors outside its control. No multilateral system can work while large disequilibria exist in important trading countries' balances of payments either in the creditor or debtor sense. The necessary structural changes have to be made in each country's pattern of production, consumption and trade before a sound multilateral system can be firmly established.

(12) THE EXPANSION OF INTERNATIONAL TRADE

65. Subject to the overriding objective of achieving a balance of payments, it is the policy of the United Kingdom to expand the total volume of international trade to take the fullest advantage of the international division of labour. To this end it has participated in international negotiations designed to reduce the obstacles to the free interchange of world production and services.

66. As regards the obligations assumed by signatories under Article 6 of the Convention, the Government of the United Kingdom, by their provisional application from 1st January, 1948, of the commitments under the General Agreement on Tariffs and Trade for the reduction or elimination of a number of tariffs and preferences, have already taken practical steps towards the fulfilment of the objectives both of the Convention and of the Havana Charter as is recognised by Article 17 (3) of the latter document. They are continuing as Contracting Parties to the General Agreement to co-operate with other countries in discussions directed to the expansion of international trade on a multilateral basis. The United Kingdom will take part in the further tariff negotiations to be held next April with the object of bringing a number of additional countries within the scope of the General Agreement.

67. The shipping policy of the United Kingdom has been directed to the removal of all obstacles to the free international circulation of shipping. In particular, the United Kingdom has been active in the promotion of the Convention for the setting up of the Inter-Governmental Maritime Consultative Organisation, one of the objectives of which is to "encourage the removal of discriminatory action and unnecessary restrictions by Governments affecting shipping engaged in international trade so as to promote the availability of shipping services to the commerce of the world without discrimination."

(13) INTERNATIONAL CO-OPERATION

68. The external policies described in the preceding five sections will require for their successful fulfilment a very large measure of international co-operation with the other participating countries and the other countries of the British Commonwealth in all matters affecting overseas trade and economic affairs. In particular they imply a continuous observance of the principles laid down in the Convention for European Economic Co-operation and the Economic Co-operation Agreement with the United States Government. As part of this co-operative endeavour the United Kingdom attaches special importance to the studies of the "fields of activity" which are being undertaken by the O.E.E.C. in order to expand the production of essential supplies by, or in collaboration with, the participating countries. It is hoped that other projects likely to offer prospects for successful co-operation will suggest

themselves when the national programmes are jointly examined in Paris. The United Kingdom will play its full part both in the exploratory work and in implementing any agreed projects that may emerge.

CHAPTER III.—MAJOR INDUSTRIAL PLANS

69. This chapter discusses the production policies of various industries which will have a large part to play in the economic recovery of the United Kingdom.

(1) AGRICULTURE

70. Before the war imports of food and feeding-stuffs accounted for 47 per cent. of total imports. Plans were announced in 1947 which sought to secure by 1952 an increase in the net value of annual agricultural output 15 per cent. above the wartime peak of 1943-44. This should yield in terms of calories for human consumption one-third more than before the war. In addition increased home output will save the equivalent of 4 million tons of imported feeding-stuffs. Production at this level would exceed the highest output hitherto known by the agricultural industry.

71. The production targets for the principal crops and livestock products for 1952-53 as compared with figures for earlier years are as follows:—

	1934-38	1947-48	1948-49	1952-53
	<i>Average</i>	<i>Actual</i>	<i>Programme</i>	<i>Programme</i>
Bread grains	1,751	1,716	2,284	2,764
Coarse grains	2,876	4,585	5,277	5,644
Meat and bacon	1,485	885	958	1,468
Milk and milk products†	7,305*	7,794	8,039	8,974
Potatoes	4,951*	7,890	10,100	7,750
Sugar beet (roots)	2,785*	2,932	3,650	3,650

* 1936-39.

† In terms of liquid milk.

Separate figures for production of the main livestock products may be summarised as follows:—

	1952-53
	<i>as per cent. of</i>
	<i>1936-39</i>
Milk	123
Beef and Veal	110
Mutton and Lamb	83
Pigmeat	92
Eggs	131

72. The acreage of wheat in 1951-52 has been set at $2\frac{3}{4}$ million acres. This is considered to be the highest that can be maintained as a permanent feature of British farming without an acute distortion of the general farming pattern and a loss of soil fertility. As the supply of alternative foods improves it is intended to reduce the area devoted to potatoes to approximately 50 per cent. above pre-war. Vigorous efforts are being made to extend the cultivation of linseed, a new crop which is of particular value as a source of cattle cake and of oil for industrial purposes.

73. The expansion of livestock production necessitates larger acreages under coarse grains and other fodder crops if dependence on imported feeding-stuffs is to be reduced. Substantial improvements are being planned in grass production and grass drying. Special emphasis is being laid on ley farming as a means of maintaining the arable acreage and at the same time improving the yield of grass for feeding purposes. The planned increases in livestock

production are very large by comparison with current levels of output, which reflect the shortage of feedingstuffs, the results of the wartime reduction of flocks and herds and, particularly in the case of sheep and lambs, the heavy loss in the hard winter of 1946-47.

74. The following specific measures for achieving the objectives may be mentioned:—

(a) *Provision of Farm Buildings.*—It is hoped to provide approximately \$400 million of farm buildings in the next four years. These include steel Dutch barns and buildings to house grain-drying plant.

(b) *Provision of Machinery.*—Rapid progress has been made over recent years in the mechanisation of United Kingdom agriculture, and it is now one of the most highly mechanised in the world. The number of tractors of all kinds in use has risen from some 50,000 in 1939 to over 250,000 to-day and big developments have taken place in the employment of other implements. Over the next four years farms will require replacements and new machinery at the rate of \$200 million a year. The total tractor strength will be maintained at about 275,000 to 300,000, the increase over mid-1948 being mainly in the number of heavy types, including crawlers; the number of combine harvesters will rise from 6,500 to at least 11,000, which is the figure planned for 1950, and grass driers from 400 to at least 1,500. The United Kingdom already supplies most of her own requirements of agricultural machinery and has developed a substantial and expanding export trade which is of increasing assistance to other participating countries and to world food production generally. Research workers are examining the problems of agricultural mechanisation, including the standardisation of machinery.

(c) *Fertilisers.*—The quantity used in 1947-48 was more than double that used before the war, but consumption will need to be further increased by at least one-fifth if the expansion programme is to be carried out. Despite the fact that this year more fertilisers have been produced in the United Kingdom than ever before, the country is still dependent upon imports. For example, all supplies of potash and phosphate rock have to be imported.

(d) *Maintenance and Improvement of Land Drainage and Water Supplies.*—By 1952-53 \$60 million will have been spent on improving main arterial water courses. About 2½ million acres of land will be improved by the clearance of farm ditches and field drainage during the next four years at a cost of \$36 million. About \$32 million will be spent on providing piped water supplies to farms. Between 1 and 1½ million acres will benefit.

(e) *Feedingstuffs.*—Imports of feedingstuffs included in the programme for 1952-53, though more than at present, will still be below the pre-war level. The increased production of feedingstuffs at home is therefore vital to the expansion in livestock. Subject to the maximum practicable production of bread grains, farmers are at present allowed to grow fodder crops, e.g., oats, mixed corn, and to retain these crops for feeding to their own stock; they may also retain strictly limited quantities of wheat, rye and barley. There is strict control of distribution and methods of utilisation both of bread grains and of animal feedingstuffs, and virtually all the feedingstuffs imported, manufactured within the country, or sold off farms are distributed through the feedingstuffs rationing scheme. Quantities of grain of their own growing retained by farmers are taken into account in the allocation of feedingstuffs rations to them. As stated in paragraphs 47-51, controls must be continued for some considerable time, but may

need to be modified to conform with the increased home production of fodder crops and with the changes in imports of feedingstuffs so that the best use is made of all available resources for achieving the desired expansion of livestock production.

(f) *Finance*.—The total fixed investment required in the industry in four years up to the end of 1952 is estimated at approximately \$1,800 million, about half of which will be spent on machinery. Prices of farm products have been raised to help the farmer to finance this investment and to increase his livestock. *Ad hoc* grants or subsidies are also given to encourage desirable developments such as the ploughing up of grassland of three years or over. The Government has undertaken to reimburse Artificial Insemination Centres for any losses they may incur in the early years of their activity. Under the price-fixing mechanism of the Agriculture Act, 1947, the farmer is assured that the prices of crops will be fixed eighteen months ahead and, in the case of livestock and livestock products, minimum prices are made known two to four years ahead.

75. The fulfilment of the programme depends ultimately on the skill and initiative of the farming community. Each county has an Agricultural Executive Committee, consisting of representatives of farmers, landworkers and landowners to ensure by propaganda and persuasion that the crop targets are achieved and to assist farmers by the hire of machinery and supplementary labour, by contract services and by the provision of short-term credit facilities. Working with these committees is the National Agricultural Advisory Service of about 1,300 qualified technical officers, available to advise farmers on all questions of technical improvement and efficient production. Special attention is being given to grassland improvement. Where advisory methods fail to secure greater efficiency, the Agriculture Act 1947 gives the County Agricultural Executive Committee powers to enforce standards of good husbandry, even to the point of dispossessing inefficient farmers. The Act also enables the Minister of Agriculture, subject to Parliamentary approval, and for one year at a time, to authorise the committees to issue directions to farmers in order to maintain the national food supply. These powers have been invoked, where necessary, in order to ensure the essential expansion of the tillage area in 1949. Corresponding powers and machinery exist in Scotland.

76. Agricultural research will play an important part in raising efficiency. The Research Institutes guided by the Agricultural Research Council are very active, and an Agricultural Improvement Council sees that the results of research are made known and used. A series of experimental husbandry farms and horticultural stations has been set up to enable research workers to test the results of their research work under practical farming conditions.

77. The expansion programme will require about 75,000 more civilian agricultural workers than in 1946. The provision of more rural housing to enable the recruitment of more British workers and their families is an important part of the campaign. Farm workers are not called up for military service. Thirty-two thousand Poles and European Volunteer Workers had been recruited for permanent settlement by June, 1948. Most of these workers are being accommodated for the time being in hostels. In addition 23,000 German prisoners of war have been allowed to stay as civilians at their own request.

78. The programme will still leave the United Kingdom the world's greatest food importer, and it would certainly be the Government's hope that, if the means of payment could be found, a still larger volume of food and feeding-stuffs imports than is shown in the 1952-53 estimates could be acquired.

79. *Fishing*.—By 1952, about eighty new trawlers will be in commission with an average capacity of up to 700,000 lbs. of fish. As a result it is hoped by then to expand output by about \$32 million a year. Landings will then be well above pre-war. New factories planned by the herring industry for the production of herring oil and meal will also be in operation. Regard is being paid to the necessity of preventing over-fishing in the North Sea and the majority of the new vessels now being built will be fishing in other areas.

(2) COAL

80. The United Kingdom is almost completely dependent upon coal for industry, trade and domestic purposes since indigenous supplies of other fuels are insignificant. Coal has also been a traditional export, valuable both for itself and because it has provided an outward freight for the shipping industry and thus reduced the transport cost of imported food and raw materials.

81. The importance of coal exports is now greater than ever before since they can directly reduce the dollar expenditure of other European countries. In 1947 shipments of United States coal to the participating countries amounted to 36 million tons, at a cost (excluding freight) of about \$337 million. The estimated figures for 1948 are 25 million tons and \$275 million respectively. The substitution of this quantity of American coal by British or other European coal is clearly essential to the restoration of Europe's balance of payments. Furthermore, coal exports to Canada and Argentina can be useful earners of hard currencies.

82. For these reasons a large increase in British coal output is planned for the four-year period. Output has already recovered a good deal since 1945, when it amounted to only 186 million metric tons, rising to 193 million tons (184 million deep-mined) in 1946 and 201 million tons (190 million deep-mined) in 1947. During the first 35 weeks of 1948 output has been 9 million metric tons above the output for the corresponding period of 1947. Output per man-shift rose from 1.02 metric tons in 1945 to 1.05 in 1946 and 1.09 tons in 1947, and is currently about 1.12. Exports and foreign bunker shipments have increased from 5.4 million tons in 1947 to the current rate of 20 million tons a year. The commitment to supply 13 million tons of solid fuel exports to participating countries and bunker shipments in 1948, promised in Paris in July, 1947, is well on the way to fulfilment. Substantial shipments are also being made to the American continent. The sharp rate of increase in exports is, however, partly due to a reduction in stocks at home which cannot, of course, continue. Consumption in the United Kingdom has been kept down by restrictions on the use of domestic coal, gas and electricity, by the more efficient use of fuel, and by the effective use of the dirtier coals which have had to be used because of the shortage of cleaning plant.

83. The aims are to produce over the next four years sufficient coal and coke to meet all the requirements of this country at the lowest possible cost in materials and resources, to ensure that the solid fuel needs of Europe will be fully satisfied from European (and in large part from British) sources, and to increase shipments to South America and Canada. So long as abnormal conditions prevail it is only possible to guess at the level which internal demand would reach were supplies freely available. In the export markets uncertainties exist as to the speed of industrial recovery in the participating countries, the availability of additional supplies of solid fuel from Germany and Poland, the total European demand for solid fuel,

the prospects of selling British coal in South America, Canada and other distant markets, and the supplies of particular qualities of coal. The appraisal of these prospects is clearly a field for European consultation. It has been assumed, however, that demands for United Kingdom exports and bunkers will reach by 1952-53 a level of 40 million metric tons. It should be practicable to meet that demand with a total production (including open-cast production) of between 250-260 million metric tons. This will require over the next four years an increase of some 40 million metric tons of deep-mined coal. It implies an annual increase of about 5 per cent. in output per man-year, a rate substantially higher than has ever been sustained for a long period by any large section of industry. To achieve such an advance will involve a tremendous effort. It means nearly doubling the rate of expansion thought possible for other industries.

84. All this will have to be achieved in the early stages of a long-term programme, involving a radical reconstruction of the whole industry, which is expected to extend over a 15-year period. A rapid development in productivity during this time will be hard to achieve, especially as it will necessarily take a long time to complete the underground haulage reorganisation, and the design and construction of large-scale surface cleaning plant, upon which much reliance must be placed for increased productivity and improved quality. Every effort will also be made to reduce internal consumption by the more efficient use of our fuel supplies—a field in which very considerable success has already been achieved.

85. Underground haulage productivity must be raised as quickly as possible from the present figure of about 5 tons a manshift to 20-25 tons obtained in the most modern European mines. This is largely a matter of replanning and driving tunnels for locomotives. For reasons of working space the speed at which tunnels can be driven is limited, and, because of the age of British coal mines and the great distance of most workings from the deep shafts, these new tunnels must be long. Improved haulage will make mining operations run more smoothly and release men in considerable numbers for face work.

86. Many surface cleaning plants are already in hand, and plants ordered or projected should be able by 1952 to deal with 70 per cent. of total coal output. These plants will release men from hand picking coal, and the coal produced from them will be burnt at higher efficiencies.

87. Production at the coal face is already highly mechanised with 75 per cent. of the output mechanically cut and face conveyed in 1947. The chief means of improved productivity by further face mechanisation must, therefore, be looked for in the installation of mechanical loaders. Geological conditions in the British coalfields, however, do not lend themselves readily to this form of mechanisation by reason of the great depths at which many seams are worked with consequential difficulties in roof control.

88. During the four years ending December 1952 the Coal Board expect to invest nearly \$600 million on development and reconstruction, including plant replacement. A large part of this expenditure will be devoted to the three principal mining activities referred to above. In addition it is proposed progressively to close down the less efficient mines, to concentrate working within existing collieries, and to undertake an extensive programme of drift mining. At the same time plans are being worked out for the major reconstruction of existing collieries, new sinkings and the like, which can hardly be expected to yield any considerable returns by the end of the period.

(3) OIL

89. The world's current consumption of oil is already 70 per cent. higher than in 1938. The United States of America's present consumption alone is about equal to the world's total consumption in 1938, and as the United States of America has now become a net importer of oil—it has been for years a very considerable exporter—the shortage for the rest of the world is an acute problem. A very large expansion of oil production is, therefore, necessary if economic recovery in Europe and the development of those territories to which Europe must increasingly turn for her supplies of food and raw materials are not to be retarded.

90. The United Kingdom has a special interest in the expansion of oil supplies. In spite of the fact that the output of the British oil companies is much greater than consumption in the United Kingdom, particularly at the very restricted level which it has imposed upon itself, the oil industry makes at present the largest single claim for dollar expenditure. The British-controlled oil companies are engaged in a highly complex foreign trade. Their activities involve large dollar expenditure both for operating expenses and the purchase of equipment. In addition, large quantities of oil are still having to be purchased by British companies from United States companies to meet their market requirements in non-dollar areas. A substantial part of this dollar expenditure is incurred in order to make oil available to the participating countries of Europe. In all, the British companies sold for inland consumption over 10 million metric tons of oil to the participating countries (excluding the United Kingdom) in 1947. This will rise to about 13 million tons in 1948 and will then constitute 40 per cent. of their total estimated oil supplies. These supplies are essential to the economic recovery of the participating countries; trade and industry would be most seriously dislocated if they were withheld. When it is appreciated that this assistance to recovery and development of the European recovery is made at the cost of a substantial drain on the United Kingdom's gold and dollar resources it will be realised that the United Kingdom's oil supplies constitute an altogether outstanding immediate contribution to European collaboration.

91. To deal with this situation oil production and refining capacity by British companies are being expanded both to reduce the need to purchase oil from dollar sources and to enable more oil to be sold to dollar purchasers. British companies (including under this heading the Royal Dutch Shell group) produced 46 million tons of crude oil in 1946 and nearly 54 million tons in 1947. This year it is hoped to increase production to 64 million tons. In 1953 the expansion of the industry should yield approximately double the 1947 output.

92. The main contribution will come from the development of concessions held outside the dependent overseas territories, principally in the Middle East and Venezuela. Production in British Borneo and Trinidad, about 4½ million tons in 1947, is expected to increase to about 6 million tons, as a result of extensions in hand.

93. An important feature of the expansion programme is the development of refinery capacity. A large industry will be established within the United Kingdom capable of treating nearly 20 million tons of crude oil a year, compared with a through-put of 2½ million tons in 1947. Seven new refineries or major extensions will be erected in the United Kingdom at an approximate cost of \$500 million. Work has already begun on three of them. This ambitious project will make a major change in the oil position of the United Kingdom. Imports of crude oil will increasingly replace imports of refined products and give rise to large savings in foreign exchange. The

new plants will result in a much greater variety of products being refined in the United Kingdom and will stimulate the development of a petroleum chemical industry capable of producing many organic chemicals now imported from hard currency sources. Refinery capacity owned by British companies outside the United Kingdom is also being increased considerably. A new refinery is now under construction in Venezuela, while increases in capacity in Holland, the Middle East, and the East Indies are already under way or planned. Capacity overseas will be increased by more than 40 per cent. compared with 1947.

94. With regard to the pipe-line projects, increased output in the Iraq fields will necessitate increasing the capacity of the existing pipe-lines which carry the oil to the Mediterranean coast. British companies in conjunction with American companies also have plans for building pipe-lines to carry crude oil from the Persian Gulf to the Mediterranean coast.

95. The programme of the British oil companies is vast. If it is successfully carried out, it is estimated that the dollar-saving and dollar-earning effect of the increased output will reduce the net dollar drain on oil in the United Kingdom balance of payments very considerably. The increased availability of sterling oil will, of course, make it possible for British companies to play their part in meeting the rising needs of the rest of the world including the sterling area and participating countries and will be an important contribution to the Recovery Programme. But it will be possible to achieve these objectives only if the large quantities of steel and steel equipment required for the programme are made available to the companies. It is estimated that in 1949-52 over 1 million tons of steel will be needed for plant and buildings over and above 2½ million tons for maintenance, production and marketing. Part of this can only be obtained from the United States. The rest must come from the United Kingdom and other continental steel producers can help in this by increasing their supplies to the United Kingdom of the steel it needs. The satisfaction of current requirements is already placing a heavy strain on United Kingdom steel supplies. While more steel will become available for oil development as United Kingdom steel production expands, it is clear that the carrying out of the full programme in good time and the meeting of this large demand for steel will require the co-operation of other participating countries, who will so largely benefit from it.

(4) IRON AND STEEL⁽¹⁾

96. The United Kingdom steel industry is now operating at the full stretch of its steel-making capacity. The official target for output of crude steel in 1948 is 14.7 million ingot tons, but there are good hopes that this figure will be exceeded. Production up to the end of August was at a rate equivalent to 14.9 million tons a year, and for many weeks output has been maintained at an annual rate of over 15¼ million tons. Home output of crude steel in the United Kingdom is not, however, sufficient to meet demand. There is an excess of finishing capacity, but it has not been possible to obtain sufficient supplies of imported semi-finished steel to employ this capacity fully.

97. A review has recently been made of the probable demand for steel in the United Kingdom in the 1950's. This indicates a total requirement for home and export in the region of 18¼ million ingot tons a year. Consumption for home use, including consumption in the manufacture of goods for export, is estimated at 15¾ to 16¼ million ingot tons. The possible demand for steel for export as such has been estimated at 2 to 2½ million ingot tons. This

⁽¹⁾ By O.E.E.C. definition, steel used for tubes and wire is included in paragraphs 97, 101 and 106 in the figures for home consumption; tubes and wire as such are excluded from the figures of steel consumption, imports and exports.

may be compared with actual supplies for all purposes, including exports, of 14.4 million ingot tons in 1947 and 13.2 million ingot tons in the years 1937-38.

98. The considerable increase in the estimated requirements of steel in the 1950's as compared with pre-war arises from three main causes. First, there has already been a very great substitution of steel for timber—for example, in coal mines and in the building of railway wagons. This tendency may be expected to continue. Second, a large part of the expected expansion of exports is in engineering products. Third, the high level of investment needed to restore and modernise the industries of the United Kingdom will make demands on steel which will certainly continue for some years beyond the period of this Programme.

99. Since the war ended the steel industry has embarked on a major re-equipment and development plan, the first stage of which is estimated to cost about \$1,000 million. Included in this figure is certain specialised plant (in particular a continuous strip mill), valued at \$70 million, which is being obtained from the United States and is a most important contribution to the scheme. The objects of the plan as a whole are to make good the modernisation and development postponed by the war, to increase capacity, and to lower costs by concentrating production. Under this plan, the production of crude steel in 1952-53 will rise to 17 million ingot tons. Some developments, which will expand the capacity for the production of crude steel still further, will not be finished until 1953 or 1954.

100. Despite the increased output of crude steel there will still be in 1952-53 some excess of finishing capacity which could be employed only by the import of some 560,000 tons of steel for finishing. Having regard, however, to the supplies likely to be available, only 380,000 tons of semi-finished steel have been provided for in estimating the import programme for 1952-53. This quantity will be imported under the already existing agreements with continental steel producers which do not expire until 1953. With these supplies it will be possible to produce 17.5 million tons of finished steel (in terms of ingot equivalent). The level of the import demand for semi-finished steel in 1952-53 contrasts with the existing position where, owing to the present large excess of finishing capacity over crude steel capacity in the United Kingdom, there is a demand for imports of semi-finished steel of some 1.2 million tons a year, which can be met only in small part, chiefly from the continent of Europe. One of the main features of the steel development plan is, therefore, the reduction of the gap between steel making and steel finishing capacities. This will reduce the United Kingdom's dependence on imports of semi-finished steel, which is expected to remain difficult to obtain from abroad in any quantity, and will eliminate the present need to seek substantial supplies from dollar sources.

101. It will be seen that there is a gap between this forecast of output of finished steel and the demand estimated in paragraph 97 above. It is expected that this will be partly closed by the use of second-hand material arising in the United Kingdom (estimated at 200,000 ingot tons) and by the import of 400,000 tons of finished steel (in terms of ingot equivalent), most of it under the existing agreements with the Continental steel producers. Unless additional imports of semi-finished steel are available, the remainder of the gap can be filled only by importing more finished steel from other O.E.E.C. countries, but whether or not it will be desirable to do this will depend on the strength of the demand for United Kingdom exports of steel. No provision has been made for such supplementary supplies of finished steel in the import programme. On the assumption that the home demand, taken as 16.0 million ingot tons, is met in full, provision has been made for exports

of 1.6 million tons of finished steel (2.1 million tons in terms of ingot equivalent), including supplies to the oil industry abroad and for capital development in the sterling area. The position will, however, be reconsidered in the light of the discussion by the O.E.E.C. of the long-term programmes submitted by other participating countries.

102. A notable feature of the development plan is the modernisation and expansion of blast furnace capacity, which is designed to serve a three-fold purpose. It will increase the production of pig iron for steel making to 9.4 million tons in 1952-53 compared with 7.2 million tons in 1948, and also expand the output of foundry pig iron. The installation of the latest equipment will yield a marked saving in fuel consumption—a matter of first importance since great efforts will be needed to maintain the supply and quality of coking coal and coke to keep pace with the expansion of the steel industry. An increased output of pig iron will diminish the pressure on scrap supplies.

103. As regards particular types of finished steel products, the expansion of capacity will be particularly important in sheets and tinplate. The total output from the sheet and tinplate mills in 1952 is estimated to be sufficient to meet the home demand and to provide for export about 375,000 tons of tinplate and 175,000 tons of sheets. The improvement in the production of sheets and tinplate should enable the United Kingdom in the 1950's to make an important contribution to the supplies of the other O.E.E.C. countries. The Paris report of 1947 showed that in 1951 there would be a net import demand for tinplate by the O.E.E.C. countries on the United States of 250,000 tons a year. Full operation of the United Kingdom's new mill by 1952-53 should enable this prospective dollar drain to be considerably reduced.

104. On the heavy side of the industry, the main feature of the plan is the proposed installation of mills for rolling constructional sections. In the case of plates and light sections, the plan is concerned with the modernisation rather than the expansion of capacity. There will be a substantial increase in the output of wire rod, from about 750,000 tons in 1948 to over 1 m. tons in 1952. At present the United Kingdom is obliged to include a substantial quantity of wire rod in her import programme and indeed has considerable difficulty in obtaining the imports needed; the development plan is designed to eliminate this need for imports.

105. A further expansion of steel-making and finishing capacity in the United Kingdom is under consideration in the light of the present forward estimates of demand, but the existing development plan will be well on its way to completion before any new plans can be put into operation.

106. The following table briefly summarises the principal statistics :—

	1935-38 Average	1947 Actual	actual weight '000 metric tons	
			1948-49 Programme	1952-53 Programme
Production of crude steel	11,437	12,684	14,987	17,020
Imports—crude and semi-finished steel	487	293	373	383
finished steel	486	105	544	317
Exports—crude and semi-finished steel	22	4	6	—
finished steel	1,411	996	1,185	1,580
Consumption of finished steel	7,444	9,630	11,032	11,860

(5) ENGINEERING

107. The engineering industries are directly involved in nearly every aspect of economic recovery: in the mechanisation of agriculture; in the re-equipment of home industries and public utilities; in the export of capital goods not only to pay for current imports but also to develop the resources of the participating countries, the sterling area and other parts of the world.

108. Between 1938 and 1948 the production of the mechanical and electrical engineering sections of this industrial group has increased by about one half and it is expected that by 1952 production will rise still further to about 70 per cent. above the 1938 level.

109. Exports of all engineering products are at present over twice the level of 1938 and account for about 40 per cent. of the United Kingdom's total visible exports. By the end of 1948 the engineering industries as a whole should be exporting 230 per cent. by volume of their 1938 exports. The aim is to maintain at least this high level throughout the period under review.

110. The supply of machinery for home investment (including a small but important amount of imported equipment) was in 1947 about 20 per cent. above the pre-war level. By 1952 it is expected to increase the rate of supply to 40 per cent. above the 1938 level. The expansion of output of industrial machinery and equipment will exceed that of vehicles and other metal goods. Much of this plant will be needed in the next few years to make good the arrears of replacement accumulated during the war ; part will go to increase the capacity of other exporting industries ; all of it will increase the efficiency of British industry.

111. The engineering industries are making a major contribution to the agricultural expansion programme. In addition to a wide range of other agricultural machinery they are now producing agricultural tractors at a rate of 100,000 per annum compared with a pre-war output of some 12,000 a year and an output in 1947 of 56,000. This rate will be increased as steel supplies expand. Some 50,000 tractors a year are currently being exported and as the demand from the United Kingdom agricultural industry is approaching the point at which it will be stabilised at the replacement level, the major part of the increased production will be available for export. It is expected that about 27,000 agricultural and industrial tractors will be exported to the participating countries in 1948-49. Steps are being taken to encourage the manufacture of larger wheeled tractors, crawler tractors and specialised types of agricultural machinery for which the United Kingdom and the sterling area generally have hitherto been dependent on imported supplies from the Western Hemisphere.

112. The engineering industries are also making a direct contribution to the reduction of dollar expenditure by developing or manufacturing under licence types of equipment hitherto imported including agricultural machinery, specialised machine tools, contractors' plant, automatic textile and hosiery machinery, office appliances and a diverse range of other equipment used throughout industry. Continued encouragement will be given to this process.

113. It is not possible to give in precise quantitative terms a programme for the engineering industries as they are not a homogeneous entity. They consist of at least as many different sections as there are industries using their products. The broad objectives, for which it is believed material supplies will be adequate, are :—

(a) To achieve by 1952 an aggregate output in mechanical and electrical engineering 170 per cent. of the 1938 level; vehicles 135 per cent., and tools and implements 160 per cent. ;

(b) to maintain the export of engineering products as a whole at not less than 230 per cent. of the 1938 level ;

(c) to organise the productive capacity of the industries so as to produce the equipment needed for the home investment programme in the required quantity, type of product and time ;

(d) to develop those categories of engineering exports likely to make the best and quickest contribution to the restoration of economic stability, namely, those which will increase the hard currency earnings, or reduce hard currency expenditure, of the United Kingdom and other sterling area members of the Commonwealth, develop the production of foodstuffs and raw materials in the sterling area and other overseas territories, and contribute to the re-equipment of the agricultural and manufacturing industries of the participating countries ;

(e) to maintain and improve the efficiency of the industry by research, the application of new techniques, good management and improved skills.

The various controls over resources exercised by the Government will be used to these ends.

(6) CHEMICALS

114. The production of chemicals has a major contribution to make both towards righting the balance of payments and increasing industrial production generally. For some years large amounts of organic chemicals and plastic materials have been imported from North America, including molasses, alcohols, solvents, and a wide range of oil derivatives, together with materials for the rapidly growing plastics industry. Expenditure has been in the region of \$60-70 million a year. Increased production will also help the sterling area and participating countries to reduce purchases for dollars. Exports have increased rapidly and in the second quarter of 1948 were 56 per cent. above the 1938 level. By 1952 it is hoped that they will be 90 per cent. above 1938.

115. The main object is to increase production in nearly all branches of the industry: organic chemicals and plastic materials, dyestuffs and basic chemicals (particularly alkalis). The current dollar expenditure of over \$60 million a year for the import of organic chemicals will be almost eliminated. A surplus for export will become available. The increases in production will also put the organic chemicals industry into a more balanced state. At present it is largely self-supporting in coal tar products, and to a lesser extent in derivatives of ethyl alcohol obtained from the fermentation of molasses, but production is deficient in the large number of chemicals obtained from cracking oil.

116. Progress is also being made in making up the leeway lost during the war in keeping pace with developments in the manufacture of plastics. Production of the main plastic materials in use at present is being expanded and within three years United Kingdom production will be sufficient to make most imports unnecessary and provide for expanded exports. By 1952 United Kingdom output of plastics should be three times as great as in 1938.

117. About 95 per cent. of the dye-stuffs required by industry are already made in the United Kingdom ; the remaining 5 per cent. must be imported, mainly from Europe. Increased capacity, at a cost of about \$40-50 million, is being installed to meet increasing demands, and by 1952 British production will be about 30 per cent. greater than in 1947. It should then cover the majority of the newer and faster dyestuffs required by industry of which the supply from United Kingdom sources is not yet adequate.

118. Soda ash is now unrationed for the home trade and all the demands of the export market on this country are likely now to be met in full. An increase of 40 per cent. over the 1947 production capacity is in hand, which should meet growing demands over the next few years. The shortage of caustic soda is serious. Although most essential needs at home are being met,

exports are substantially less than the demand. Increases of 80 per cent. over the 1947 production capacity are in hand but it will be some years before the new plant can be in full operation. These extensions will enable the sterling area from now onwards to increase its exports of soda ash and caustic soda to South America and the Far East.

119. Prospective United Kingdom production of nitrogenous fertilisers will be sufficient for some expansion in home consumption and for the maintenance of the long-established export trade to Commonwealth countries and the Far East. Existing plans to increase capacity in Europe, North America, India and Australia will contribute largely to overcoming the present world shortage, but the need for additional United Kingdom output is also being considered. As regards the other fertilisers, some increase in the output of superphosphates is planned.

120. By 1952, as a result of these developments costing in all some \$800 million, the United Kingdom chemical industry will meet all major needs of domestic industry and maintain an extended export trade in many parts of the world. The contribution to European recovery will come not so much through exports to Europe, which already has a large chemical industry with a wide range of products, but rather in reducing the sterling area's demands for dollars to buy essential chemicals from North America.

(7) TEXTILES

121. The United Kingdom textile industries not only provide the home market with one of the basic necessities of life, but also make an export contribution of outstanding importance. Even in 1947, when exports were well below the 1938 level, they earned \$900 million out of the total visible exports of \$4,600 million. In recent months about one-sixth of textile exports have been going to the United States, Canada and Argentina, one-sixth to the countries of Western Europe, and over half to other countries of the sterling area. The expansion of textile exports has until now been limited by the level of production and the minimum needs of the home consumer.

122. Before the war the cotton industry had been suffering for several decades from a long-term contraction of the demand for its products, upon which were superimposed large-scale fluctuations due to the international trade cycle. Prolonged depression of trade, heavy unemployment and under-maintenance of capital equipment were the results. In wool there was no long-term decline in demand, though the industry suffered severely in periods of cyclical depression such as 1932-34. The young rayon industry, on the other hand, was expanding rapidly.

123. Textile output declined and export trade was sacrificed as labour was transferred from civilian industries to war production and to the fighting services. The cotton and wool industries emerged from the war with a greatly depleted labour force and with plant and equipment suffering from heavy arrears of maintenance and replacement—worse in the cotton industry because pre-war difficulties had caused under-maintenance.

124. Since the war substantial progress has been made. In the second quarter of 1948 the cotton industry's production was about 28 per cent. higher than the 1945 rate, while the quantity exported was 70 per cent. higher. This increase in production corresponds closely with the increase in the labour force over the same period. Labour, output and exports are still, however, substantially below the pre-war level. In the wool industry manpower rose by 35 per cent. between mid-1945 and the end of last year; output has increased considerably, and exports in the second quarter of this year were

running at a rate about three times as high as that of 1945, and indeed substantially above pre-war. The expansion of the production of synthetic fibres (rayon, nylon, &c.) has been rapid; both output and exports are now considerably greater than pre-war.

125. Further expansion of textile exports is aimed at. For this the output of the textile industries must be increased. It is hoped by 1952 to increase the output of woven cotton and rayon cloth by about 35-40 per cent. over 1947. The production of synthetic fibres is expected to be doubled in the same period. As much as possible of this increased production is to go to increased textile exports, and home consumption will be restrained by rationing or other means so long as this is necessary to the attainment of the required exports. It is expected that exports of cotton goods in 1952 will be at least 80 per cent. greater than in 1947, but the industry will be in a position to secure as great expansion as market opportunities allow. Similarly, wool exports are expected to be between 60 and 80 per cent. above the 1947 level. It should be possible to raise exports of staple fibre to at least double their 1947 level, a large part of the additional supplies going to North America.

126. Various measures are in hand to increase production and to steer a larger proportion of the output into export markets. First, plans have been made for a steady improvement in the capital equipment of the industries. New factories are being built to produce synthetic fibres, needed for industrial purposes of many kinds. Rayon output is expected to increase from about 120,000 tons in 1948 to some 200,000 tons in 1952-53. This should make the United Kingdom largely, if not entirely, independent of dollar imports of industrial yarn. Plans are also in hand for developing new synthetics such as terylene, which is highly resistant to chemicals and moisture, and ardil made from the residue of groundnuts. In the cotton weaving industry it is hoped to install about 30,000 more automatic looms before 1952. Most of these will be produced in the United Kingdom apart from some specialised types of machinery which are being imported from the United States and from Switzerland. It is expected that about 30 per cent. of the capacity of the cotton-spinning industry and a somewhat higher proportion of weaving will be newly equipped by 1952; and this will be achieved concurrently with a large export of British textile machinery, much of it to other participating countries.

127. Special efforts are being made to increase productivity in the cotton industry by the reorganisation of methods of production inside the factory. In cotton weaving the industry is at present working out the details of a scheme to improve incentives to efficiency by changing the wage structure, while at the same time enabling the skilled workers to make the best use of their skill by transferring routine tasks to less skilled assistants. A considerable increase in output per head should eventually be secured as a result.

128. Measures to increase the number of workers in the industry have been adopted. These are the more necessary because fewer women workers are expected to be available in future, a factor of particular importance to the textile industries which rely heavily on female labour and are largely localised in areas where a high proportion of the women are in work. Day nurseries are being provided to enable married women with young children to work in the factories. Particular attention is being given to improvements in working conditions. A large-scale publicity campaign is being conducted to drive home to the public and to potential workers the importance of the industry and the advantages it offers. In the last twelve months the

Control of Engagement Order has been used to encourage recruitment. The Government has organised the immigration of displaced persons and foreign nationals to take up employment in textiles, and it is hoped to obtain further recruits from this source both for the cotton and woollen industries.

129. Government control and the allocation of production have been used to ensure that production intended for export is not diverted to the home market. Controls, in the form most convenient, will continue to be used so long as they are necessary.

130. The main statistics are summarised in the following table:—

	'000 metric tons			
	1935-38 (average)	1947	1948-49	1952-53
Cotton consumption	619	368	457	473
Wool consumption	190	191	223	232
Synthetic fibres production	61.2	92.1	122	200
			<i>\$ millions*</i>	
Exports of textile materials and products...	490 (1938)	818	1,212	1,452

* 1938 and 1947 at f.o.b. prices of those years. 1948-49 and 1952-53 at 1948-49 prices.

(8) SHIPPING

131. In 1947 net income from dry cargo shipping services amounted to \$121 million. This exceeded the corresponding figure for 1938, partly as a result of the rise in price levels and it was achieved despite the fact that the fleet available is smaller and relatively older. At the same time, a large proportion of foreign shipping is being employed; there are unsatisfied requirements for ships of the right type and speed for the expansion of the export programme, the development of passenger and tourist trades, and for the cross trades. No comparative figures of earnings by tankers are available, but shipping requirements for the trade in oil have increased out of proportion to the tanker fleet. A much larger proportion of foreign tankers is now on charter to the oil companies than before the war and income from tankers barely balances outgoings.

132. The increase in exports in the next four years is not expected to require appreciably more shipping, since it will be carried in outgoing ships bringing imports into this country. It will, however, account for a large part of the increased income from shipping services that is foreseen.

133. For some years United Kingdom shipping resources have had to be concentrated mainly on the carriage of imports to the United Kingdom and to those territories for which the United Kingdom is responsible. Even so, by chartering tonnage, the United Kingdom has been able to maintain between 3½ and 4 million tons of shipping wholly in the service of other countries. The expected development in world trade should provide opportunities for British shipping to earn more foreign currencies in these so-called "cross trades," but performance must be improved by quicker turn-round and by the introduction of new and faster ships specially designed and constructed for the particular trades they are intended to serve. The rapidly increasing trade in oil requiring shipment from more distant sources of supply calls for a greatly increased amount of tanker tonnage as well as for faster and larger types of tankers.

134. The present programme of shipbuilding for the United Kingdom flag aims at building up, with a conservative allowance for obsolescence and losses, the tonnage of dry cargo vessels (of 500 gross tons and upwards, including those with passenger accommodation) to 12.9 million gross tons

by the end of 1952, as compared with 12.1 million gross tons at the beginning of 1948 and 13.9 million gross tons in 1939. Since this programme allows for an abnormally low rate of obsolescence, a much greater proportion of the shipping in use in 1952 as compared with before the war or even to-day will be beyond the age at which ships are normally expected to give efficient service.

135. Delays in United Kingdom ports and in ports overseas in loading and discharging are still serious retarding the turn-round of ships and reducing the effective performance of British dry cargo shipping. There is to be a sustained effort to improve turn-round in United Kingdom ports, and it is assumed in estimating earnings that conditions will have improved by 1952-53. Efforts are also being made to speed up ship repairs.

136. With the increased and better balanced fleet referred to above, it is expected that the net income on shipping account will be about \$360 million in 1952-53. The services of a substantial amount of foreign shipping will still be required, but an increasing proportion of these services should be provided by other participating countries as their own fleets increase. It is, however, a basic condition of the full attainment of these shipping objectives that the United Kingdom, like the other participating countries, should be able to offer shipping services throughout the world in free and fair competition and that there should be no governmental obstruction by discrimination and other measures to their acceptance.

137. The principal problem of the United Kingdom, so far as tankers are concerned, is to produce enough tankers for the British oil companies to carry their increased trade. The United Kingdom tanker fleet has already passed its pre-war volume and an increasing proportion of shipbuilding capacity will be employed in the building of tankers during the next four years. The British tanker fleet at the end of 1952 should be 4.3 million gross tons, 0.9 million gross tons more than end-1947 and well above 1939

138. Requirements, however, may increase by considerably more than this between 1947 and 1952. With a world shortage of tankers it may not be possible to fill the gap by chartering and the building of more tankers must be an important factor in the plan to increase net income from shipping. As more oil supplies have to be carried on the long haul from the Middle East, larger faster tankers operating at lower cost will be needed and port facilities will have to be adapted to accommodate them.

139. Present programmes require an investment by the shipping industry of between \$200 million and \$250 million a year throughout the period. This is limited not by the capacity of the yards but by the availability of steel.

(9) TOURISM

140. There are no precise figures of the pre-war earnings of the United Kingdom's overseas tourist trade, but they were probably about \$120 million per annum. This was at a time when travel was relatively easy and there were few obstacles in the way of the expansion of tourist facilities.

141. With the changed situation resulting from the war, particularly the loss of so many of Britain's invisible exports, tourism has acquired a greatly increased importance. It figures among those industries which can become, relatively rapidly and at a comparatively small cost in capital investment, raw material, labour, etc., one of our major exporting trades and, moreover, one whose dollar content can be outstandingly high.

142. In addition, and perhaps even more important, is the fact that tourism, by bringing the peoples of the world together—people of all sorts and from all walks of life—can make an important contribution to the development of international understanding and the lessening of political tension. For this reason it has always been the policy of the United Kingdom to secure the removal of all possible restrictions on foreign travel. To this end agreements have already been negotiated with France, Belgium, Luxembourg, Norway, Denmark, the Netherlands, Sweden, Switzerland, Iceland and Italy for the mutual abolition of visas. The United Kingdom Government attach great importance to this removal of formal obstacles to the interchange of tourists between the participating countries. Nor do they believe it less important that restrictions should as far as possible be removed from the travel of visitors to the O.E.E.C. countries from the United States. By this means they hope that the understanding of the ideals and achievements of the European Recovery Programme will be stimulated among people in the countries taking part in it on both sides of the Atlantic. They are convinced that this will do much to ensure its success.

143. At present owing to financial difficulties there are necessarily still restrictions on the travel of tourists between the O.E.E.C. countries themselves. The United Kingdom Government hopes that as the European countries' balances of payments improve these financial restrictions can gradually be removed.

144. The United Kingdom has already suggested to the O.E.E.C. that the development of the European tourist industry is a promising field of joint activity for the participating countries. It can make an important contribution towards righting Europe's balance of payments with the Western Hemisphere. The United Kingdom will co-operate fully in the examination of joint measures for this purpose.

145. For its part the United Kingdom has taken many measures to encourage and develop tourism in the United Kingdom. The most important single step was the setting up of the British Tourist and Holidays Board and the Scottish Tourist Board, both non-governmental organisations, whose members are largely drawn from the tourist, hotel and catering industries. The British Board, particularly through its tourist branch—the Travel Association—and with the co-operation in Scotland of the Scottish Tourist Board, has the task of promoting the organisation of the tourist industry in this country. Much of the work being undertaken by these bodies is still only in its early stages, but there are already ample indications that the efforts being made will be repaid.

146. In 1947 some 300,000 overseas visitors came to the United Kingdom and earnings from this trade amounted to about \$80 million apart from the sums spent by tourists on transport to and from their homeland in British ships and aircraft. It is estimated that in 1948 the total number of visitors should reach about 500,000 and that total earnings should be in the region of \$140 million, of which \$60 million should be in dollars and equivalent currencies. It is estimated that the trade's earnings may be as much as \$260 million by 1952-53 with the dollar contribution at more than \$150 million. While the United Kingdom's total expenditure on tourism overseas is expected to exceed its total tourist income from all sources, it is expected that there will be a large dollar surplus.

147. Shipping space at present limits the number of tourists coming to the United Kingdom particularly from the Western Hemisphere and the other countries of the Commonwealth. Efforts are being made to increase the space available and to make the fullest possible use of it by persuading tourists to come to the United Kingdom out of the normal summer tourist season.

Attention will also be paid to increasing the aircraft space available for the transport of tourists. The shortage of hotel accommodation, caused partly by the war, is being successfully tackled.

148. For the 1948 season ample allowances of petrol have been given to tourists bringing their cars with them, or buying them in the United Kingdom for subsequent export; special arrangements have also been made to provide adequate hire-car and coach facilities for tourists. A new system, known as the Tourist Voucher Scheme, to enable tourists to buy reasonable quantities of rationed clothing for immediate delivery, has also been in operation for the first time this year, and the scheme for the direct export of goods ordered by tourists has been widely publicised and used. All these schemes will be reviewed and where practicable improved before the 1949 tourist season.

149. Efforts will be made to make travel easier by abolishing burdensome controls on movement wherever possible and by ensuring that those which must be maintained, either for security or economic reasons, should be operated as speedily, simply and efficiently as possible.

150. The development of the tourist trade will necessarily depend to a considerable extent on the achievement of international political and economic stability and in this the success of European Co-operation within O.E.E.C. will play a decisive part.

CHAPTER IV.—INVESTMENT IN THE UNITED KINGDOM

151. The development and modernisation of industrial and agricultural equipment is one of the explicit objectives of the European Recovery Programme. A careful balance between this and other objectives must be maintained. Excessive home investment might defeat its own ends; it would endanger stability, require more imports than can be afforded and sharply limit exports. This chapter sets out the scale and composition of the investment programme, which on present evidence is believed to be practicable.

152. The effective limits on investment are three: the need for counter-vailing savings; the limits imposed by raw material supplies; and the limits of the productive capacities of the building and engineering industries.

153. The problem of financing investment has already been discussed in paragraphs 33-37 where it has been made clear that it is the intention of the United Kingdom to pursue a fiscal policy which will seek to prevent financial limitations from hindering essential investment.

154. The physical limitations are primarily those of steel and timber. The total available supplies of steel are being currently used as to 60 per cent. for home investment, 32 per cent. for exports in direct form or as manufactures, and 8 per cent. on consumption and defence. With a finished steel supply perhaps $2\frac{3}{4}$ million tons greater in 1952-53 than in 1947, it is estimated that on present expectations about the progress of exports some $7\frac{1}{2}$ million tons will be available for investment purposes. The division must clearly be provisional and will be subject to adjustment in the light of economic developments over the next four years. The limitations of timber for the United Kingdom are set by the exportable surpluses of overseas countries and by the ability of the United Kingdom to finance its timber imports. Present prospects suggest that the supplies of softwood (excluding sleepers) available to the United Kingdom in 1952-53 may be of the order of 5,700,000 cubic metres compared with a consumption of 4,600,000 cubic metres in 1947-48 and 1948-49. A higher scale of investment in building will therefore be practicable.

155. The engineering industries, taken as a whole, are now producing 40 per cent. more than in 1938. Their capacity to provide the capital equipment needed for home investment is at present limited partly by the shortage of steel and partly by the extremely large contribution which they are making to exports (amounting to 40 per cent. of the total in the first half of the current year). The growth of steel supplies made possible by the iron and steel development plan described in Chapter III will progressively ease the former limitation. It is calculated that sufficient engineering capacity will be available both to satisfy the needs of the proposed investment programme and to sustain the assumed level of capital goods exports, though a careful balance will have to be maintained in the distribution between home investment and exports of particular categories of plant and machinery.

156. In the light of these factors an annual gross investment programme at current prices of about \$8,500 million of fixed investment at home represents the practicable limit of what the United Kingdom may reasonably hope to achieve, having regard also to the claims of overseas investment for colonial and other development within the sterling area. Together with the latter it will account for 20 per cent. of the gross national product. This home investment programme compares with an investment at the same prices of about \$7,500 million in 1947 and about the same amount in 1938. The high rate of home investment in 1947 was achieved in a year where there was also a deficit of \$2,500 million on the balance of payments. Without this, investment on this scale would not have been possible. Without external aid drastic cuts would clearly have been necessary. With external aid the United Kingdom expects not only to achieve a gross domestic investment of \$8,500 million a year but also to be in a position by 1952-53 to sustain this level out of its current income. This does not imply a rigid ceiling for investment over the next four years. To the extent that the United Kingdom succeeds in its endeavours to increase the national income, it will also be its aim to accelerate and expand the investment programme.

157. The resources available for investment will be concentrated on the following purposes:—

- (a) the expansion of home agriculture and fisheries ;
- (b) the development of basic industries, particularly steel, coal, oil, basic chemicals and cement, in order to make possible the unfettered expansion of industrial production ;
- (c) the strengthening of the public utility services where necessary, particularly electricity, transport and port services, in order to support the expanding level of industrial activity ;
- (d) the modernisation of industrial equipment so as to increase the volume and reduce the cost of production ;
- (e) the development of new raw materials and alternative sources of supply for existing raw materials at home, in the Colonies and elsewhere overseas ;
- (f) the removal of shortages of widely used basic products, such as ball bearings, precision chain, refractories ;
- (g) the stimulation of industrial research ;
- (h) the provision of essential services, such as housing, and of basic social services, such as water, health services and education (particularly on the technical side), which contribute to the nation's economic strength.

158. Excluding ordinary maintenance of houses and miscellaneous small works the available investment resources will be distributed in this period approximately as follows:—

	<i>Per cent.</i>
Fuel and Power	15
Transport and Communications	18
Agriculture	6
Industry (including Iron and Steel and Shipbuilding)	33
Housing	16
Social Services (Water Supplies, Health, Education, &c.)	7
Defence and Public Administration	5
	100

159. Until the equipment of the export industries and of the basic industries serving industrial production as a whole has been adequately restored and modernised, investment for these purposes must take precedence over investment designed solely or mainly to increase consumption standards. In accordance with this policy the volume of investment to meet the needs of social services and to serve directly the home consumption market will not be raised above its present level, increases in one direction being balanced by reductions elsewhere within this group. Should any additional resources become available for investment they will be concentrated on industrial investment.

160. There is a wide range of controls in force to ensure that investment resources are canalised in the desired direction. In addition to the control of capital issues on the capital market these also include the licensing or authorisation of all building work above small fixed limits, statutory distribution schemes for steel and timber and arrangements, statutory or voluntary, with the various sections of the engineering industries about the division of the output of plant and machinery between the home and export markets. In the case of the nationalised industries the Boards are required by statute when framing programmes of reorganisation or development involving substantial outlay on capital account to act on lines settled from time to time by the responsible Minister. Future policy towards these controls will be guided by the general principles enunciated in paragraphs 51-54 above. An important part of the United Kingdom's industrial investment policy has been the encouragement of investment in areas that suffered prolonged economic depression between the two world wars and which might, owing to the lack of industrial capacity, have undergone a similar experience again. The United Kingdom Government, using special powers and machinery, has already erected 290 factories in such areas and 250 more are at present being built. Private industry has also with much success been encouraged, wherever possible, to undertake investment in these areas.

161. The principal features of the investment programmes for major industries have been described in the previous chapter. The largest remaining items in the total investment programme are the public utilities, housing and the social services. To complete the account, a brief description of these is given below.

162. *Electricity.*—The consumption of electricity is now over 80 per cent. greater than in 1938. Throughout the war years, however, the installation of plant was severely curtailed and reliance had to be placed on extending the life of old plant, improving the load factor and in recent years on load shedding and load spreading arrangements with their attendant difficulties for industry. To meet this situation the investment programme for electricity

generating stations contemplates the installation of thermal plant to increase the available generating capacity by about 40-50 per cent. above the present amount. The total cost will be about \$2,000 million including ancillary work on transmission lines and distribution. In addition over 600 megawatts of hydro-electric capacity will be installed in the North of Scotland, much of which will supply industrial needs in Scotland and make possible new developments in the Highlands. It is hoped that this increase in capacity will assist a general increase in industrial efficiency.

163. *Railways.*—After heavy use and inadequate maintenance throughout the war, the railways stand in need of considerable re-equipment to overtake arrears of repairs and renewals, quite apart from the pressing need to keep up with new developments of rolling stock, or to extend the use of modern equipment., e.g., colour light signalling on heavily operated lines. This applies with special force to the permanent way. There is also a considerable need for goods wagons (of which the railways have nearly 30 per cent. over 35 years of age) and for passenger coaches (of which the railways in 1947 had about 13 per cent. fewer than in 1939 to meet a 24 per cent. increase in passenger miles). Much general repair and maintenance work is required on buildings, locomotive sheds, bridges, and embankments. All these works contribute towards raising the efficiency of the railways and enabling them to transport quickly and cheaply the larger volume of raw materials, minerals and merchandise which will arise during the next four years.

164. In 1948 gross investment by the railways will amount to about \$600 million and, if all the needs were to be met on a reasonable scale, the annual rate ought to rise to about \$800 million by 1952. The greater part of the increase will consist of renewals to rolling stock (an additional \$40-60 million a year) and civil engineering works (about \$120 million).

165. *Housing.*—As in all highly organised communities housing necessarily absorbs a substantial share of investment resources. The expenditure needed for ordinary maintenance and repair of the existing stock of houses for a community of 50 million people is in itself a very substantial item, the more so as in the case of the United Kingdom the volume of such work had necessarily to be reduced to the barest minimum during the six years of war.

166. During the war 220,000 houses were completely destroyed by enemy action and 250,000 rendered uninhabitable. During the same period house construction was suspended, apart from the minimum necessary to accommodate workers on war production. Since 1939 the population has also increased by $2\frac{1}{4}$ million and there is an urgent need for more houses to increase the mobility of the working population to facilitate the structural changes that are taking place in United Kingdom industry and encourage recruitment to the undermanned industries. Towards these various needs between the end of the war and the end of July, 1948, 330,000 permanent and 155,000 temporary houses have been built and 235,000 housing units have been provided by the conversion of existing premises and the repair of heavily damaged houses. So far the replacement of obsolescent houses and of houses condemned as unfit for occupation by pre-war standards has had to give way to these more pressing needs.

167. To meet the outstanding and continuing requirements for repair and new construction of houses it is believed that it will be possible to find sufficient resources to enable work to the value of \$1,660 million to be undertaken in 1949, of which about 40 per cent. will be for repair and maintenance work. Within this programme preference will be given to building houses in agricultural and mining areas in order to facilitate recruitment to agriculture and mining. Likewise provision will be made for the housing needs

of industries such as the steel and chemical industries where large schemes of expansion are planned. The rate of house construction in the following three years will depend on the progress of economic recovery.

168. *Social Services.*—The chief items under this head are education, health services, and water and sewerage, on which capital expenditure in 1949 is estimated at approximately \$400 million. These services suffered severely during the war.

169. Five thousand schools were destroyed or severely damaged by enemy action and at the end of the war 40 per cent. of all the classes in England and Wales were officially classified as overcrowded. Over one million new school places are needed. Two-thirds of this requirement is due to the steep rise in the birth-rate and to shifts of population, and the remainder to the destruction of schools and the increase in the school-leaving age to fifteen years. Special provision will be made for technical education by the erection of new technical colleges for various branches of industry, and the provision of accommodation for the rapidly increasing number of part-time students, who have grown from 36,000 before the war to 200,000. The number of whole-time technical students has quadrupled in the same period.

170. Investment in water supplies and sewerage includes the making good of wartime arrears which cannot be postponed without danger to public health and without imposing limits on supplies to industry. On the health side the next four years must be spent mainly in bringing existing hospital accommodation up to standard, overtaking arrears of maintenance and war damage, converting wartime hospitals to serve peacetime uses, and in carrying out urgent schemes of extension and improvement. Improvements are badly needed in nursing staff accommodation (where additional facilities are required to attract staff for the 60,000 unstaffed beds), and in mental hospitals and mental deficiency institutions, to relieve serious overcrowding. New general hospitals urgently required in a number of districts must, however, wait until towards the end of the period.

CHAPTER V.—DEVELOPMENT OF OVERSEAS TERRITORIES

171. The forty-five Colonies included under the heading of the United Kingdom's Dependent Overseas Territories have very varied economies and have reached very different states in social and economic progress. It is a prime objective of British policy to ensure that their future development is conducted for the benefit of the native populations and that increases in trade and production are reflected in a rising standard of living and steady social progress. They have already made a remarkable recovery from the effects of the war.

172. The Colonies have also reached very different stages of political advancement. They are not governed by executive instructions from London. Many, such as Malta and several of the West Indies, are already wholly or nearly autonomous in their internal affairs, with wholly or preponderantly elected legislative bodies. The United Kingdom Government has throughout been in close consultation with Colonial Governments. Most of them have now signified their willingness to join with the United Kingdom in the European Recovery Programme because the purposes of Colonial development are complementary with those of European recovery. Development needs above all a high level of investment in the Colonies and this, over a period of years, can be achieved only by a net financial investment from overseas (principally from the United Kingdom) supported by a high level of imports of capital goods and manufactured consumption goods.

These the countries of Europe can provide. The imports not covered by net overseas investment have to be financed by the export of food and raw materials, and these in turn are, of course, essential to European recovery, both directly and as a source of hard currencies.

173. The United Kingdom is, therefore, anxious to stimulate Colonial exports as an integral part of the recovery programme, and a substantial net investment in the Colonial areas as a whole during and beyond the period covered has been allowed for in the balance of payments calculations. Furthermore, unless the sterling area maintains a sufficiently high level of exports to the Colonies, the net dollar earnings of the Colonies will be reduced either because production will fall off or because it will be essential for a larger proportion of the dollar earnings of Colonies to be spent on essential imports.

174. In all plans for this development, Colonial authorities have to recognise that, apart from limitations on the supply of capital from outside sources, there are internal limits on the rate of investment as a whole. Pushed too far too fast it would give rise to conditions that would have the gravest consequences to social welfare and stability. Further, since the Colonies are, broadly speaking, now in the early stages of their development, a high proportion of investment must be concentrated on basic services, on health and education, on transport, irrigation and water supplies, and research. It would be inconsistent with trusteeship, and would moreover be economically impracticable, to subordinate progress in these fields, fundamental to the healthy development of the native communities, to a breakneck increase in food and raw material production wholly designed for export. Nevertheless a large development of exports is fundamental to an increase in the standards of living of the indigenous peoples.

175. It is unnecessary in a document dealing primarily with European affairs to give details of the schemes in hand or in preparation in the fields of education, transport and other basic services. Important work is proceeding on the expansion of secondary and technical education and the training of teachers. Four new university colleges, three in Africa and one in the West Indies, and a new university in Malaya, are being established. In health the emphasis is on preventive work and the training of local medical staffs. Much work is being done on malarial control, particularly in Cyprus, Trinidad and British Guiana. Over \$12 million has been allocated in the last two years for research. Special efforts are being devoted to locust control. Geodetic and topographical surveys have been undertaken in East and Central Africa, Malaya, North Borneo and Sarawak, in which the Royal Air Force is taking part. An expenditure of about \$80 million has been approved for road and railway development, including the construction in Africa of a trunk road linking Northern Rhodesia with the Tanganyika, Kenya and Uganda road systems, and thence through to the Sudan.

176. The following notes describe the main food and raw material programmes that have an especially direct bearing on Colonial exports, and thence on European recovery:—

177. *Groundnuts.*—The total Colonial output for export of decorticated nuts is expected to rise to 880,000 metric tons in 1952-53, as compared with 300,000 tons in 1936 and 335,000 tons in 1946. In East Africa a large scheme for the production of groundnuts by mechanical methods was started in 1946. Exports on a small scale are due to begin in 1949 and are expected to increase to over 460,000 tons of decorticated nuts annually when full production is reached about 1953. In West Africa the shortage of locomotives and rolling-stock has made it impossible to move all the crop to the coast in recent years. By 1950 these difficulties should have been overcome.

178. *Sugar*.—Annual production of the principal Colonial producing areas for the period 1937-39 averaged 980,000 tons. Steps are being taken to improve the efficiency of the industry in the various Colonies and considerable sums of money are being spent on research. The chief shortage has hitherto been of fertilisers, and the total colonial demand for sugar cultivation has not yet been met, though every effort is being made to increase supplies. Sugar production, which had fallen to 740,000 tons in 1945, should reach 1,400,000 tons in 1952-53.

179. *Rubber*.—Production of rubber which was 400,000 tons in 1936 is expected to rise to 830,000 tons in 1952-53. This is an important earner of dollars: in 1947 exports to the United States were valued at about \$180 million.

180. *Tin*.—Tin is produced in the Federation of Malaya and Nigeria. Nigerian production, however, is expected to decline gradually in a few years time unless new discoveries are made. It is at present running at about 8,000 tons of ore per annum. Peak production was reached in Malaya in 1940 with a figure of 82,000 tons of tin content, but the industry has had to be restored after the Japanese occupation from 1941 to 1945 and Government loans totalling some \$30 million have been made. Production in 1947 amounted to 27,500 tons of tin, and during the June quarter it was running at the rate of 59,000 tons a year. In 1947, 17,000 tons to the value of about \$28 million were exported to the United States. Total production of tin ore for both Malaya and Nigeria in 1950 is expected to be about 94,500 tons.

181. *Copper*.—Northern Rhodesia is the only British Colonial producer of copper apart from a comparatively small production of concentrates in Cyprus. Northern Rhodesia produces both blister and electrolytic copper. Production in 1952-53 is expected to reach 340,000 tons as compared with 195,000 tons in 1947 and 144,000 tons in 1936. The postponement of normal development work during the war and transport difficulties have led to a temporary decline in production from the war-time peak. The planned expansion of production and the proposed doubling of electrolytic refining in Rhodesia will effect dollar savings.

182. *Cobalt*.—Cobalt is produced in Northern Rhodesia in association with copper. Present output is about 400 tons a year. The installation of a new refining plant in the copper belt should make available some 1,200 tons of cobalt (metal) a year from 1951 or earlier. All the ore produced will then be refined in Northern Rhodesia and the metal and various compounds produced on the spot.

183. *Bauxite*.—Bauxite is at present being produced in British Guiana, the Gold Coast and the Federation of Malaya and there are deposits in Jamaica. Under present conditions virtually all British Guiana bauxite is exported to Canada and the United States. There are various deposits of bauxite in the Gold Coast and the reserves have been tentatively estimated at something in the neighbourhood of 230 million tons. Under present conditions large-scale exploitation is not economic. Total Colonial production of bauxite may rise to nearly 2 million tons by 1952-53.

184. *Lead*.—The only Colonial territory now producing lead is Northern Rhodesia. Sulphide ores are now being worked by shaft working and production of pig lead has increased from a few hundred tons a year to 16,000 tons in 1947. Lead deposits have been discovered in Tanganyika and active steps are being taken to develop them, including the building of a railway of about 120 miles to link up the deposits with the main line. Colonial lead production in 1952-53 may amount to about 35,000 tons.

185. The following table summarises some of the principal production figures:—

	1936	1946	<i>metric tons</i> 1952-53 (Forecast)
Groundnuts (exports only)	300,000	335,000	880,000
Sugar	980,000	895,000	1,400,000
Rubber	400,000	435,000	830,000
Tin	78,000	27,500	94,500 ⁽¹⁾
Copper	158,000	202,000	356,000
Cobalt	885 ⁽²⁾	475	1,200
Bauxite	160,000	1,250,000	1,950,000 ⁽¹⁾
Lead	580	16,000 ⁽³⁾	35,000

(¹) 1950; (²) 1937; (³) 1947.

186. Funds for these developments are available from a variety of sources. Under the Colonial Development and Welfare Acts of 1940 and 1945 \$480 million have been made available from United Kingdom funds over the ten years 1946-56; Colonial Governments' surplus balances are very large, and further loans can be raised on the British market. The seventeen major long-term development plans which have already been approved provide for total expenditure from all three of these sources of \$750 million. These long-term plans provide for the general expansion of basic economic services, social services, and the development of research in each of the territories. A few examples have already been given in paragraph 175. They do not normally include substantial provision for projects of a purely commercial character. To meet this need, there are two British Government Corporations, the Overseas Food Corporation and the Colonial Development Corporation, with authorised capitals of \$200 and \$400 million respectively, local savings, private investment, and the possibilities, still under examination, of E.C.A. loans and finance from the International Bank.

187. The major difficulties in connection with these large expansion plans are likely to be supply of the capital goods and all the technical experts, skilled tradesmen and technicians required. The provisional estimates of United Kingdom exports in 1952-53 allow for a very substantial increase in machinery supplies and in steel. Whether they can be attained or exceeded depends on the actual development of the balance of payments, and thus on many uncertain factors. Much depends also upon the exports of capital goods and consumption goods that the other countries of O.E.E.C. plan to make when the joint recovery programme is prepared. It is also obvious that to the extent that the joint recovery programme increases supplies from the Western Hemisphere of scarce capital goods it will assist colonial production either directly or, by adding to supplies available in the United Kingdom and thereby enabling increased exports of such supplies to the Colonies to be released from the United Kingdom production.

188. There is also an important field for international co-operation in the provision of skilled technicians, particularly trained agricultural and scientific staffs, the shortage of which is at present a factor limiting development in many direct and indirect ways. It must, however, be understood that the numbers required are relatively very small and that the main solution must lie in the increasing substitution of trained locally recruited personnel rather than in any considerable employment of technicians from abroad, which would be unacceptable to the Colonial peoples.

189. Lastly there are hopeful possibilities of improving the administrative efficiency of health and research programmes by joint consultation between the Colonial authorities of different nations, and in the joint planning of

transport and communication developments. A number of valuable conferences have already been held on matters concerned with education, health, labour and the prevention of disease in Africa. More are already planned in the next two years. It is the United Kingdom's desire to develop such co-operation to the limit.

190. The plans described contemplate a large increase in the contribution of the Colonies to European recovery. In 1947 Colonial exports to the United Kingdom were about \$600 million. In 1948-49 they are expected to run at about \$800 million, at the price levels assumed in preparing the programme for this year. By 1952-53, on the provisional calculations given in Chapter VI, this total should have increased to \$950 million. Against these receipts exports from the United Kingdom are expected to rise from \$930 million in 1948-49 to some \$1,000 million in 1952-53. Still more significant, in conditions in which the dollar currencies will still be scarce, is the expected increase in the Colonial dollar surplus. Already in 1947 the Colonies had recovered to the point of having a small dollar surplus; in the current year this has been running at a rate of about \$150 million.

191. *Assistance towards United States Stockpiling.*—Under the provisions of Article V of the Economic Co-operation Agreement between the United Kingdom and the United States, the United Kingdom Government have undertaken to facilitate the transfer to the United States of materials which are needed by the latter for stockpiling or other purposes and to promote the production of these materials. Preliminary discussions have already taken place between the United States and the United Kingdom authorities with a view to ascertaining what materials will be needed by the United States Government and what measures the United Kingdom Government can take to carry out their obligations. The United Kingdom Government for their part intend in collaboration with the Colonial Governments to take all possible steps to increase the production of materials which the United States Government may require and are already considering the measures to be taken for this purpose. They recognise the importance which the United States Government attach to chrome and manganese.

CHAPTER VI.—ESTIMATE OF THE BALANCE OF PAYMENTS IN 1952-53

(1) INTRODUCTORY

192. The four previous chapters have described the principal policies which the United Kingdom proposes to follow in order to solve its balance of payments problem and achieve independence of external economic assistance by 1952-53. As has already been pointed out, these policies must be flexible and to some extent provisional. It is impossible to forecast with precision what position will be reached in 1952-53 as a result of these policies. Too much depends upon world economic developments outside the control of the United Kingdom and the other Governments with which it is co-operating. But an attempt has been made to prepare a set of estimates of a realistic kind. These are based upon four assumptions:—

(i) that there is a high level of business activity throughout the world, and that this leads to a high level of demand for imports (especially in the Western Hemisphere);

(ii) that the United States Government provides sufficient funds between now and 1952 to permit the full development of the European Recovery Programme;

(iii) that substantial progress is made in European co-operation particularly in the "fields of activity" to which O.E.E.C. is giving special attention ;

(iv) that a reasonable amount of East-West trade within Europe is possible on commercial lines.

193. The results are presented in this chapter. They show that, on the present assessment of the prospects, and on the assumptions made about the factors it cannot itself control, the United Kingdom expects to achieve the objectives it has set itself. But they show, too, that the balance will not be reached at all easily.

(2) OVERSEAS EARNINGS

194. A major factor in restoring the overseas balance will be the increase in earnings from exports. After an analysis of sales possibilities, product by product and market by market, taking account of the expressed desire of most of the world's Governments to increase trade, it is believed that in the early 1950's the United Kingdom should be able, year in year out, to maintain exports at a rate of 150 per cent. of the 1938 volume. This represents, on the information now available to the United Kingdom, a realistic assessment of the prospects, and has been taken as the appropriate figure for planning purposes. With uniformly favourable conditions a higher figure might be reached ; it would be of advantage to the United Kingdom's economy if it could, and the additional supplies for export (after appropriate adjustments to import and home production plans) could be produced.

195. In achieving a level of exports half as great again as in 1938 and well above even the level of the peak years of world trade (1927-29), reliance is placed upon the recovery of solid fuel exports to about 40 million tons (including bunkers), and continuing expansion of equipment and textile exports. Domestic policies to assist these expansions have been discussed above. Some diminution in sales of miscellaneous products has been allowed for.

196. Net invisible earnings are also expected to make a very large contribution. The most important item is likely to arise from the increased oil production of the British companies discussed in paragraphs 89-95. Also significant will be increased shipping earnings (paragraphs 131-139 above). A recovery of earnings from foreign investments is expected, but in 1951 obligations require to be met under the Anglo-American and Anglo-Canadian Financial Agreements of 1946, and provision is made for them ; this is the main element of amortisation included in the balance of payments—no allowance is made for amortisation of private loans. In the rest of the "invisible" field, continued recovery is expected in earnings from the traditional services performed by London, such as insurance. In total, net invisible earnings are expected to be \$1,053 million, compared with \$140 million in 1948-49 ; at this level, net invisible earnings will be much the same in value as they were in 1938, but their buying power in terms of imports will be little more than one-third of that of 1938.

197. In calculating export earnings and earnings from oil sales the level of prices assumed in preparing the 1948-49 programme for O.E.E.C. has been used in accordance with the instructions received from the Council. The corresponding import prices have been adopted for the import programme discussed below. There is, of course, every reason to expect substantial changes in many of these prices.

(3) OVERSEAS EXPENDITURE

198. On these assumptions total earnings from exports, re-exports and net invisibles have been estimated at over \$8,400 million in 1952-53. Not all of this can be applied directly to imports. Allowance has to be made for foreign investment and the repayment of debt. The need to provide for net lending for the development of the dependent overseas territories has already been discussed in Chapter V. In other parts of the sterling area development now proceeding will likewise require to be financed. Many of these are as important to the United Kingdom as anything in the home investment programme. There are, moreover, countries, both in the sterling area and outside, with large sterling balances which will need to use part of them. On the other hand, some countries may be accumulating sterling assets. For the purposes of this estimate the net capital outflow for these purposes together has been put at a figure of \$400 million, but it would be advantageous to increase this figure if possible.

199. There will thus remain available for imports a sum of about \$8,000 million. At the prices assumed this will permit a volume of imports 10 per cent. higher than in 1947, but still less by about 15 per cent. than the volume in 1938. It is, in fact, much the same in volume as the import programme for 1948-49, but it should be possible as a result of developments of agriculture, oil refining, engineering and chemicals at home and of greater world supplies of basic products to change its composition to the advantage of the economy as a whole. Some imports regarded as essential elements of the present import programme could be reduced and release funds for increased purchases of other supplies which cannot now be afforded.

200. Thus food imports might be reduced significantly below the 1948-49 level in value, but this lower level of food imports, combined with increased output from home agriculture, would allow consumption to be distinctly above 1947 levels. Raw material imports must be increased to take account of rising industrial production and productivity, though the consumption of pulp and paper, and above all of timber, would continue to be below pre-war levels. In spite of a smaller expenditure on petroleum, the consumption of petroleum products could increase by over 20 per cent. above 1948-49 as a direct result of the oil refinery programme. Similarly, imports of machinery and some manufactured goods could be reduced below the 1948-49 level without hardship.

201. The following table summarises the possible composition of the balance of payments in 1952-53 compared with 1947 and 1948-49:—

	1947 (Current prices)	1948-49 (Programme prices)	\$ million 1952-53
Imports	6,206	8,102	8,030
of which			
Food and agricultural products (incl. tobacco)	3,099	3,849	3,622
Raw Materials	2,116	2,922	3,350
Petroleum	286	524	564
Manufactured Goods	705 ⁽¹⁾	807	494
Exports and re-exports	4,441	6,501	7,377
Invisible earnings (net)	-774	+140	+1,053
of which			
Shipping (dry cargo, net)	+121	+267	+359
Travel (net)	-218	-27	-105
Interest and amortisation (net)	+201	+194	+99
Other	-878	-294	+700
Total earnings	3,667	6,641	8,430
Net overseas investment	-2,539	-1,461	+400

⁽¹⁾ Including 180 for ships.

(4) THE PATTERN OF INTERNATIONAL PAYMENTS

202. The overall balance of payments which the United Kingdom hopes to have secured by 1952-53 is not in itself sufficient to secure full stability in the overseas financial situation. Achieving an overall balance is sufficient only when a surplus with one country can be used to offset a deficit with another. This can happen only if all important countries' balances of payments are in reasonable equilibrium.

203. The geographical distribution of the estimated balance of payments for the United Kingdom may be summarised as follows:—

		\$ million at programme prices				
		<i>Western Hemi- sphere</i>	<i>Other Non- Participants</i>	<i>Sterling Area</i>	<i>Partici- pating Countries (Non-sterling)</i>	<i>Total</i>
Expenditure—						
Imports (f.o.b.)	...	1,888	1,177	3,216	1,749	8,030
Shipping	...	267	46	162	303	778
Travel	...	40	4	121	200	365
Interest, Profits and Dividends	...	255	38	153	100	546
Normal Amortisation	...	95	—	29	—	124
Total	...	<u>2,545</u>	<u>1,265</u>	<u>3,681</u>	<u>2,352</u>	<u>9,843</u>
Receipts—						
Exports and Re-exports (f.o.b.)	...	1,455	990	3,492	1,440	7,377
Shipping	...	351	47	478	261	1,137
Travel	...	150	5	65	40	260
Interest, Profits and Dividends	...	205	25	430	40	700
Normal Amortisation	...	—	13	—	56	69
Other Receipts (net)	...	93	11	32	564	700
Total	...	<u>2,254</u>	<u>1,091</u>	<u>4,497</u>	<u>2,401</u>	<u>10,243</u>
Balance on Current Account	...	-291	-174	+816	+49	+400

204. These figures relate to the United Kingdom alone. In considering the United Kingdom's financial position *vis-à-vis* other groups of countries, however, the significant relationship is not the surplus or deficit of the United Kingdom alone, but the surplus or deficit with the group of the whole sterling area, and even this may be somewhat modified by payments of sterling between non-sterling countries of the kind described in paragraph 63 above. Sterling is an international currency and this means that it is impossible from United Kingdom trade figures alone to forecast the precise sterling position of other countries or groups of countries. The following paragraphs give a brief commentary on some of the factors underlying the distribution of payments indicated in the table above.

205. *Western Hemisphere.*—The earnings of \$1,455 million from exports and re-exports to the Western Hemisphere shown represent an increase of \$800 million, or 120 per cent. over the level of 1947, and over \$500 million, or 55 per cent. over the level achieved in the first half of 1948. It is believed that exports to the United States might continue to rise above the 1947 level of about \$195 million to some \$340 million in 1952-53. Exports to Canada are forecast as rising during the same years from \$180 million to \$365 million. In invisibles likewise, the most vigorous possible efforts are being made to increase dollar earnings, *e.g.*, in tourism which is expected to yield \$150 in 1952-53. But this will be offset by the service of the United States and Canadian loans (\$190 million) and the service of E.C.A. loans.

206. Increases of earnings even of this magnitude would close less than half a Western Hemisphere deficit of the scale of that in 1947. A reduction of imports has therefore to be provided for below the exceptionally high level of 1947. In that year, in common with most other European countries, the United Kingdom imported a greater volume of goods from the Western Hemisphere than in 1938, despite a large contraction in total imports from all sources. The import programme shown is therefore \$1,000 million below the 1947 total and \$450 million below the programme for 1948-49. It takes full account of the possibilities now foreseen of obtaining supplies of essential goods in the rest of the world, above all in the sterling area and in the participating countries. Thus the temporary over-dependence upon Western Hemisphere supplies which largely contributed to the dollar crisis of 1947 will be relieved by a return to traditional sources of supply.

207. Even with these changes there remains a deficit of nearly \$300 million with the Western Hemisphere. It is estimated that this can be covered by the gold production and dollar earnings of the rest of the sterling area together with United States commercial investment in the United Kingdom and the rest of the sterling area. But this, of course, turns on the maintenance of a strong demand in the United States for the raw materials which are produced in the sterling area, and a continuing restriction of dollar imports by the other sterling area countries themselves. Indeed, this entire balance depends upon the ability and willingness of the United States to absorb sterling manufactures, petroleum products and raw materials, and upon continued economy in dollar expenditures throughout the sterling area. The United Kingdom for its part has no intention of allowing its present estimates of the absorptive capacity of the Western Hemisphere to limit its efforts to maximise its Western Hemisphere earnings. But the balance now envisaged is precarious and depends to a considerable extent on factors outside the control of the United Kingdom.

208. *Other Non-Participants.*—On the estimates submitted, the United Kingdom has a prospective deficit of some \$175 million with the non-sterling, non-participating countries of the Eastern Hemisphere. Of this deficit, about half represents the Soviet Union and Eastern Europe, and half is attributable to the other countries, particularly the Middle East.

209. The general scale of trade with Eastern Europe envisaged in these estimates is appreciably less than that ruling before the war. It can be assumed for practical purposes that the trade between the sterling area and this group of countries will broadly speaking balance, allowance being made for deliveries of raw materials from the rest of the sterling area.

210. With the other non-participating countries a marked United Kingdom deficit is shown; this is attributable partly to the very high prices assumed for certain primary products from these countries, and partly to the heavy local expenditures involved in the expansion of oil production. The rest of the sterling area is likely to have a surplus with these countries taken as a whole, and it should be possible to match some of these deficits against surpluses with participating countries in the manner already described. It is not the United Kingdom's intention to seek bilateral balance with every country or group of countries, and this appears to be a case in which multi-lateral settlement of surpluses and deficits can readily take place.

211. *Rest of Sterling Area.*—The United Kingdom normally has a heavy surplus on current account with the rest of the sterling area. For 1952-53 it is estimated at about \$820 million—a much smaller figure, at present prices, than that normally ruling before the war. It has been assumed earlier that

the gold production and net dollar earnings of the rest of the sterling area would cover the United Kingdom deficit of \$300 million with the Western Hemisphere; these countries may have a surplus with the non-participating countries and on present indications are likely to have a tendency to surplus with the participating countries. By the normal workings of the sterling area system, these surpluses of the countries in the rest of the sterling area are matched against their current deficit with the United Kingdom. The remainder of the surplus is accounted for by the net overseas investment already discussed.

212. *Participating Countries.*—It appears that the tendency now developing for the United Kingdom to be in surplus with the other participating countries will persist into 1952-53. If the rest of the sterling area likewise tends to be in surplus with the other participating countries (as it is now) the latter, taken as a whole, will be confronted with a difficult sterling problem. This should to some extent be covered by multilateral use of sterling—for example by the financing of the United Kingdom's deficit with the non-dollar countries—and the possibilities of this will no doubt be fully explored. But it is perhaps likely that after taking account of all such possibilities, the participating countries as a whole will tend to be short of sterling.

213. In this balance of payments submission, it has been assumed that this is the likely state of affairs. The United Kingdom's exports to these countries have been stated at a somewhat lower figure than that which is expected in 1948-49; imports have been put some 10 per cent. above 1948-49, and tourist expenditure by United Kingdom citizens has been allowed for at a rate about a third above 1947, when a large foreign exchange ration was allowed for tourism.

214. In framing the import programme, increased supplies of essential products from the other participating countries have been assumed. It is only by making this assumption, indeed, that it has been possible to reduce the United Kingdom dollar deficit to manageable dimensions. This import programme therefore concentrates heavily upon essential supplies to the United Kingdom—cereals, oils and fats, bacon, dairy produce, iron ore, timber, &c. Allowance is made for quotas for manufactured goods substantially above those of 1947. It is, of course, possible to envisage an increase above this level in the mutual trade of the United Kingdom and the participating countries without disturbing the pattern of multilateral payments here assumed. It is to be hoped that this will take place. The vital consideration underlying the present estimates is, however, the mutual adjustment of the economies of the participating countries so as to provide sources of essential supplies which it will no longer be possible to obtain from the Western Hemisphere in 1952-53.

215. The picture which is presented of the United Kingdom balance of payments in 1952-53 is therefore one in which viability could unquestionably be secured at a very high level of production and a reasonable level of consumption—if it were possible to offset surpluses against deficits. But in fact the balance with the dollar area will be precarious, though fully possible; the extent of the difficulties which the United Kingdom will encounter in securing this balance will depend largely upon her ability to draw essential supplies from the Commonwealth and from the other participating countries.

CHAPTER VII.—CONCLUSIONS

(1) THE SCALE AND CONSEQUENCES OF THE UNITED KINGDOM'S PROGRAMME

216. The preceding chapters have described the problem before the United Kingdom, the policies it is intended to pursue, and the manner in which they may lead to a solution of the problem of the balance of payments. The productive efforts that the United Kingdom intends to make are on a huge scale, and apply to every sector of productive industry.

217. Agricultural output is to be increased above the highest point reached in the war years. It is hoped to raise coal output by a quarter, generating capacity by a half, and to double the world-wide production of the British oil industry as compared with the 1947 levels. The export of coal is to be restored to its high traditional scale. Steel output, already pressing at the limit of available capacity, is to be increased by a sixth above the present level. The engineering industries, already half as great again as before the war, are to be called upon to expand still further. Corresponding efforts are to be called for from other industries. A massive investment programme, carefully concentrated upon the vital sectors of the economy, is designed to support these targets, and to foster the production overseas of commodities essential to the recovery of Europe.

218. The following figures illustrate the proposed development of production in some major sectors of the economy:—

	<i>Pre-war</i> †	1947	1948-49	1952-53
Grain production	4.6	6.3	7.6	8.4
Meat and Bacon production	1.5	0.9	1.0	1.5
Milk and Milk Products production	7.3	8.0	8.0	9.0
Solid Fuels production	254	223	244	286
of which Coal	233	201	218	257
Electric Power production	21.3	42.6	45.0	55.0
Steel production	11.4	12.7	15.0	17.0
Copper consumption*	266	356	381	427
Cotton consumption*	619	368	457	473
Wool consumption*	190	191	223	232
Synthetic Fibres production*	61.2	92.1	122	200
Timber consumption	12.6	6.3	6.7	7.7

All in million metric tons except, those marked * which are '000 tons, electricity (in billion kwh.), and timber (in million cubic metres of sawn timber excluding sleepers).

† Average of 1935-38, except for grain, 1934-38, and meat, bacon, milk and milk products, 1936-39.

219. Broadly speaking this Programme provides for an expansion of output in manufacturing, mining, agriculture, building and public utilities taken as a whole to a level about one-third above pre-war and, despite a constant or slightly declining labour force, to increase manufacturing output by a quarter in the five years from 1947 to a level about 40 per cent. above 1938. This expanding output will make possible an estimated expansion of exports by nearly two-fifths above the level achieved, after two years' intensive effort, in 1947, and this in turn will support a considerable increase in raw material imports. At the same time the supply of capital equipment to home industry should increase to a level about 15 per cent. above 1947. As has been shown in paragraphs 26-28 the United Kingdom has already made substantial progress towards these objectives.

220. A growth of output and trade of this magnitude will, besides reducing the balance of payments problem to manageable dimensions, permit a distinct increase in home consumption per head not only beyond the somewhat meagre standards of 1947 but, in many respects, beyond pre-war levels. The supply of manufactured goods for the consumer should rise 15-20 per cent. above the 1947 level, with clothing and household goods somewhat above the pre-war level. There should be sufficient supplies of the chief energy-producing foods and notable increases in the 1947 levels of consumption per head of meat, eggs, oils and fats. The consumption of food as a whole would approach the pre-war volume and the more equal distribution of the national income which has been secured in recent years would imply that the standard of food consumption of a large part of the population should be markedly better than before the war.

(2) THE RÔLE OF EXTERNAL ASSISTANCE

221. This strenuous effort by the United Kingdom would be impossible without the continuance of external assistance during the period of recovery. Aid is necessary to enable the United Kingdom to continue to acquire essential supplies from the Western Hemisphere on a scale which otherwise could not be afforded. In the revised estimate of United Kingdom expenditures of just over \$2,000 million on dollar goods and shipping services submitted by the United Kingdom to O.E.E.C. and E.C.A., food and tobacco accounted for nearly \$600 million, raw materials for \$650 million, oil, tanker services and oil equipment nearly \$400 million, machinery and manufactures \$150 million and shipping services over \$200 million. This programme was based on the assumption of aid, as recommended by O.E.E.C., of \$1,263 million. As the United Kingdom's long-term programme develops, the need for aid to finance dollar area imports will decline for two reasons: the replacement of dollar supplies from non-dollar sources, and the increase of dollar earnings. Aid is essentially required to give time for these fundamental adjustments.

222. The absence or the inadequacy of aid would, in the first instance, show itself in a reduction in the years before 1952 in the supplies of food, raw materials, machinery or oil presupposed in the programme set out in the preceding chapters. The implications of such a deficiency are clear. A reduction in the supplies of food would endanger first the nutrition of the British people and thus in time undermine the drive for increased productivity on which so much of the United Kingdom's hopes for the future depend. Without this assistance it would be necessary for the United Kingdom to devote more of its resources to meeting its essential food needs, so reducing correspondingly the home investment programme and the exports of capital goods required for the development of the participating countries and the associated overseas territories. More directly, any substantial cut in raw material supplies would inevitably imply a corresponding cut in home investment and in exports of capital goods—in the rate of industrial re-equipment at home and in the contribution which the United Kingdom can make to development overseas. Hope would have to be abandoned of carrying through the great developments in the United Kingdom economy which are the basis of this programme.

223. It is thus seen that the assistance of the United States plays a vital part in the United Kingdom's recovery plans. But it also strengthens the United Kingdom's capacity to co-operate with the other countries of O.E.E.C. in the pursuit of joint recovery plans. It contributes to the stability of their currencies thus enabling the gradual strengthening of multilateral trade. The position of the United Kingdom as the centre of a large group of nations

trading in sterling is such that any setback in its recovery would have widespread repercussions throughout the economic systems of the world. The immediate measures of self-protection enforced by such a setback might start a downward spiral that could not easily be halted.

(3) THE IMPORTANCE OF INTERNATIONAL CO-OPERATION

224. Co-operation with the other countries of the British Commonwealth and the participating nations has an importance no less decisive than that of external assistance in this programme. It is needed not only in order that the United Kingdom can surmount the problems before it, but still more in order that it can play its full part in the joint endeavour of European recovery. The programme presented in the foregoing chapters is provisional. It is in its present form no more than one nation's contribution to discussions from which a joint programme is to emerge. It can within limits be modified to conform with the needs of such a joint and integrated plan.

225. The development of trade with other countries of the British Commonwealth, based on the steady expansion of their production and that of the United Kingdom, is vital to the recovery of the United Kingdom. It will be of parallel importance to the programmes of the other participating countries. The Commonwealth countries are a great source of supplies of imported food and raw materials which are essential to the development of the participating countries and the United Kingdom proposes to initiate discussions with the other Commonwealth countries about the possibilities of developing their resources to the mutual advantage of themselves and the O.E.E.C. countries.

226. These proposals as they stand already imply a high degree of co-operation between the United Kingdom, its associated overseas territories, and the other participating countries. In the first place the United Kingdom is making a major contribution to the solution of the European economic problem as a whole by surmounting the United Kingdom dollar problem. Of the aid allocated for this year one-quarter is for the United Kingdom. By the operation of the policies indicated in this Programme the need for aid will entirely disappear and with it one-quarter of the total European problem. The production and export programmes of the United Kingdom, as outlined above, contemplate the supply of vital products—for example, oil, coal, agricultural and other machinery—in great quantities and, in some cases at least, at no small expense in dollar resources and in restrictions on the United Kingdom economy. From the participating countries, on the other hand, the foregoing plans presuppose increased imports of essentials, both raw materials and foodstuffs. The plans outlined here for reducing the United Kingdom dollar deficit to manageable dimensions are dependent upon the realisation of this changed pattern of imports from the participating countries.

227. It is the United Kingdom's hope that, in its examination of the programme presented in this document side by side with those of the other participating countries, the Organisation for European Economic Co-operation will find scope for developing joint plans in many particular sectors that will hasten still more the attainment of European recovery. The United Kingdom has already tabled with the O.E.E.C. a list of fields of activity for intensive study, leading, it is hoped, to early and profitable results. The examination of the national plans of the participating countries may point to dangers of wasteful duplication or opportunities for further expansion. Further types of co-operation among the Governments of overseas territories may suggest themselves. The scrutiny of the balance of payments estimates may indicate to each participating country types of output, the expansion of which would

in the long run serve both to assist the difficult balance of intra-European trade and thereby the smooth working of a multilateral system of trade and payments. Studies of this kind will, it is hoped, lead the participating countries towards a joint programme that will provide the basis both of short and of long-term co-operation. Just as a long-term programme for a particular nation is needed to guide the preparation of its annual programme, so a joint strategy for European recovery is needed to guide the development of particular measures of co-operation.

228. In this programme much emphasis has been laid on the necessity for removing obstacles to increased production. In equal measure it is necessary to remove the barriers to increased trade. The United Kingdom has worked, and will continue to work for the reduction and elimination of these obstacles on a mutually advantageous basis and towards the goal of full convertibility of currencies and a freer flow of international trade.

229. The preparation and execution of a Joint Recovery Programme, in which full account is taken of these objectives, calls for a common effort in the whole field of administrative and productive endeavour unprecedented in its scope and urgency. The United Kingdom is prepared and anxious to make its full contribution to the success of this enterprise.

APPENDIX

STATISTICAL TABLES RELATING TO
THE LONG-TERM PROGRAMME

TABLE I

UNITED KINGDOM CONSUMPTION, PRODUCTION, IMPORTS AND EXPORTS
OF SELECTED COMMODITIES IN 1952-53

(Illustrative figures)

	Unit	Consumption	Production	Imports	Exports
<i>I.—Agricultural Products</i>					
Bread grains	1,000 metric tons	7,674	2,764	4,925 (1)	15
Coarse grains	"	8,233	5,644	2,620 (1)	31
Fats and oils (including butter).	"	1,558	192	1,366	—
Meat	"	3,003	1,468	1,535	—
Milk and dairy products (other than butter).	" (milk solids)	1,200	1,067	133	—
<i>II.—Mineral Solid Fuels ...</i>					
	1,000 metric tons	245,400	286,100	—	40,700
<i>III.—Oil and Petroleum Products</i>					
Crude oil (consumption) ...	"	18,078			
Refined products	"	21,989	16,777	5,707	495
<i>IV.—Metals</i>					
Crude steel (production) ...	"		17,020		
Finished steel (consumption, imports and exports).	"	11,860		317	1,580
Copper (consumption) ...	"	427			
Aluminium (consumption and production).	"	234	36		
<i>V.—Textiles</i>					
Raw cotton	"	473	—	473	—
Raw wool	"	232	23	264	55
Artificial fibres	(clean basis) 1,000 metric tons	178	200	—	22
<i>VI.—Timber</i>					
Sawn softwood and sawn hardwood.	1,000 cubic metres	8,106	448	7,658	—
<i>VII.—Electric Power ...</i>					
	1,000 kw./h.	55,000	55,000	—	—

(1) A switch between these items is possible.

TABLE II

UNITED KINGDOM BALANCE OF PAYMENTS, 1952-53

(Illustrative figures)

§ million

ITEMS	NON-PARTICIPATING COUNTRIES				PARTICIPATING COUNTRIES		Total
	North and Central America	South America	Non-Participating Sterling Area	Others	Non-Sterling Area Participants and their Dependent Overseas Territories	Participating Sterling Area and United Kingdom Dependent Overseas Territories	
<i>I.—Expenditure</i>							
Imports F.O.B. ...	1,296	592	2,073	1,177	1,749	1,143	8,030
Shipping. (Dry cargo freights and disbursements).	227	40	103	46	303	59	778
Travel	38	2	30	4	200	91	365
Interest, Profits and dividends.	251	4	48	38	100	105	546
Service of Debt ...	95	—	9	—	—	20	124
TOTAL EXPENDITURE	1,907	638	2,263	1,265	2,352	1,418	9,843
<i>II.—Receipts</i>							
Exports and re-exports F.O.B.	820	635	2,155	990	1,440	1,337	7,377
Shipping. (Dry cargo freights and disbursements).	264	87	350	47	261	128	1,137
Travel	145	5	46	5	40	19	260
Interest, Profits and dividends.	150	55	300	25	40	130	700
Service of Debt ...	—	—	—	13	56	—	69
Other receipts (net) ...	243	—150	257	11	564	—225	700
TOTAL RECEIPTS ...	1,622	632	3,108	1,091	2,401	1,389	10,243
Debit Balance (—) ...	—285	— 6	+845	—174	‡ 49	— 29	+400
Credit Balance (+) ...							

TABLE III
 UNITED KINGDOM IMPORTS, 1952-53
 (Illustrative figures)
 \$ million, F.O.B., 1948-49 prices

PRODUCTS	NON-PARTICIPATING COUNTRIES			PARTICIPATING COUNTRIES		United Kingdom Dependent Overseas Territories	Total
	Western Hemisphere	Non-Participating Sterling Area	Others	Non-Sterling Area Participants and their Dependent Overseas Territories	Participating Sterling Area		
<i>I.—Agricultural Products</i>							
Bread grains	281	88	—	43 ⁽¹⁾	—	—	412
Coarse grains	134	8	100	5 ⁽¹⁾	—	2	249
Fats and oils (including butter).	29	228	5	143	7	248	660
Meat and dairy products (other than butter).	204	239	25	160	99	—	727
All other foods, seeds and tobacco (un-manufactured).	189	489	151	412	67	265	1,573
<i>III.—Oil and Petroleum Products</i>							
Crude oil	88	109	121	—	—	—	318
Petroleum products ...	105	—	77	64	—	—	246
<i>IV.—Ores and Metals</i>							
Steelmaking materials	18	3	12	66	—	8	107
Semi-finished and finished steel.	4	—	—	67	—	—	71
Copper (primary) ...	47	—	—	22	—	144	213
Other ores and non-ferrous metals.	189	115	7	46	—	33	390
<i>V.—Machinery and Equipment</i>							
Trucks and lorries and spare parts.	1	—	—	1	—	—	2
All other machinery and equipment.	62	1	1	27	—	—	91
<i>VI.—Textile Materials and Products</i>							
Raw cotton	166	29	233	15	—	30	473
Raw wool	5	449	2	12	—	1	469
Other textile raw materials and waste.	21	65	13	36	4	23	162
Textile manufactures, excluding clothing.	4	54	23	116	5	—	202
<i>VII.—Other Goods</i>							
Timber	87	6	205	97	—	37	432
Fertilisers	6	1	15	24	—	—	46
All other materials and semi-finished products.	216	171	162	285	2	152	988
All other products not elsewhere specified.	32	18	25	108	10	6	199
TOTALS ...	1,888	2,073	1,177	1,749	194	949	8,030

⁽¹⁾ A switch between these items is possible.

TABLE IV
 UNITED KINGDOM EXPORTS AND RE-EXPORTS, 1952-53
 (Illustrative figures)
 \$ million F.O.B. 1948-49 prices

ITEMS	NON-PARTICIPATING COUNTRIES				PARTICIPATING COUNTRIES		United Kingdom Dependent Overseas Territories	Total
	North and Central America	South America	Non- Partici- pating Sterling Area	Others	Non- Sterling area Partici- pants and their Depend- ent Overseas Terri- tories	Partici- pating Sterling Area		
I. Agricultural products.	81	12	69	40	44	16	61	323
II. Mineral Solid fuels.	8	37	4	28	412	28	4	521
III. Oil and Petroleum Products.	Included in "invisible items" in balance of payments.							
IV. Ores and Metals.	24	77	181	81	109	12	89	573
V. Machinery and Equipment	129	210	774	443	403	81	242	2,282
VI. Textile Materials and Products (excluding clothing).	282	113	505	121	149	52	230	1,452
VII. Other Goods.	271	181	612	217	233	118	369	2,001
EXPORTS ...	795	630	2,145	930	1,350	307	995	7,152
RE-EXPORTS ...	25	5	10	60	90	20	15	225
TOTAL (including re-exports).	820	635	2,155	990	1,440	327	1,010	7,377

TABLE V
 UNITED KINGDOM TRADE WITH (a) EASTERN EUROPE, AND (b) WESTERN GERMANY, 1952-53
 (Illustrative figures)
 \$ million, 1948-49 prices

	Imports f.o.b.	Exports
<i>(a) Eastern Europe</i>		
I. Agricultural products	161.2	4
II. Mineral solid fuels	—	—
III. Oil and Petroleum products	9.2	—
IV. Ores and metals	6.0	48
V. Machinery and equipment	0.7	176
VI. Textile materials and products (excluding clothing).	17.0	16
VII. Other goods	316.2	73
TOTAL RE-EXPORTS		48
NET INVISIBLES		54
TOTALS	510.3	419
DEBIT BALANCE	91.3	—
<i>(b) Western Germany</i>		
I. Agricultural products	—	12
II. Mineral solid fuels	—	12
III. Oil and Petroleum products	—	—
IV. Ores and metals	7.8	—
V. Machinery and equipment	10.8	4
VI. Textile materials and products (excluding clothing).	6.0	16
VII. Other goods	21.8	8
NET INVISIBLES ... ..	...	...
TOTALS	46.4	52
CREDIT BALANCE	—	5.6

NOTE TO TABLES

1. Countries are grouped under the headings in Tables II to IV as follows ;—

PARTICIPATING COUNTRIES:

Non-sterling area participants and their dependent overseas territories—Austria, Belgium, Denmark, France (including the Saar), Greece, Italy, Luxemburg, Norway, Netherlands, Portugal, Sweden, Switzerland, Trieste, Turkey, Germany (U.K., U.S. and French Zones), and French, Belgian, Netherlands and Portuguese overseas territories.

Participating Sterling Area—Iceland, Eire.

United Kingdom Dependent Overseas Territories—British Colonial territories.

NON-PARTICIPATING COUNTRIES:

North and Central America—U.S.A., Alaska, Porto Rico, Virgin Islands, Hawaii, Philippines, Canada, Newfoundland, Cuba, Haiti, Dominican Republic, Mexico, Guatemala, Honduras, Salvador, Nicaragua, Costa Rica, Panama (including Canal Zone).

South America—Colombia, Venezuela, Ecuador, Peru, Chile, Brazil, Uruguay, Bolivia, Argentine Republic, Paraguay.

Western Hemisphere—North, Central and South America as above.

Non-participating sterling area—Australia and dependent territories, Burma, Ceylon, Faroes, India, Pakistan and Indian States, Iraq, New Zealand and dependent territories, South Africa and Mandated Territory of S.W. Africa, South African High Commissioner Territories, Southern Rhodesia.

Others—All other countries.

2. In Table V, *Eastern Europe* comprises Albania, Bulgaria, Finland, Czecho-slovakia, Hungary, Poland Roumania, Soviet Zone of Germany, U.S.S.R. and Yugoslavia.

THE 1949-50 PROGRAMME OF THE UNITED KINGDOM

(For the period July, 1949, to June, 1950)

Submitted to O.E.E.C. on 1st October, 1948

(1) PLANS FOR ACTION IN 1949-50

1. The year 1949-50 will be a year of steady development of the United Kingdom economy towards the objectives of the 1952-53 Programme. During this year the foundations of the recovery programme will be completed. Steady progress will be made in the reorganisation and expansion of the key activities upon which the United Kingdom is relying for the attainment of viability—coal, steel, agriculture, oil development and the provision of new sources of supply of primary products in the associated overseas territories. Improvement in total industrial and agricultural production will, however, be possible only as a result of increased output per worker, for the total labour force is expected to fall during the year. Increased investment and mechanisation will be amongst the main contributory factors towards the achievement of this objective.

2. By the middle of 1950 the development programmes will not have reached the point at which they will greatly affect the dollar deficit ; this will occur later. But the work done in 1949-50 will be decisive in that by the end of this time the major projects will be well on the way towards completion. Thus, although the results of 1949-50 will not be spectacular this will be a year of first-class importance to the United Kingdom recovery, consolidating and widening the improvement which will already have taken place by the middle of 1949. The whole level of economic activity will be between 30 and 35 per cent. above pre-war compared with 25 per cent. in the middle of 1948. It is no exaggeration indeed to call 1949-50 the decisive year of the whole programme ; by the end of that year, if all goes well, it will be possible to see clearly the way ahead.

3. The progress of the economy is illustrated as follows:—

	<i>Pre-war</i>	1947	1948-49	1949-50	1952-53
Grain Production	4.6	6.3	7.6	8.0	8.4
Meat and Bacon output	1.5	0.9	1.0	1.1	1.5
Milk output (including Milk Products)	7.3	8.0	8.0	8.4	9.0
Solid Fuel output*	254	223	244	256	286
Electric Power output	21.3	42.6	45	46.5	55
Oil refined	2.6	3.1	5.1	6.1	16.8
Steel output	11.4	12.7	15.0	15.5	17.0
Copper used	266	356	381	385	427
Sawn Timber consumption	12.6	6.3	6.7	7.0	7.7
Textile production index	100	75	92	100	104

All figures in million metric tons, except electric power output (billion Kwh), and copper (thousand metric tons) timber (in million cubic metres of sawn timber, excluding sleepers) and textile production (index of raw material consumption). Pre-war figures are for 1935-38, except food-stuffs (1934-38) and milk and milk products, (1936-38).

	<i>Pre-war</i>	1947	1948-49	1949-50	1952-53
* Of which Coal	233	201	218	230	257

4. The industrial programmes which will lead the economy towards viability are described in detail in the documents explaining the 1952-53 programme. Substantial progress will be made with each of them in 1949-50, as explained in the next sections.

Home Investment

5. The main aim of investment and the determinants of its size, which have been outlined in the 1952-53 programme, govern the objectives of investment in 1949-50. The aims entail giving special emphasis to finishing quickly those projects already started or to beginning other projects as soon as possible which will together help to end basic shortages affecting production throughout the whole economy, or which will make direct savings of imports. Examples are the large projects in the oil, steel and coal programmes, and extensions of industrial capacity for the production of widely used machines, components and materials such as electric motors, ball-bearings, special steels, steel wire, refractories, chemicals, etc.

6. The limiting factors to investment in 1949-50 are likely to be physical rather than financial. The shortage of some basic materials, notably steel, affects practically every kind of investment and will overshadow financial limitations to investment. As regards steel, for every seven tons required for home investment purposes in 1949-50 only about six tons can be provided. Despite rigid economies in use and the large steel investment programme, demands are so large, for exports as well as for home investment, that there is no prospect of the shortage becoming significantly less acute before the end of 1950. This checks the rate at which investment may be increased in the oil, coal, electricity, railway and shipbuilding industries. Besides steel, shortage of softwood (nearly all of which must be imported, some from dollar sources) and of cement will also affect investment programmes. Apart from these physical factors the local shortage of building labour, especially skilled labour, in some areas where many large investment projects are in hand, and the imperative need for expanding exports of plant and machinery (now contributing over 20 per cent. of all exports) also impedes the rapid expansion of investment. Practical steps are being taken to eliminate the local labour shortages as soon as possible.

7. During 1947 steps were taken to correct the balance between home investment demands on resources and the supplies available to meet them. Many programmes were reduced and, as a result, investment demands in 1948 are broadly in line with the resources available. Thus, whereas in the latter part of 1947 there was a serious danger of resources becoming more and more locked up in unfinished work, at the present time most investment work is proceeding much more smoothly. From this basis, investment in 1949-50 can develop in accordance with the general aims forming part of the recovery programme. The total gross investment on new buildings and plant and on the repair and maintenance of existing capital equipment will be about \$8,000 million, or some 20 per cent. of the gross national product. Excluding investment on miscellaneous small works and the maintenance of housing, the approximate division of gross investment in 1949-50 will be:—

	<i>Per cent.</i>
Fuel and power	16
Transport and communication	17
Agriculture	6
Industry (including iron and steel and shipbuilding) ...	33
Housing	16
Essential social services	7
Administration and defence	5

Agriculture

8. The objective is to secure by 1952 an increase in the net value of the annual agricultural output of 50 per cent. above pre-war and of 15 per cent. above the war-time peak of 1943-44. The following table shows the target acreages of the main arable crops in 1949-50 and the progress which they represent towards attaining the long-term objectives :—

Acreage under Crops in the United Kingdom

					Pre-war*	1946-47	1948-49	1949-50	1952-53
					(thousand acres)				
Wheat	...	...	...	...	1,857	2,062	2,282	2,500	2,750
Rye	...	...	...	...	16	55	62	95	55
Total	...	...	...	...	1,873	2,117	2,344	2,595	2,805
Barley	...	...	...	...	929	2,211	2,088	2,200	2,400
Oats	...	...	...	...	2,402	3,566	3,366	3,550	3,600
Mixed Corn	...	...	...	...	96	457	598	650	700
Total	...	...	...	...	3,428	6,236	6,052	6,400	6,700
Potatoes	...	...	...	...	724	1,423	1,548	1,400	1,100
Sugar Beet	...	...	...	...	334	432	413	400	400
Linseed	...	...	...	...	2	11	85	200	400

* Average, harvest years 1936-38.

9. It will be seen that of the planned increase of 700,000 acres in the wheat acreage, 450,000 acres are expected to be achieved by 1949-50, while the other grain crops will be even nearer to the 1952-53 target acreage. It is expected that the quantities of grain and other crops sold off farms in 1949-50 will be substantially above sales in 1946-47. No increase over the potato acreage of approximately 1,400,000 acres in 1946-47 will be necessary to meet demand in 1949-50 and, as explained in the Long-Term Programme, it is intended thereafter to reduce the acreage devoted to potatoes as the supply of alternative food increases.

10. The following table illustrates the progress that is expected to be made in the production of livestock products in 1949-50.

Index Numbers of Total Production of Livestock Products in the United Kingdom (1946-47 = 100)

Commodity	Pre-war average*	1946-47	1948-49	1949-50	1952-53
Milk	94	100	103	107	115
Meat—					
Beef and Veal	108	100	93	97	118
Mutton and Lamb	141	100	81	89	117
Pigmeat	305	100	113	145	280

* Average farm years for 1936-37 to 1938-39.

The heavy losses of sheep and cattle in the floods and blizzards early in 1947 will involve smaller output of beef, veal, mutton and lamb in 1948-49 and 1949-50 than 1946-47.

11. The various measures which are being taken to carry out the expansion programme are described in the Long-Term Programme. Prices for the principal arable crops have already been fixed for the 1949 harvest and prices for the 1950 harvest will be fixed early in 1949. The minimum prices for livestock and livestock products up to 1951-52 are already known to farmers

and actual prices for these products in 1949-50 will also be fixed early in 1949. It is hoped to make substantial progress in the campaign for grassland improvement and for conserving grass for winter feeding by the production of better hay and the extended use of silage and dried grass.

12. A substantial part of the new investment required for expanding the annual output of British agriculture by 50 per cent. above pre-war will have taken place by the end of 1949-50. An increasing proportion of investment will be for replacement and maintenance of capital installed in earlier years. The total expenditure in 1949-50 will be about \$360 million, of which \$200-240 million will be on plant and machinery: this will include an increasing number of the more modern types of machinery which will significantly improve the ability of British agriculture to develop home resources and increase productivity. For example, the extension of grass drying will enable better use to be made of improved grassland for animal feeding, and the use of combine harvesters will be further extended to save labour and reduce harvesting costs.

13. Besides these major items over \$6 million will be spent on buildings for agricultural education and advisory work of various kinds, including husbandry farms and horticultural stations, which will act as a focus for increasing farmers' knowledge of new techniques of cultivation, breeding and crop and machine management.

Coal

14. It is hoped that in 1949-50 coal output will rise by 12 million metric tons to 230 million from 218 million in 1948-49. On this basis solid fuel exports of 27 million metric tons should be possible (coal, 26 million tons and coke, 1 million tons). This is 1 million tons less than the equivalent of the forecast given at Paris in 1947, owing to the fact that we now have to start from an output in that year which fell below expectations and consumption has since been slightly higher. In 1949-50 the long-term programme for the reconstruction of the mines will still be in its early stages and no very material change can be expected in the *rate* of progress of reorganisation compared with that in 1948-49. The estimate of increased productivity in 1949-50 for deep mined coal is about 5 per cent. over the preceding year.

15. It is hoped to attain this level of production, partly by measures of rationalisation such as concentration of output in more efficient collieries and the more productive sections of individual collieries, and partly as a direct result of the capital expenditure incurred during earlier years. In the fiscal year 1948-49 some \$100 million will be spent on development and reconstruction, plant replacement, and new coal preparation plant. In the fiscal year 1949-50 a further \$135 million is expected to be spent for similar purposes, but much of this will not bear fruit in 1949-50. For 1949-50, as for 1948-49, reliance must be placed mainly on short-term developments, of which there will be several hundred, designed to produce an early increase of output or reduction in costs by means of mechanisation underground, the reorganisation of haulage methods, and the development of drift mining. Some of the new cleaning plant already ordered will also be coming into operation during this period. Certain of the short-term developments will not, in fact, be completed and producing their full results during the fiscal year 1949-50, but every effort is being made to expedite their completion so as to get results at the earliest possible date.

Oil

16. 1949-50 will see work well started on the programme for expanding refinery capacity in the United Kingdom as part of the very large programme for expanding the production of British controlled oil. The total expenditure

on investment in the United Kingdom will be between \$100 million and \$120 million. The expansion of the refineries at Shell Haven, Stanlow and Llandarcy, which has already begun, will be pressed on. In addition, it is hoped that the expansion of the Fawley and Grangemouth refineries will be well in hand. A new refinery is also planned in the South of England. In 1950 the crude throughput of the United Kingdom refineries should have increased to over 8 million tons, compared with a throughput of approximately 2½ million tons in 1947 and a target of nearly 20 million tons a year in 1952-53.

17. Total expenditure on overseas production, maintenance and new construction will be nearly \$400 million. The throughput of the Abadan refinery is being increased as fast as possible. If conditions permit, work will proceed on expanding the capacity of the Haifa refinery. The first stage in the construction of the new refinery in Venezuela should be completed early in 1949 and work will then commence on the further stages to increase the total capacity of the refinery and to provide equipment for the production of aviation spirit and lubricating oils. Work will continue on an expansion of capacity in Holland and on the rehabilitation of the war-damaged refineries and oilfields in the Far East.

18. Work on the expansion of the oil pipe-lines from Iraq to Tripoli will be continued and by the middle of 1950 should be well on the way to completion. When completed, the new pipe-lines will enable an extra 4 million tons of crude oil to be produced and transferred to the Mediterranean coast.

Iron and Steel

19. The plan for the modernisation and development of the United Kingdom iron and steel industry is designed to overtake the arrears of plant maintenance deferred during the war, to increase the total capacity for the production of crude steel, and to secure the advantages of modern fully integrated plants of appropriate sizes over a considerable proportion of the industry. The capacity for crude steel production has hitherto been less than the finishing capacity, which will, therefore, not require to be increased to the same extent. It is planned to increase the production of pig-iron to 12.2 million metric tons in 1952-53 of which 9.4 million tons will be for steel making so as to diminish dependence on imports of scrap. Major developments are taking place in the production of sheet and tinplate, where large modern production units are being erected. Other important developments are new mills for heavy sections and a substantial increase in the production of wire rod, so as to eliminate the need for imports.

20. The importance of expanding steel output is such that high priority is being given to the investment programme of the iron and steel industry. The calendar year 1949 is expected to be a peak year in this programme, with capital expenditure on building and plant of at least \$160 million; the figure for 1950 is expected to be about \$140 million. These figures exclude expenditure in dollars, which will probably amount to \$19 million in 1949-50, mainly progress payments on plant which will be delivered later.

21. It is estimated that in the course of the year 1949-50, blast furnace capacity for steel-making pig-iron will be increased by half a million tons and that a total of 7.7 million tons of pig-iron will be produced. The annual production of ingots and castings is planned to increase during the next few years by half a million tons each year, and the production is estimated at 15.5 million tons in 1949-50 compared with a 1948 target of 14.7 million tons (which will probably be slightly exceeded).

22. During the year 1949-50, it is expected that new capacity for the production of billets and wire rod will come into production and it is hoped that the new steel works and the hot strip mill at Margam in South Wales will be in operation by the middle of 1950. The construction of new batteries for coke ovens and schemes for economy in the use of fuel by the greater use of coke oven gas are also due to come into operation during 1949-50.

23. Although the developments described in the previous paragraphs are important in themselves, the year 1949-50 should be regarded as primarily a period of construction. Schemes already begun will be going forward and other new schemes will be started. It is estimated that over 17,000 building workers will be engaged on construction work. For example, during the year considerable progress will be made with work at Corby in Northamptonshire. The full development there will raise the steel making capacity by about 700,000 ingot tons a year; 140,000 tons of this is expected to come into operation in 1949-50. Associated with this will be the development of ore quarrying equipment and ore preparation plant, coke ovens, blast furnaces, steel making plant, new billet mills and the reconstruction of primary rolling mills.

24. It is estimated that imports of steel during 1949-50 will amount to 1,050,000 tons, mainly from participating countries. Exports of finished steel will be rather higher than the 1948-49 projected level of 1.2 million tons. The amount of steel available for home consumption and manufactured exports is estimated at 11.3 million tons (15.2 million tons ingot equivalent). Exports of steel from the United Kingdom are needed partly in order to secure the delivery of essential commodities in return and partly to assist economic recovery in Europe.

Engineering

25. Production in the engineering industries has already reached a high level. By 1950 further substantial progress will have been made in the equipment of these industries to meet the objectives of the Long-Term Programme. It is hoped to maintain exports at or near the level to be reached at the end of 1948, *i.e.*, nearly 60 per cent. higher than the 1947 level, though this will require a larger export of capital goods to compensate for the probable reduction in demand for some semi-durable goods.

26. Investment by British industry as a whole in plant, machinery and vehicles during 1949-50 will total about \$2,600 million. The contribution which the engineering industries will make to the general programme for raising exports and saving imports will very much depend upon the tonnage of steel available; but output will be still further increased in many important fields—more steel equipment, more electric power plant, more locomotives for export to hard currency areas and to facilitate production in sterling area territories, more automatic looms and other plant to increase the productivity of the textile industry, more tractors, grain and grass driers and other machinery for expanding agriculture, more and new types of machine tools and other plant, *e.g.*, to provide new processes in the chemical industry. The effort of the engineering industries will in this way be largely focused on those products which provide—and with a saving of imports—the means of expansion and modernisation of industrial and agricultural processes in the United Kingdom and also make larger supplies of this kind available for export.

27. Examples of the rise in the scale of effort in 1950 which, even under the handicap of insufficient steel, will be brought to bear by the engineering

industries on dollar saving and on export earnings, including the provision of additional supplies to participating countries, are:—

*Estimated Increase in Output
Compared with 1948-49*

Wheeled tractors	...	...	10 per cent. (100 per cent. in sizes over 40 h.p.).
Crawler tractors	...	...	150 per cent. (new production building up).
Power plant	...	...	15 per cent.
Automatic looms	...	...	10 per cent.
Hosiery machinery	...	...	New and rising supply of machines specially designed to meet the lay-out of small factories.
Machine tools...	...	...	Start of production on types for which United Kingdom has previously relied on imports from dollar and other sources.
Chemical plant	...	...	20 per cent.
Steel and non-ferrous metal manufacturing equipment	...	...	Approximately 20 per cent.
Ball bearings	...	...	10 per cent.
Enamelled wire	...	...	50 per cent.
Contractors' plant	...	...	15 per cent. increase in exports.
Coal-face machinery	...	...	30 per cent. increase in exports.

Chemicals

28. Good progress is expected to be made towards attaining the objective described in the Long-Term Programme, which is to meet by 1952 all major needs of domestic industry and maintain an expanded export trade.

29. Several of the new plants for the manufacture of organic chemicals and plastic materials, *e.g.*, neon gas, urea, vinyl, chloride and chemicals from oil, will be coming into production during the next two years and the United Kingdom's dependence on dollar imports will be correspondingly reduced. The 1949-50 import programme is considerably smaller than that for 1948-49. In the case of dye-stuffs, by mid-1950 at least half of the expansion schemes planned for the four-year period (which are designed to increase production by 30 per cent. over 1947) will probably have been completed. Thus the United Kingdom production at the end of 1949 may well be at the rate of 45,000 tons a year, compared with 38,000 tons in 1947.

30. As regards basic chemicals, a large proportion of the planned 25 per cent. increase in the production of soda ash will have been carried out and will remove the present deficiency. Some of the new plants designed to meet increasing home requirements for sulphuric acid should be in production by the end of 1949-50. More than half the small increase in the production of superphosphates should have been completed by June, 1950.

31. The nitrogen industry will continue to work at full capacity. Of miscellaneous inorganic chemicals, about half of the plants necessary for the planned 100 per cent. increase in United Kingdom capacity of phosphoric acid and its derivatives should be in operation by the end of 1949. The bulk of the expansion schemes planned for the production of salt should also be finished by then.

Textiles

32. The various measures which are in hand to increase the production of textiles and to steer a larger proportion of the output into export markets are described in the Long-Term Programme. They include the re-equipment of machinery in both spinning and weaving, the reorganisation of methods of production inside the factory and the recruitment of additional workers. In cotton the long-term plan for the spinning section envisages a considerable amount of re-equipment by 1952, and a proportion of this re-equipment will take place in 1949-50. In the weaving section it is expected that 30,000 automatic looms will be installed by 1952. The rate of installation is limited solely by availability of looms; present indications are that some 6,000 will be installed in 1949-50. The consumption of cotton is expected to reach a level of 486,000 metric tons in 1949-50, as compared with 368,000 tons in 1947. The consumption of wool is estimated at 229,000 tons, compared with 191,000 tons in 1947.

33. Additional capacity is being provided for the production of synthetic fibres and output in 1949-50 is estimated at 159,000 tons, compared with 92,000 tons in 1947. The most notable increases during the year will be in staple fibres and nylon yarn production. The new factory for nylon yarn at Pontypool will be finished by the end of 1949 and will be in full production by the end of 1949-50. The nylon polymer plant at Billingham which will feed the Pontypool plant, should be in full production by the spring of 1949.

Electricity

34. In 1949-50 gross investment expenditure on electricity generating stations, transmission lines and distribution works will be between \$400 million and \$500 million. A large programme for increasing capacity is already in hand, the object of which is to increase by 1952 the available generating capacity by about 40-50 per cent. above the present level. This is regarded as particularly important in connection with plans for increasing industrial output and productivity. This programme has now reached a critical stage of the work since the very large building and civil engineering works must be very carefully geared in with the installation of the large boilers and turbo-alternators. To do this successfully a special effort is called for in 1949-50 so that the programme may proceed steadily and each part be in balance without making excessive calls on straitened resources.

Shipping

35. The Long-Term Programme describes how, by the end of 1952, United Kingdom ocean-going tonnage of dry cargo vessels will have nearly reached the pre-war level and how the tanker fleet will be well above what it was in 1939. By the middle of 1950, substantial progress will have been made in this direction. Assuming the minimum allowance for obsolescence, new construction for the United Kingdom register will bring the dry cargo tonnage up to a figure of 12.8 million gross tons by the middle of 1950 and the tanker tonnage to a figure of 3.8 million gross tons. As a result of the restoration of war damage, some additional port facilities will be brought into use which should contribute to the improvement in turn-round of shipping in United Kingdom ports. With this increased fleet and reduced delays in port, it should be possible to achieve an increase in net dry cargo shipping earnings from \$120 million in 1947 to \$325 million in 1949-50.

Tourism

36. The measures already being taken to encourage the tourist traffic, which are described in more detail in Chapter III, Section 9, of the Long-Term Programme, will be developed in 1949-50 with a view to attracting

increased numbers of visitors to the United Kingdom. These measures include the provision of additional shipping space, air services and hotel accommodation. Efforts will be made in co-operation with other countries concerned to relax the existing rules governing the granting of visas. Receipts from tourism will be \$160 million, as against \$77 million in 1947.

Development of Overseas Dependent Territories

37. Since the war the main efforts to increase Colonial production have been directed towards making up for the lack of maintenance and damage caused during the war years, particularly in those Far Eastern territories which were under enemy occupation, and to restoring to its pre-war level of efficiency the basic capital equipment in the Colonies. The transport systems, in particular, must be put in a position to deal with the existing traffic efficiently and expanded to deal with the planned increase in production. This is the essential concomitant of a large increase in the output of colonial products.

38. The following indicates the progress which is expected to be made by 1949-50 with some of the more important plans for the production of food and raw materials.

(a) *Groundnuts*.—A big scheme was started in 1946 for the production of groundnuts in East Africa. Full production will not be reached until about 1953, but exports on a small scale are due to begin in 1949. The area under cultivation will increase more rapidly thereafter as the difficult preliminary clearing work is completed. In West Africa the shortage of locomotives and rolling-stock has made it impossible to move all the crop to the coast, but as a result of the efforts which are at present being made, these difficulties should have been overcome by 1950. The total export of groundnuts in 1949-50 is expected to be over 400,000 metric tons compared with 335,000 metric tons in 1946.

(b) *Sugar*.—Steps are being taken to improve the efficiency of the industry in the various Colonies, including priority in the supply of fertilisers (which have been the chief shortage hitherto) and considerable sums of money are being spent on research. The estimated production of the principal Colonial producing areas in 1949 is 1,035,000 metric tons, as against 895,000 metric tons in 1946 and 980,000 tons in 1937-39.

(c) *Tin*.—As a result of the efforts that have been made since the war to rehabilitate the Malayan tin mining industry, production is expected to rise from 27,500 metric tons of tin in 1946 to over 90,000 metric tons in 1950.

(d) *Copper*.—The arrears in normal development work, which accumulated in the Northern Rhodesian copper industry during the war, are being overtaken. Transport difficulties are also being overcome as a result of the delivery of additional locomotives and wagons. The companies have in hand the execution of their plans to increase output of copper and double the electrolytic refining capacity.

(e) *Cobalt*.—The installation of a new refining plant in the copper belt of Northern Rhodesia should make available some 1,200 tons of cobalt (metal) a year from 1951 or earlier. All the ore produced, including ore which it has not hitherto been possible to refine economically, will then be refined in Northern Rhodesia and the metal and various compounds produced on the spot. At present Northern Rhodesian output is about 500 tons of cobalt in alloy a year.

Continued efforts will be made to facilitate the supply to the United States of certain raw materials produced in the Dependent Overseas Territories for

stockpiling under Article V of the Economic Co-operation Agreement with the United States. The United Kingdom Government recognise the importance which the United States Government attach to chrome and manganese.

(2) CONSUMPTION IMPLICATIONS

39. The effect of these programmes and policies, coupled with the balance of payments described below, will be seen mainly in the field of investment (internal and overseas). Consumption will show little progress. The level of food consumption in 1949-50, indeed, will not be much better than that of 1948-49—on the import programme described below, there would be improvements of the order of 5 per cent. on the 1948-49 consumption of meat, bacon and milk, improved supplies of sugar for manufacturing and a much greater increase in egg consumption, but apart from this the general level of food consumption would be much the same as in 1948-49. Some improvement can be expected in the amounts of manufactured goods, *e.g.*, textiles, for home consumers. But these improvements will be limited, and consumption will continue to take second place to the needs of the investment and export programmes.

40. The level of food consumption implied in these figures, though technically adequate, would represent little progress from the dreary and tightly rationed standards of 1948-49 to the improved level contemplated for 1952-53 in the long-term programme. If additional dollar resources became available in 1949-50, so that an increase in the dollar import programme became possible, preference would be given to the claims of purchases designed to improve food consumption.

(3) BALANCE OF PAYMENTS

41. The total import programme in 1949-50 will be of much the same size as that of 1948-49 (and of 1952-53); this level is about 15 per cent. below that of 1938 in volume. The composition of this programme will change in accordance with the changes envisaged by 1952-53—a somewhat smaller proportion of food and a larger proportion of raw materials.

42. The make-up of this import programme is as follows:—

	<i>Imports 1949-50</i>	
	<i>From \$ area*</i>	<i>Total</i>
	<i>\$millions</i>	
Food and Agriculture (including tobacco)	622	3,821
Raw Materials	637	3,151
Petroleum products	210	557
Equipment	122	162
Other	35	430
	1,626	8,121
Total	1,626	8,121

* See footnote to paragraph 46.

The purpose of this import programme, in general and in detail, is to maintain food consumption as set out in paragraph 39 above, and to provide the raw materials, equipment and petroleum products for the steady development of industry in accordance with the programme laid down.

43. The switch in the import programme from dollar to non-dollar sources will continue in 1949-50; but at a much slower rate than in the last year; the proportion of imports from the Western Hemisphere will fall from 28 per

cent. in 1948-49 to 27 per cent. in 1949-50 ; increased amounts of basic supplies will come from the associated overseas territories and from the other participating countries.

44. The export drive will continue and the total volume of exports is put at 145 per cent. of 1938, as against 137 per cent. in 1948-49 and 150 per cent. in 1952-53. The proportion of production for the home market to production for export is likely to remain more or less unchanged. A larger increase is being worked for in exports to the Western Hemisphere, which are put at 15 per cent. above 1948-49, which itself will be 60 per cent. above 1947. The earnings from the main "invisibles" will continue to rise, but although on the total balance of payments there will be net invisible earnings of \$440 million compared with \$140 million in 1948-49, there will still be an invisible deficit on dollar account—although of much smaller dimensions than in 1948-49.

45. The effect of this programme is that the United Kingdom deficit on current account may be estimated as follows:—

	1947 \$ million	1948-49 \$ million	1949-50 \$ million	1952-53 \$ million
Western Hemisphere	- 2,700	- 1,351	- 921	- 291
Sterling Area	+ 343	+ 490	+ 487	+ 816
Other participating countries	- 121	+ 109	- 35	+ 49
Rest of World	- 61	- 709	- 337	- 174
	<u>- 2,539</u>	<u>- 1,461</u>	<u>- 806</u>	<u>+ 400</u>

46. The United Kingdom deficit on current account with the whole world in 1949-50 is thus estimated at \$806 million. The current trading deficit with the dollar area* is put at \$966 million ; in order to determine the prospective drain upon the gold and dollar reserves (and thus the extent of assistance required), adjustment must be made for the prospective net dollar earnings of the rest of the sterling area, for payments of gold and dollars to countries outside the dollar area, and for the repayment of debt to United States and Canada.

47. Some of the resulting deficit may be covered by drawings on the Canadian credit, although it is clearly impossible for the Canadian Government at this stage to say whether and how much it will be able to let the United Kingdom draw. The United Kingdom Government, however, has thought it right on its own responsibility to include an allowance for such drawing in its annual dollar receipts. On the basis of this and of the programme outlined above, the amount of financial assistance from the United States that will be needed by the United Kingdom in 1949-50 is \$940 million.

(4) EUROPEAN CO-OPERATION

48. The United Kingdom is asked to show how the development of its intra-European payments for 1949-50 will contribute towards equilibrium. In the year 1948-49, the other participating countries' deficit with the sterling area (estimated by O.E.E.C. at \$491 million) is an element of disequilibrium second only to the dollar deficit. To bring this nearer into balance is one of the main tasks of the participating countries as a whole, and it calls for major measures of European co-operation.

* The dollar area includes the following countries : United States, Canada and Newfoundland, Caribbean and other United States Account countries, Philippines.

49. The estimates in paragraph 44 above imply that the United Kingdom will probably be in deficit with the other participating countries in 1949-50. As the recovery of Europe develops, more goods will be available for the United Kingdom. It seems likely, however, that the other participating countries will continue to be in deficit with the rest of the sterling area, and this would probably more than offset the United Kingdom's deficit, leaving the sterling area as a whole in surplus with the other participating countries. If this turns out to be the case, the problem of adjustment becomes highly important.

50. To the extent that other participating countries, trading in sterling, have surpluses with non-participating countries, a solution may be found in clearing these against their deficits with the sterling area. In this way, the sterling area's problem of its deficit with certain non-participating countries, and the participating countries' problem of their deficit with the sterling area, could be solved at the same time.

51. But the opportunity for such transactions is limited, and the main means by which the participating countries' sterling problem can be solved, consistently with the problem of the United Kingdom itself, is by the development of production in the participating countries and their overseas territories of supplies for the United Kingdom and other sterling area markets which will enable both the latter to reduce the present abnormal dependence on supplies from dollar sources. This is a crucial issue in the long-term programme, and it is hoped that considerable progress will be made in this direction in 1949-50 as a result of discussion in O.E.E.C.

(5) THE NEED FOR DOLLAR AID

52. As explained in paragraph 47 above the deficit required to be covered by E.C.A. financing will be \$940 million, compared with \$1,263 million in 1948-49—a reduction of 25 per cent. in the amount of aid required. The total of dollar imports and shipping services would be of the order of \$2,000 million, of which rather less than one-half would require to be financed by E.C.A. funds. The choice of items for E.C.A. financing depends upon a number of considerations and a suitable list will be inserted at a later stage.

53. This programme is essential in order to provide basic food, raw materials and petroleum to keep the economy going, together with capital equipment to enable the United Kingdom recovery programme to proceed. With a larger volume of aid than the \$940 million indicated here, it would be possible for the United Kingdom to improve food consumption standards and bring them nearer to the level contemplated in the 1952-53 programme, with advantage to production and to the smooth working of the economy; it would be possible also, given availability of supplies, to improve the raw material flow and diminish the need for detailed control; it would be possible to adopt a more expansive import policy or to relax the export drive, using the additional resources to increase and accelerate the investment programme.

54. With less aid than the \$940 million, the United Kingdom would be confronted with a serious dilemma. It would have to make a choice between cutting back food consumption and checking the flow of raw material imports. How this choice would be made cannot be forecast at this time. But the undoubted result would be at best a slowing-down of recovery and at worst a reversal of the whole upward trend, and a descending spiral of economic activity.

55. The United Kingdom has already made a striking economic recovery; by the middle of 1948, industrial production was already some 15 per cent.

above 1947, and even more above the best pre-war levels, whilst exports in the second quarter of 1948 were 134 per cent. of 1938 volume. With the assistance of E.R.P. aid on the scale agreed, further progress will be made in 1948-49. Considerable aid will still be needed in 1949-50, in order to permit the foundations of the long-term viability programme to be firmly established. In the first year of the recovery programme—1948-49—the first stages of the work of reconstruction will be completed. The second year—1949-50—will be decisive, for in this year the key projects of industrial development will be moving towards completion. The results will not appear until 1951, 1952 and 1953, but the United Kingdom's ability to put enough resources into reconstruction in 1949 and 1950 will determine the effectiveness of these results. This is why sufficient assistance in 1949-50 is crucial to the success of the recovery programme.

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