



British Prime Minister James Callaghan is shown with Mrs. Callaghan on his way to Buckingham Palace to be appointed Prime Minister in May 1976. Faced with the task of leading his country through troubled economic times, he has found his job made easier by the fact that the first oil from the North Sea began to flow in June 1975.

*Wide-ranging
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Investment as a percentage of national income is lower in Britain than in many other countries, but it is probably a symptom rather than a cause of low economic growth because, in the short run, there is so much spare capacity in the economy that higher growth could be achieved simply by making better use of existing resources, at least for a few years.

Part of Britain's problem almost certainly arises from the fact that, though a small country (55 million inhabitants), it continues to maintain a capability right across the industrial spectrum – especially in advanced technology – at a time when its successful competitors, like Japan, have lined-in on a comparatively small number of known “growth areas” and then thrown substantial resources into them. Thus, in 1978, Britain is still a technological conglomerate trying to maintain a capability in aircraft, aero-engines, computers, nuclear development (with at least three different systems), defence and numerous other projects, including the *Concorde*. No other country of comparable size, with the possible exception of France, attempts to compete simultaneously in so many fields. And France has the advantage of being self-sufficient in food whereas Britain has to import half its requirements.

The Government is hoping that a combination of its Industrial Strategy and its plans for improving labour relations through encouraging companies to experiment with industrial democracy will provide a background in which the bonanza revenues from North Sea oil (which will soon reach £5 billion a year) can jack the economy up onto a permanently-higher growth-path.

But will it happen? The evidence of the last 12 months is not encouraging. Despite repeated Government forecasts that the economy was at last beginning to recover, nothing has so far happened. At the time of the talks with the International Monetary Fund in December 1976, the Government predicted economic growth of 2 to 3 per cent based on a 9 percent rise in export volume. In the event, though exports were surprisingly buoyant (enabling Britain to achieve the rare distinction of increasing its share of world trade), they fell short of expectations and the economy remained flat throughout 1977. However, the financial indicators exceeded all expectations. The money supply was kept very tight; the Public Sector Borrowing Requirement (i.e., the difference between income from taxes and government spending), much lower than expected. The balance of