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#### (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 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 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

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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 seems 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 to the producer of a market for his crop. 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