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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:—

	Pre-war†	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 foodstuffs, 1934-38.

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 beyond not only 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.

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(2) THE ROLE 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 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 that would spread 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.