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From the London End

Repeat Prescription

"THE very grave and far-reaching measures affecting every branch of our national life both domestic and defensive . . ." which was to be ". . . brought into a new survey and presentation" turned out to be another of those melodramatic performances to which the country and Parliament are getting accustomed since Mr Churchill became Prime Minister. The "far-reaching measures" turned out to be a mere re-hash of the old policy of cuts in imports and credit restriction. Even Mr Butler's narration of the achievement in checking the loss of gold was discredited by the anticlimax created by the Prime Minister's irresponsibility. The Chancellor of the Exchequer found himself in an intolerable situation and what he said in Parliament was nothing more than an admission that the Government had no new policy to meet the present crisis. *The Times*, that very staid commentator, found the occasion fit enough for some scathing comment:

"All this is humdrum fare and it (*Mr Butler's statement*) will be scanned in vain by those who are looking for something more inspiring than the spasmodic doses of restriction and prohibition which have long ago become too familiar",

The "alarm" sounded by Mr Churchill had cost the country over \$100 m. in the form of a hasty flight of capital, according to Mr Gaitskell. That the Government had no policy was bad enough. But what was worse was the prospect of a Government becoming panic-stricken or acting without responsibility.

A possible way of escape from the economic crisis facing Britain had been shown sometime before the debate took place. Lord Swinton, the Under-Secretary to the Treasury, had spoken of the need to increase exports even if it meant some sacrifices of the rearmament programme. Did this mean a change in the order of priorities? If so, then to what extent was the programme to be reduced? These indeed were the questions that first sprang to the minds of the public and more so to the members of Parliament. But in spite of the taunting interrogation in the Commons, the Chancellor could add

nothing use but;

"With the new pattern of our defence effort it will be possible to limit the demands made by defence on the engineering industries in the near future."

The "new" pattern, however, remained as vague when Mr Churchill intervened in the debate. "The change of emphasis in rearmament might, mean that some contracts would be reduced or cancelled." "I think", he reminded the House, "very good reasons would have to be shown before that, was done." As for the extent of the expenditure for defence, a "speculative estimate" of £1,462 m. as against the forecast of £1,531 m. was given. Mr Bevan whose main role in the debate was to obtain confirmation of the correctness of his grounds for resigning from the last Government must have felt deeply satisfied with himself when it was announced that the original programme was beyond accomplishment within the time limit and at the cost at which it was planned.

The persisting balance of payments deficit is, however, unlikely to be relieved to any significant extent. The 'wavering' climate in which the Government finds itself on the question of priorities in the present crisis has already undermined Lord Swinton's bold venture. As Mr Churchill pointed out, "there can be no hard and fast rule as to the priority between exports and defence". He did, however, appreciate the "great dilemma"—he said, "the defence programme must be kept within the limits of the nation's economic strength." But the fact that burdens are beyond the nation's economic strength, that the remedies sought have all been tried before and that Mr Eden has already committed the country to another £100 m. (payable in gold after June of next year) by absolving the Germans from Occupation costs makes the Government's appreciation of the dilemma deep enough or commensurate with the extent of the crisis.

Warning of the dangerous trend in the country's economic affairs has come from many eminent sources. Among the most explicit was that from Lady Rhys-Williams who warned that "a policy designed to cut down all imports alike can never

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bring about a balance between dollar area and any other part of the world for any length of time." *The New Statesman & Nation* was more sharp in its comment:

"No amount of import cuts or credit restrictions or whittling down of the arms programme or appeals for wage restraint will alter the basic fact that it is the weight of these military commitments which is crushing our economy just as the French economy is being crushed by the Indo-Chinese war".

One aspect of the crisis which had previously been neglected because it had not appeared then, is now beginning to tax the minds of the more thoughtful people. It had always been assumed that a measure of rearmament would foster a rise in the level of activity to the point of at least expunging existing 'involuntary' unemployment. This belief had almost become a tradition. The injection of money into the economy through rearmament expenditure, according to this tradition, raises problems, not of unemployment, but of controlling the inflationary consequences. Now, however, the problem is precisely one of a declining trend in the level of economic activity and employment. The number of unemployed has more than doubled in a year to a total of 467,443 by the 12th May, 1952. In addition, many hundreds of thousands of workers are on short time (about 16 hours per week) so that between 750,000 to 1,000,000 workers are less than fully employed. Further, the indices of final consumption show a fall of 9 per cent in food, 42.5 per cent in footwear and 18.3 per cent in household goods purchases, between 1950 and 1952. These figures are startling in themselves, whether or not they have their origin in the decline of exports.

Another aspect of the crisis is now all too well recognised. Europe, including Britain, balances very precariously on the razor's edge of the American economy. If a slump hits that country, no matter how slight its impact on its own employment level, Europe would find itself back in 1931. "This is no exaggeration" reminded ex-President of the Board of Trade, Harold Wilson, when he spoke in the Commons' debate. "We will be in a 'fix'. What are the Government plans to meet it?" he asked. The Chancellor of course made no reply.