

Five-Year Plan for Britain

(From Our London Correspondent)

The major economic event in the U K in October was the publication of the long-awaited first report of the National Economic Development Council.

The rates of growth postulated in the N E D C's blueprint are so much higher than Britain's current growth rates in all sectors, and particularly in the field of exports, that there may well be a certain pessimism about the possibility of achieving these targets.

One thing, however, appears to be clear. It does look as if the simple truth that Britain's best hope of winning through to enduring health in the balance of payments field lies in getting firmly embarked on a growth policy at home.

This may well herald the permanent abandonment of the restrictionist themes that have dominated the British economy during the last decade.

THE season of political conferences is now over and paradoxically enough, both the Tory and the Labour Parties believe that Brighton and Llandudno have increased their chances of winning the next General Election. Against this rosy optimism on the political front, the economic situation in Britain is far from inspiring. The report of the National Association of British Manufacturers confirms a number of other reports, including one from the Treasury on industrial production, that there has been little growth in recent years. Although the seasonally adjusted index of industrial production is one point up for August, these small monthly variations are almost meaningless. For the first eight months of 1962 the general index has been running just one point (or less than one per cent) above the level of a year ago. Indeed, this tells the same story of stagnation as the recent report of the Federation of British Industries which showed "no change" on balance in the level of industrial output since June.

In the field of exports, the position is still unsatisfactory. It is true that the September trade gap was reduced to £ 50 million, but since the August trade figures were exceptionally bad, some improvement was only to be expected. Indeed, for the third quarter of 1962, the position is that while imports have been rising, exports (despite the generally favourable conditions in overseas markets) have remained stationary at the level they reached in the second quarter.

For a trading nation like Britain, more than any other country, the world economic situation is of vital

importance, and, ironically enough, when the Government is at last putting forward, very belatedly, proposals for positive economic growth, this has coincided with a time when both America and Western Europe look as if they are heading towards a downturn. At the same time, the continuing decline in world commodity prices reduces the export earnings of the developing countries of the world and limits their capacity to import from the industrialised nations, thereby limiting the expansionary possibilities in these countries.

The major economic event of October was the publication of the long-awaited first report of the National Economic Development Council. In order to prepare this blueprint, the National Economic

Development Council drew up an "outline model" of the economy in 1966. To meet the 4 per cent target they have worked out, on a strictly academic plane, the key elements in the economy such as income, consumption, imports, exports and investment which would be compatible with the targetted rate of growth (please see table).

In this connection it is interesting to look at the trend toward long-term forecasting in Britain. The Treasury's forte lies, as is well known, in short-range forecasting, but N E D C is now looking five years ahead. The National Institute of Economic and Social Research (a private organisation) is already looking ahead at the economy in 1970. Professor Stone at Cambridge is also engaged in a

The Use of National Resources in 1961 and N E D C's Estimates for 1966

	1961	1966 (at constant 1961 prices *)	Increase % per annum 1961-66
Resources Available			
Gross domestic product at market prices	24,486	32,225	4.0
Imports of goods	3,998	4,990 †	4.5
Net imports of services	83	95 †	—
Total	30,567	37,310	4.1
Use of Resources			
Consumers' expenditure	17,338	20,280	3.2
Public consumption ‡	4,570	5,460	3.0
Investment	4,798	6,470	6.2
Exports of goods	3,863	5,100 †	5.7
Total	30,567	37,310	4.1

* Constant 1961 prices are used to show the changes in "real" terms.

† Allowing for net investment income from abroad and grants paid abroad, the balance of payments surplus on current account would be £ 300m.

‡ Current expenditure by central and local government on goods and services. This is about half the total public expenditure. The rest is investment in roads, schools, hospitals, etc, and "transfer payments" such as pensions, subsidies and debt interest.

MADE IN INDIA

A SIMPLE PHRASE...

...VITALLY IMPORTANT!

The Third Five Year Plan
Bird-Heilgers' part in it...

"...special emphasis is being placed on... steel and machine-building and the manufacture of producer goods". The Third Plan very rightly stresses the need for rapid industrial development. Every new project for domestic production creates employment, saves foreign exchange, adds to the national striving for economic independence. The expansion of indigenous manufacture is critically important, and Bird-Heilgers is deeply committed to this decisive aspect of the Plan.

Steel for a solid industrial base

Steel is the very life-blood of an economy. Industries, utilities, homes, all depend on steel. Steady steel production depends, in turn, on the uninterrupted supply of minerals to the nation's blast furnaces. Bird-Heilgers supplies these minerals. Between 1957 and 1961, the group's output of minerals—coal, dolomite, iron and manganese ore and limestone—shot up almost 100% to well over 6,000,000 tons. The group will continue to help meet demand...to feed the blast furnaces with the minerals they must have.

"Made in India"—by Bird-Heilgers

A vast range of products, hitherto imported, are now manufactured in India by

Bird-Heilgers. The group produces jute goods, paper and board, water treatment equipment, air compressors and springs, castings and fabricated steel. The refractory manufacturing plant is the largest single unit in the East. A factory for the production of coal washeries was the first in India.

The group's engineering units are extremely flexible. They contribute, with equal facility, to projects as far removed as blast furnaces and ceramic plants. Planned diversification finds the group engaged in shipping, insurance, exporting and importing. The agency department handles everything from heavy capital equipment to light consumer goods.

Towards a self-generating economy

A phrase on everyone's lips. A phrase that finds concrete expression in the urgent activity of an economy on the move. Bird-Heilgers reflects the nation's striving. The group is alive to the problems of a growing economy. It deploys the full potential of a century's resources, technical knowledge and executive skill to broaden its activities...Increase domestic production...join in the national drive to economic independence.



BIRD & CO., (PRIVATE) LTD., F. W. HEILGERS & CO., (PRIVATE) LTD.,
Chartered Bank Buildings, Calcutta-1

BIRD/3C

task of long-term forecasting up to 1970. Summarized briefly, the National Economic Development Councils report sets a tentative target of an average growth of 4 per cent a year between 1961 and 1966. In order to achieve this objective, British exports will have to increase by 5.7 per cent a year, i.e. about twice the rate recorded in recent years. Such a rise would mean that Britain would have to maintain its share of world trade in manufactures instead of having a declining proportion as in the past. Imports will also have to be stepped up, while investment will have to show a yearly rise of 6.2 per cent, while the output per worker must improve by 3.3 per cent. The report makes it quite clear that the programme suggested is not a "hair-shirt" one. Provision has also been made for consumers expenditure to rise at a slightly faster rate than in the past, i.e. 3.2 per cent a year, or 2.5 per cent per head of the population. The increase in the five years up to 1961 was 2.1 per cent per head.

Understandable Pessimism

Since the rates of growth outlined in this blueprint are so far above Britain's current rates of growth in all these sectors, especially exports, there may well be a certain amount of pessimism about the possibility of achieving these targets. Exports would have to grow considerably faster than imports to allow for Government aid to developing countries, for net investment of private capital overseas and to help to remove the need for "stop and go" policy. On the other hand, an improvement in net invisible earnings is assumed—last year they were poor. One thing at least seems clear. It does look as if the simple truth that the U.K.'s best hope of winning through to enduring health in the balance of payments field lies in getting firmly embarked on a growth policy. It may well herald the permanent abandonment of the restrictionist themes that have dominated the British way of economic life over the past ten years.

Perhaps the most interesting feature of this blueprint is the recognition that a policy of growth means growth in all sectors, not pinning one area (the home market) down to allow others (exports) to grow. Indeed, because of its balance of payments vulnerability,

the main armour in British economic policy has been to set tight on home demand, hoping that somehow or other this would help to increase exports—a policy that has failed decisively, for no amount of restriction of home demand has generated an upsurge in exports, and indeed this policy has led to Britain's rate of growth being practically the lowest in Western Europe.

It should be noted that all the calculations in producing the model for N.E.D.C. have assumed that Britain will enter the Common Market, but the Director has pointed out that if Britain does not join, the main estimates of the model will not fall to the ground and it could be quickly revised.

Cost of Tory Rule

Commenting on this blueprint, Hugh Gaitskell said that it betrayed to the world the economic incompetence of its own creator—the Prime Minister—"in the most devastating indictment of ministerial folly ever presented to a Government by its own officials." This showed that if the Government had not scrapped the planned economy it inherited from Labour in 1951, the nation would have been better off to-day to the tune of £2,000 million a year, equivalent to an increase in income of about £40 a year for every person. Mr Gaitskell claimed that the Council's report, by showing what was possible, revealed what had not been done during the last few years of Tory rule. "The new plan provides for an increase in production of 4 per cent a year. This is what it is now thought can be achieved provided we plan for it. In the years when we did not plan—the ten years that followed the scrapping by the Tories of Labour's planning set-up—the average increase in production was only 2.8 per cent".

Gloom over Prospects for British Trade

However, even the National Economic Development Council's report will not dispel the rapidly spreading gloom over prospects for British industry and trade. What is quite obvious in Britain to-day is that the home market is failing to provide industry with the orders it needs to work to full capacity. This, together with the general world

situation, makes the prospects for Britain very difficult, when as serious and conscientious a man as Dr. Jacobsson, the Managing Director of the International Monetary Fund, goes out of his way to emphasize the dangers of a possible denadunary move leading to a world recession, these warnings cannot be brushed aside on hand. He has emphasized the fact that the decline in commodity prices in the underdeveloped world is bound to have an adverse effect on the industrialised nations, and at the recent International Monetary Fund meeting, he spoke of the need for more co-operation among the industrialised nations in providing markets for the products of the developing countries and seeing that enough money was provided to finance world trade. He drew attention to signs of business slackness in the industrialised world as well, and called on the leading nations to act together to meet a threat of worldwide deflation. He pointed out that by the beginning of next year, more expansionary fiscal and monetary policies would be needed in the industrialised countries.

European Boom Tapering Off

Even more serious, is the fact that the European boom now seems to be losing some of its momentum. Mr Robert Marjolin, the Vice-President of the European Economic Commission, in reviewing the progress in the Six, came to the conclusion that the European boom—which had done much to sustain world trade at a high level over the past few years—was ending, and there was a possibility that the Community might face difficulties next year. There was, of course, still plenty of life in the boom in France and Italy, where the labour shortage was not as acute as elsewhere, but overall, the picture was not so promising. "We do not", said Mr Marjolin, "expect a recession. We think 1963, as a whole, will be a favourable year. A recession might occur at the end of 1963 or later. What is causing concern, however, is the fact that the European economy may slow down at the same time as the American"—There is still a real possibility that a mild recession in United States business

activity will begin some time before the end of next year.

By the end of next year, therefore, if nothing is done, business activity in both the U S and the Six may be static at best, and at worst declining. That is why Dr Jacobsson called for international action to meet this danger and emphasized that Western countries as a whole would have to adopt more expansionary fiscal and monetary policies by the beginning of next year at the earliest. Indeed, even this cautious banker urged the U S to launch an expansionist policy without waiting for its improving balance of payments to be completely level. He urged the main Western Governments to get together and agree on a concerted plan to avert a world slump. Concerted measures are necessary because the two key currency countries — the U S and the U K — are held back by concern for their payments balance. Neither of them wants to reduce interest rates to the point where money would flow out and borrowers would flock in. Both are vulnerable to the reactions of conservative European bankers who wield over-riding power in their countries. It is more than likely that these problems will be considered at the forthcoming meeting of the Organisation for Economic Co-operation and Development. In essence, Dr Jacobsson's proposal is that the leading industrial countries should accept responsibility for stimulating internal demand. It is obvious that this is a course the U K Government would dearly like to take, but it feels inhibited because sterling is so "accident prone". Unless Europe and the U S are also expanding, a self-generated home boom would not last long and another exchange crisis is something the Government cannot afford.

It is for these reasons that particular attention will be devoted to the discussions in O E C D. Britain at last seems to be in the mood to start along a path of faster economic growth, ironically enough at a time just when world trading conditions, on which her growth depends, may be becoming less favourable.

Cement Factory In Orissa

THE Industrial Development Corporation of Orissa has placed an order with Messrs Fives Lille-Cail, Paris, and K C P Limited, Madras, for the supply and erection of a cement plant of a capacity of 1,200 tonnes per day. Messrs Fives Lille-Cail have built

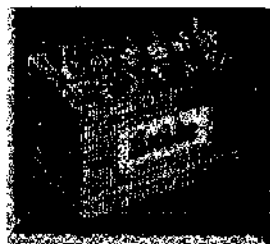
the three largest cement plant* in the world. K C P Ltd manufacture in India cement and sugar machinery and boilers with the collaboration of Fives Lille-Cail. The proposed cement factory will be erected near the Hirakud Dam and is expected to go into production early in 1965.



Exide Batteries still keep going when the rest have stopped

Silver Exide are the strongest, most reliable batteries under the sun. They are quality tested at every stage of production . . . that's why you're sure of a long and

trouble free life. Silver Exide Batteries are obtainable from dealers everywhere. So don't delay—and you'll still keep going when the rest have stopped.



SILVER
Exide
A Chloride and Exide Product

ENC-47