

# BRITAIN'S RECOVERY

I'M going to defy the spirit of the times and, by looking back to 1953, find comfort and good cheer in the extremely favourable economic picture of Britain and the Sterling Area which is now about assembled in statistical detail. The story told in the *British Economic Survey, 1954*, is good medicine for us all. . .

The production picture for 1953 is really most encouraging. Manufacturing as a whole rose by nearly seven per cent on 1952 figures. The industry by industry view shows some remarkable advances—textiles, etc., by more than 15 per cent, chemicals 14 per cent, vehicles nearly 11 per cent, and so on. Steel output, at over 17,000,000 tons, was a record, and practically put an end to the nagging shortages of this basic material which have handicapped British industry for so long. It's a pity that another necessity of heavy industry, coal, could not have matched rises with steel. Total output fell slightly, and the problem of getting coal from the mines remains at the top of the list of economic production problems for Britain. Added to these achievements is buoyant agricultural output for almost all farm products . . . and another serious post-war shortage was bitten into by the completion of over 300,000 new houses, and the availability of better supplies of components for builders, the whole situation showing a lift in output for the building industry as a whole of six per cent.

The whole picture of the home economy shows Britain's gross national production up by some four per cent for the year. This figure, and perhaps some others I've mentioned, may seem trifling to you. Take my word for it, economies don't leap ahead by double figure percentage increases overall. Even four per cent per annum, compounding, means a doubling of output in . . . around 20 years. Put that way it gets its true dimension as an impressive achievement even for one year.

But that's not all. Another 50 per cent or so was added to the increased output of Britain by a favourable movement in the terms of trade. . . Put in money terms, then, Britain had around £800,000,000 of extra spending money last year—not just paper, but goods.

What did she do with it all? We move from production to consumption and expenditure, and the picture, as might be expected, stays good. And from one point of view, the recovery of British demand I'm going to outline was in itself one of the causes of the increased output we've noted already. We should always remember that, although we can discuss production and consumption separately, they are intertwined inextricably as to cause and effect in any modern system of economy.

Put summarily, Britain absorbed the increased output in four main ways. First of all, business investment, particularly in stocks and work in progress, recovered sharply from the rather low levels of 1952. In particular, reserves of foodstuffs and other raw materials normally imported went up in 1953. . . Next we have our second item of increased consumption—personal expenditure. There was a rise of some four per cent in this in real terms, spread pretty evenly over the usual avenues. . . All this adds up to the significant fact that

Extracts from a recent commentary on the international news, broadcast from the Main National Stations of the NZBS

it's now hard to characterise life in Britain as austere in the special sense the word has come to convey since the war. . . The third avenue to absorb extra output was private housing. . . Finally, Britain's defence expenditure went up last year, and took its portion of the gain. . .

Let's turn now to that most sensitive of economic barometers, the overseas trade balance. For a maritime, commercial country like Britain, solvency on international account, is practically a necessity of continued reasonable existence, as distinct from a decadent, pensionable condition. At first blush the situation looks sound. A heavy total deficit in 1951 was turned into a good surplus in 1952 by pretty heroic emergency controls. This surplus has persisted, though slightly reduced, in 1953, with corresponding increases in gold and dollar reserves. With extra fat and muscle, the sterling currency has been freed up to exercise itself more readily at large in the non-dollar world of international trade. And this in turn has brought business back to its traditional London haunts—buying and selling for overseas markets; profitable operations, impossible under the earlier tight currency controls. Two years of good surpluses, especially when associated, as happened last year, with a certain amount of stock-piling of imports, make sterling look at its strongest since the war, and currency markets have reflected this throughout the world.

All the same, it's easy to get complacent about this reassuring turn of events. Headlines this week were talking about a rapid return to full convertibility between the £ sterling and the dollar. . . Let's look at some of the facts. The £ sterling is no better than Britain's ability to sustain a thriving foreign trade, paying her way or doing a little better than that. Last year's surplus . . . was largely due to a swing in prices which moved the terms of trade in Britain's favour—lower import prices vis-a-vis export prices. In real terms, exports fell considerably below the totals of 1951 and 1952. This was compensated for by higher invisible earnings (from commissions, shipping services and the like) and the lower import prices I've mentioned. Now this state of affairs, fortunately as it has turned out, can't be relied on indefinitely. A country can't live off the accidents of small price swings, and the basic need for Britain is still, as it has been since the war, for strong exports and well-based export markets. And I'm afraid she hasn't yet got either of these. . .

In short, 1953 grants a reprieve to Britain in her long struggle for trade solvency. The situation is very much better than might have been foretold a few years ago. But the basic needs of a country, rapidly transformed from a heavy creditor into a debtor, to export or perish—that basic need remains still only partly met. The challenge is still there to British industry: to manufacture cheap, good, well-designed commodities which will undersell what other countries can make. It's a challenge as yet very far from being fully met.

—A. J. DANKS, May 8, 1954.



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"Explanation (of T. S. Eliot's *The Waste Land*) was made unnecessary by the excellence of Maria Dronke's reading, which has a range of sensitivity and tone that revealed new contrasts even to those familiar with the poem." (N.Z. Listener, 27/2/53).

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