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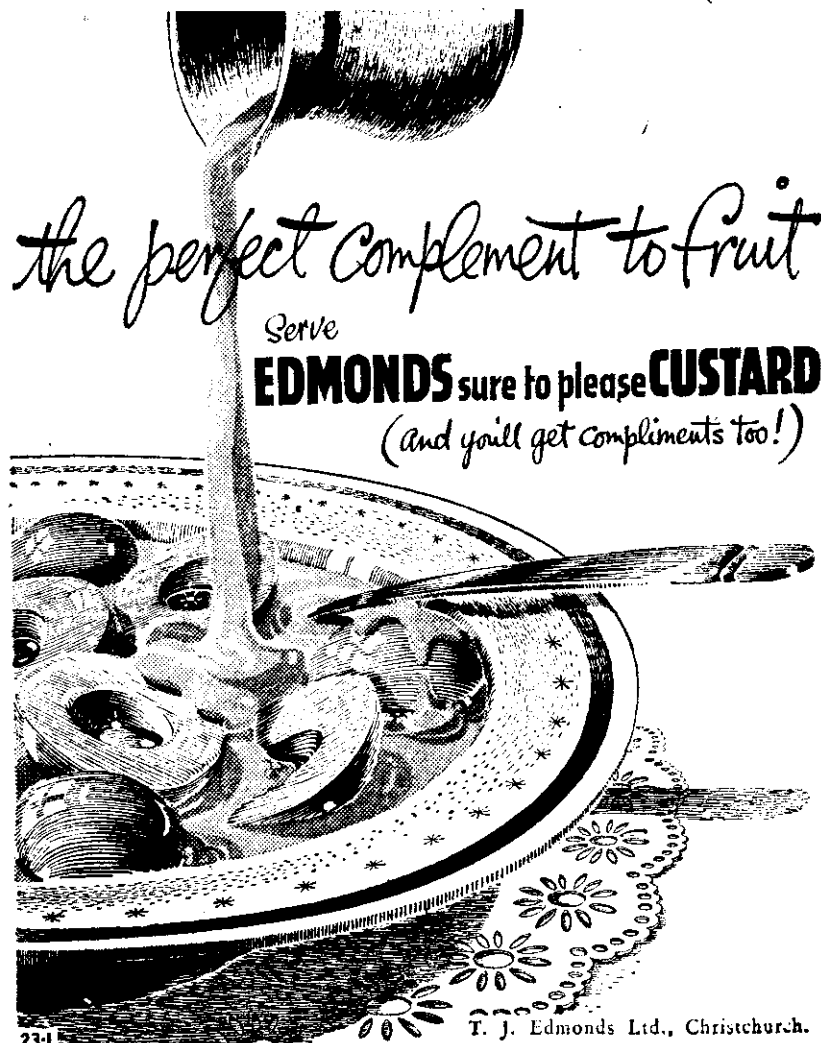
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LOOKOUT

The Slump That Didn't Come

[N economic affairs, what sort of a tag suits 1954? After some thought I'm inclined to suggest the following: "The Year of the Slump That Didn't Come." . . . Three things gave some reasons for concern a year ago . . . the condition of the U.S. economy, which was running a moderate recession . . . the resurgence of output in Germany and Japan, with the possible consequences of their rapidly mounting exports for world trade . . . the rather shaky market positions developing for certain primary products, partly as a result of rapidly increasing supplies, and partly as a result of accumulating U.S. surpluses resulting from their domestic price support scheme. I'll take these matters in turn. . .

The risk a year ago was that the setback to production in the U.S., which was reflected by below-peak outputs in a number of industries and unemployment of a quite sharp nature in some areas—the risk was that this would snowball into a more serious lapse from full employment, with falling prices and worse lay-offs of labour. The situation remained delicate, shall we say, for the first half of this year. . . But within the last few months a steady business improvement has made itself felt. Even the depressed motor-car market has been perking up with the assistance of glamorous new models. The recession seems to be fading away before the undoubted buoyancy of consumption and the confidence of business which is launching into heavy investment programmes for 1955. The rest of the world can uncross its fingers and relax again; the U.S. economic barometer, set at "fair to cloudy" a year ago, is now on to "fair to fine." It's worth noticing, too, that the U.S. recession didn't have bad effects on the rest of the world. By and large, the Sterling Area dollar reserves have grown steadily during this year. This is extraordinarily encouraging. . .

Now what about the second of my grounds for apprehension, the growing competitive strength in world markets of Germany and Japan? The only general answer that appears reasonable here is that world markets have proved to have more room than might have been thought. Western Germany in particular has greatly expanded her outputs and sales drive; the West German mark is now very nearly strong enough to rank as a hard currency. But this access of strength has not yet seriously displaced British goods or shown itself in generally falling exports. It is certainly true that in special instances and places German competition has been edging out British goods. . . But on the whole it is remarkable that the expansion of German trade has been accomplished with so little awkward crowding. . .

Japan, like Germany, must also manufacture and sell abroad if she is to be a self-supporting community. There are difficulties here, which will remind some of you of experiences with Japanese goods before the war. For Japan enters world markets backed by cheap, efficient labour. This is often used as an argument against Japanese competition, but in general form it doesn't hold water. Furthermore, there is some evidence that the price-cost structure of Japanese industries nowadays hardly warrants the fear that she will be able to sweep all before her by her low prices. Nevertheless, there is a strong anti-Japanese tradition in many countries which goes back to before the war. The goods are

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

labelled as shoddy, the workers as exploited, and the whole trading situation as unsound.

Frankly, I think that we'll just have to get over the mood of refusing to admit Japanese goods on this or that ground—most of which is prejudice. Japan must export to live; she can hardly go on as a pensioner dependent on U.S. economic bounty. Many of her traditional Asian markets are not now available to her. And her goods are often cheap and first-class value for consumers, a consideration that has much more merit than is often allowed for. Britain has viewed with apprehension Japanese membership of the world trade organisation—G.A.T.T.—but it was inevitable that she would enter, as, in fact, she has. The market in which British trade clashed most painfully with Japanese before the war was cotton textiles. But Britain's textile exports are not strong now, in any case, compared with pre-war levels, even with the temporary semi-effacement of the Japanese industry. As far as New Zealand is concerned, we export a good deal of wool to Japan every year. We can hardly expect to go on selling without doing some buying in return. The logic of this has made itself felt already in more liberal treatment of Japanese goods, both here and in Australia. This is sound policy, not least because we stand to benefit as consumers by such a move. . .

Finally, the third of my apprehensions . . . what about prices and prospects for primary produce? Here, I'm afraid, the news is not perhaps so reassuring—1954 has slipped past without any really important changes, either for the better or worse. The U.S. stockpile still sits like a great undigestible lump, in threatening posture. Margarine is still very much cheaper than butter. The heavily-subsidised British milk producer still looms athwart our cheese market in Britain. At the same time, it becomes apparent that some markets are approaching saturation, at least at current price levels. This is true of wheat. A general situation of physical shortages with allied price strength is starting to break up. As it does so, different situations develop and prices start to move up or down according to special circumstances. . . In all this New Zealand's prospects are bright for meat sales; less bright but sound for wool; a little shaky for butter; and weakest for cheese and dried milk. 1954 has brought no big changes in outlook for either the pessimists or the optimists. On the whole, things still look quite hopeful.

—A. J. DANKS,
December 18, 1954.

"A BOY would naturally go alone to be interviewed, and I think that a girl should do the same. The employer isn't going to engage the parent and he can't discover what the girl has in her if mamma keeps butting in. It's not merely information that he's after, he wants to size up the applicant's attitude, intelligence and personality."—Gladys Burlton, speaking from the BBC on *The First Job*.

N.Z. LISTENER, JANUARY 21, 1955.