

Symposium On The Economic Outlook For 1954

By Prof. C. F. CARTER, M.A. and others

(Read before the Society in Belfast on Friday, March 12th, 1954.)

(1) *The General Balance of the Economy.*

We are proceeding in this symposium from the general to the particular, and my task is to discuss in the broadest terms the general economic outlook for the United Kingdom in 1954. This seems to me to involve two questions, one for the short term and the other for the long. The short-term question is this: to which side shall we lean in the delicate balance between inflation and deflation? The first of these would be disastrous to our external accounts; the second is politically unthinkable, and would inflict grave suffering on Ulster. But we must not forget also the long-run problem: what progress are we making in adding to our national wealth, so that we may enjoy a rising standard of living and retain the power to compete in foreign markets?

At first sight, the balance between inflation and deflation seems poised just at neutral. Retail prices have risen very little during the past year; unemployment (for the U.K. as a whole) has remained low, though not quite at the low levels of 1948-1951. It is true that the quantity of money is showing an undesirable tendency to rise, and personal consumption has been buoyant; but these symptoms would not in themselves require a diagnosis of inflationary fever. The real trouble is that the stability of prices is plainly the resultant of a steady edging upwards of wages and profits in the U.K., and a swift decline in import prices. Comparing the fourth quarters of 1953 and 1952, import prices had fallen by $8\frac{1}{2}\%$, but wage rates had risen by $3\frac{1}{2}\%$.

Now the prices of many commodities moving in world trade seem already to have reflected some of the fears of an American depression. If that depression occurs, import prices will move lower, but we are of course likely to have grave difficulties in our balance of payments and in our export industries. If there is no depression, it seems likely that the curve of import prices will flatten out and perhaps rise. If it rises, it will reinforce the upward movement in domestic factor costs—notably the latest round of wage increases, which seems to be about 5 to 7% in the trades where increases are granted. The slow changes of productivity will be quite inadequate to offset changes of this order; the internal price level will start to move upwards again, creating by its movement the excuse for further wage demands. We have not conquered inflation until we can show that incomes are rising no faster than productivity.

There are two ways in which this prophecy of renewed price rises might fail. One is by the catastrophe of an American depression.

Ministry of Food, are being offset by economies elsewhere.

The prospective outcome for the current year is thus an accounting surplus of £109 million, indicated in the table below. Extra-budgetary expenditure has fallen far below estimates, so that the overall deficit is likely to be in the region of £320 million, instead of £440 million as was estimated. These figures provide the background for the coming financial year.

Let us look first at prospective revenue, starting from the 1953/54 revenue of £4,368 million. Adjustments have to be made then to allow for the effects of tax changes in earlier budgets, the effects of any abnormal items in the revenue of the past or coming year, and the effects of changes in the level of business activity in 1953 over 1952. The effects of the first two items may reasonably be expected to cancel each other out in 1954/55. If revenue from business taxation increases by about £130 million, and other revenue remains the same, there would be an above the line deficit of about £50 million. This nominal accounting deficit would, however, represent an inflationary stimulus in excess of this amount because it is only achieved by taking credit for counterpart funds etc., which represent no reduction in effective demand.

True, the extra-budgetary deficit might be expected to fall in 1954/55, but this reduction represents no net relief to the economy but merely a transfer of lending from government (through the Public Works Loans Board) to the rest of the capital market.

United Kingdom. Expenditure and Revenue.

£ mn.

	1953/54 Original Estimates	1953/54 Final Estimates	1953/54 Likely Out-turn	1954/55 Original Estimates
SUPPLY SERVICES				
Defence	1,636.8	1,636.8		1,639.9
Less U.S. aid	140.0	140.0		85.4
Defence (net)	1,496.8	1,496.8		1,554.5
Civil	2,045.3	2,263.9		2,280.9
Revenue	44.2	54.3		46.9
Total Supply Expenditure	3,586.3	3,815.0		3,882.3
Cons. Fund Services	673.0	673.0		673.0*
Total Ordinary Expenditure	4,259.0	4,488.0	4,259.0	4,555.0
Total Ord. Revenue	4,368.0		4,368.0	4,500.0†
Balance	+109		+109	- 55

*Assumed.

†It is assumed that reduction in revenue from earlier tax changes, and abnormal credits from stock changes might offset each other, and that increased revenue from business taxation might increase by £130 mn., other revenues remaining the same.

For Northern Ireland, the prospect is more difficult to assess. The current year's revised supply estimates amount to £54,461,360, which is £270,000 less than was estimated. For the current year, the estimated Imperial Contribution is likely to be achieved.

In respect of 1954/55, estimates of supply expenditure amount to £54,345,050—a reduction of £116,000 on the year's revised estimates and a reduction of £386,000 on the original 1953/54 estimate. If other expenditure remains the same, and revenue is buoyant, the Imperial Contribution might increase on the basis of existing taxation, but a decline in receipts under the Social Services Agreement may well upset this calculation.

So much for the financial background. What can be said about policy? Here, quite obviously, much depends on the prospects of an American depression. Disregarding that possibility for the moment, then it seems that the Chancellor is not necessarily called upon to reduce overall demand in the coming fiscal year, but at the same time it is certainly not desirable that the budget should add to it. This clearly rules out any net reduction in taxation.

At the same time, however, it is highly desirable that budgetary policy should foster a reallocation of resources, so as to increase industrial investment, and the balance of trade, and reduce consumption. This is a difficult task, for if consumption is cut, although the export balance may increase, it is doubtful whether industrial investment would increase. There is little evidence to show that the low rate of industrial investment in 1953 was due to shortages. Industrial investment was probably low last year because a higher rate did not appear profitable. So, whilst a cut in consumption is probably necessary if industrial investment is to expand without generating inflationary pressure such a cut is likely to make investment appear even less profitable. If industrial investment is to be expanded under present conditions, then, it must be made more profitable. This implies that any cut in consumption should be accompanied by measures to make investment more profitable—e.g. higher initial allowances, reduction in profits tax on profits devoted to physical investment, etc.

Whereas the general level of consumption is certainly high enough at present there is nonetheless a strong case for redistributing the total so as to give assistance to groups suffering particular hardship at the present time—e.g. old-age pensioners, the lowest income group, and those with large families.

These requirements, given the level and structure of government expenditure, would call for an increase in personal taxation, and an alteration in incidence. It will be difficult to find ways of doing this at the present time. Part of the solution might lie in the imposition of a heavy tax on coal for which there is much to be said.¹ A tax of £1 per ton would provide some margin for giving net relief to particular consumers and could be coupled with measures of relief to make industrial investment more profitable. However, it is not without the bounds of possibility that some margin for these desirable adjustments may in the event be found by an alteration in the

¹ Such an increase was recommended by the Ridley Committee (*See Report of the Committee on National Policy for the use of Fuel and Power Resources CMD 8647, 1952*).

structure of social security and other social benefits which are not disclosed on the face of the Estimates.

All this disregards the prospect of a worsening of the current American recession. If this appears likely then the Chancellor may find room for such measures of relief outlined above and even for some all round relief in an attempt to maintain employment. His freedom of action in relation to a reflationary budget, however, would be severely limited by the need to avert a crisis in the balance of payments.

On the N.I. budget little can be said at the moment. The prospective increase in 1954/55 in our expenditure on health compared with that in Great Britain indicates that leeway continues to be made up there at a rapid pace. On the other hand, our relative increase in educational expenditure for 1954/55 falls far short of our population proportion of the corresponding increase in G. Britain. Perhaps the most objectionable feature of the Northern Ireland budget at the moment is the fuel subsidy. A convincing case for this particular form of assistance to N. Ireland's economy has never been made. In the short run it is unlikely to do more than increase profits and in the long run it is doubtful whether it will improve Northern Ireland's employment prospects. It may be said that the subsidy does not cost the Province anything; but this is only so if it would have been impossible to induce the Treasury to consider any of the many alternative ways in which the money might have been spent for the purpose of increasing the competitive efficiency of the Province. It is to be hoped that this is not the case.

(3) *Trade and the Balance of Payments.*

N. CUTHBERT

Last week's news of the balance of payments was that the gold and dollar reserves had, during the month of February, risen by \$40 million. This compares with a monthly average of \$56 million in 1953 and with \$25 million in January.

At first sight this seems satisfactory enough but a little further inquiry shows that of this \$40 million, \$38 million represents American defence aid and a settlement on account of a loan made by the United Kingdom to Holland during the war. Thus in February the ordinary course of trade accounts for only about \$2 million of the increase in reserves, a figure which compares with \$14 million in the previous month and \$74 million in February 1953. This is the lowest monthly increase from that source since 1952 and there is thus support for the view that sterling has lost strength during recent months.

During 1953 there was a marked improvement in the visible trade balance. The gap between imports and exports was smaller than in 1952. Moreover the figures for the second half of 1953 were even more favourable than those for the first half. The main factor responsible for this improvement in 1953 was the fall in the value of imports. Exports declined in value also, but the decline was a good deal less.

The important thing to notice, however, is that as between the first and second halves of 1953 the decline in imports was concentrated in the sterling area, the value of imports from the non-sterling area as between the same periods rose, the bulk of this rise being in imports from the dollar area.

TABLE I.

Value of Imports and Exports of the United Kingdom.
(Monthly averages)

		£ million			
		1952	1953	1953	
				1st half	2nd half
Balance of Trade	—63	—55	—64	—45
Imports :	<i>Total</i>	290	279	282	275
	Sterling Area	120	125	132	118
	Non-Sterling Area	170	154	150	157
Exports :	<i>Total</i>	227	224	218	230
	Sterling Area	107	106	101	110
	(a) Colonies	34	34	34	34
	(b) Others	73	72	67	76
	Non-Sterling Area	120	118	117	119
	(a) Dollar Area	31	34	34	34
	(b) Non-Sterling O.E.E.C. countries	58	62	62	63
	(c) Eastern Europe	8½	4½	5	4½
	(d) South America	8½	4½	4	5

Exports in 1953 showed a slight decline on 1952. There was little change in exports to the sterling area and they were only 2 millions per month less to non-sterling area countries. But within this latter group fortunes were varied. Exports to both the dollar area and non-sterling O.E.E.C. countries increased. The main reason for the net decrease was the sharp fall in exports to Eastern Europe and to South America. The general trend of exports was, however, upward throughout the year, the bulk of the upward movement being accounted for by increased sales to self-governing sterling area countries.

In spite of the decline in the value of imports, the volume rose by about 9 per cent. above the level of 1952. This was possible because of the decline in prices, especially of raw materials. A decline was also experienced in the price of exports so that here too the volume rose but only by about 3 per cent. In all the terms of trade moved in favour of the United Kingdom from 100 in July 1952 to 89 in December 1953.

Although there has been a relative improvement in the visible trade balance of the United Kingdom, the rate of increase in the gold and dollar reserves has slackened considerably, not only in the first two months of this year but also in the second half of 1953. To some extent this may be explained by a fall, estimated at £35 million, in the net receipts from invisible items, but there is no doubt that the fall in dollar earnings of the rest of the sterling area has also been an important factor. In the first half of 1953 the surplus of the colonies with the U.S.A. and Canada was more than sufficient to defray the adverse balance of the rest of the sterling area; in the third quarter the adverse balance of the self-governing countries of the sterling area with the United States of America and Canada has increased, while the net dollar earnings of the colonies have fallen.

TABLE II.

Trade of Canada and United States of America with the Sterling Area.

(Monthly averages)

		million U.S.A. dollars				
AREA		1952	1952		1953	
			1st half	2nd half	1st half	3rd Qr.
United Kingdom	Imports	71	67	75	82	89
	Exports	121	134	108	103	107
	Balance	+50	+67	+33	+21	+18
Colonies	Imports	63	75	51	55	49
	Exports	22	23	22	21	21
	Balance	-41	-52	-29	-34	-23
Rest of Sterling Area	Imports	67	72	62	64	53
	Exports	101	128	73	73	77
	Balance	+34	+56	+11	+9	+24
Sterling Area	Balance	+43	+71	+15	-4	+14

Figures for the second half of the year 1953 are not yet available, but it seems likely that the decline in the price of exports from the rest of the sterling area has been partly responsible for the growing adverse balance of the rest of the sterling area. Thus the benefits which have accrued to the United Kingdom as a result of the fall in the prices of primary commodities have been largely dissipated by the effects of the fall on the value of the exports of the rest of the sterling area. Up to June 1953 the improvement in the terms of trade of the United Kingdom since 1950 was more than counterbalanced by adverse movements in the terms of trade of the rest of the sterling area. It seems probable that any change in relative prices which has occurred since last June has done little to improve the terms of trade of the sterling area as a whole.

Prospects for the Balance of Payments in 1954.

So far as the United Kingdom is concerned there are certain hopeful signs. There has been some relaxation of import control imposed by certain sterling area members in 1951. This should bring about an increase in exports. At the same time Russia seems keen to do business and although this is a bit uncertain from the long term point of view, it may have beneficial short term consequences. A reduction in import duties in the United States of America, modification of the Buy America Act and simplification of customs procedure as envisaged in the Randal Commission Report might stimulate further exports to the dollar area.

On the other hand competition, especially from Germany, is increasing and although Germany's volume of exports is still much less than that of the United Kingdom her sales to Canada, sterling dominions and O.E.E.C. countries have increased. Notably, too, she is maintaining her position in Latin America where we have lost ground, while in the Middle and Far East she is making rapid headway.

So far as the rest of the sterling area is concerned, the position

seems less good. Imports have been increasing at a time when overseas earnings have been falling. On the other hand, if we can judge from United Kingdom import prices, the fall in sterling area commodity prices may have been arrested.

One unknown factor is the course of the American recession. So far it has not affected us greatly. But the timing of it may be in our favour for the fourth quarter of the year is generally a good period for British exports. Even so American imports in that quarter have been running ten per cent. below the previous year and it may have been the rest of the sterling area that was mainly affected. During the less favourable summer months the sterling area's gold reserves will require careful watching. It is then that the trend may be towards a dollar deficit if the United States recession is not checked.

(4) *Prospects for the Linen Industry in 1954.*

W. BLACK.

The main trends apparent in the Linen Industry during 1953 have been those reflecting a partial recovery from the severe textile recession of 1951/2. Employment and exports both increased over the 1952 level; but although the recovery was substantial, trade did not regain the levels of 1951. Thus although unemployment in the industry fell from about 23,000 in July 1952 to about 3,500 in July 1953, total employment in the latter month was almost 10% less than what it had been in mid-1951. There was a decline in the number of insured workers attached to the industry. Again, although there was an increase in the volume of exports of linen piece goods between 1952 and 1953, the *value* of all linen goods *exported* fell by about 6% over the period. These then, are the basic facts from which we can start our analysis: first, there has been a measure of recovery from the textile slump, but the prosperity of 1951 has not been regained; and second, between 1951 and 1953 there has been a substantial fall in prices.

The question which we must now try to answer is this. During 1954, will the recovery be continued, or at least, will the 1953 level be maintained?

In 1953 some 30% of the total production of the N.I. linen industry was sold in the United Kingdom, but a large proportion of these sales consisted of cotton and rayon cloths produced in Northern Ireland. Now the general demand for textiles in the U.K. has been well maintained over the course of 1953 and there is no apparent reason why, in view of what Prof. Carter has said about the trend of consumption, there should be any severe fall in home consumption of textiles during the present year. N. Ireland's share of the home market, however, will depend on its ability to face increasing competition from home and foreign producers.

Commonwealth markets were particularly strong in the post-war years, until 1951, but the 1952 decline in exports to these markets was particularly severe, being accentuated by balance of payments difficulties, which necessitated restrictions on imports. These restrictions were relaxed during the course of 1952/3 and the volume of piece goods exported to all Commonwealth countries in 1953 was some 20% higher than in 1952, but still substantially below the 1951 level. Exports to Australia in 1954 should show a substantial increase over 1953 levels, but for the Commonwealth as a whole increasing

competition from other fabrics makes it unlikely that the 1951 levels will be regained.

About the foreign markets for linen it is extremely difficult to make any predictions. Most of the European markets showed a substantial recovery in 1953 over the 1952 levels, but exports to individual countries tend to show large fluctuations from year to year, and competition from other linen producers, particularly Belgium and Czechoslovakia, is fairly keen. There seems, however, to be an expanding market for British linen in the Scandinavian countries, and in Italy, which should do well in 1954. The S. American market presents an even greater enigma, for as well as the fluctuations in the demand for linen we must take into account the possibilities of exchange control and import restriction. It seems, however, that exports to the main market of this area, Brazil, will show a substantial increase over the 1953 levels in 1954 due to the signing of the Anglo-Brazilian agreement in late 1953.

This brings us to the U.S.A., the industry's most important export market, taking in 1951 almost 40% of the total value of N. Ireland's exports of linen. The big question that is being asked about the American market in 1954 relates to the recession in total income which has been experienced during late 1953 and early 1954. But even if the recession does not develop to any great extent, it does not necessarily follow that linen exports to America will be high in 1954.

The major factor determining exports of linen to the United States is the demand for textile products in the American market, and it is quite obvious, from experience of the inter-war years, that this demand is liable to regular, and fairly severe fluctuations even when the level of income is fairly stable. In the period between 1923 and 1939 there was a clearly marked cyclical movement in American production of cotton, wool, and rayon goods, with a period, from peak to peak, of some two to three years; and corresponding to this there were fluctuations in the export of linen goods from N. Ireland. There have been similar fluctuations in the American textile industries in the post-war years, but they have been, to some extent, obscured by fluctuations of a more general character; the 1949 decline in textile production coincided with the general recession of that year, and the 1951/2 decline coincided with the world textile recession. But if the pre-war fluctuations are still inherent in the structure of the American economy we can expect a recession in textiles in 1954 or 1955.

It appears then that if we want to know what is going to happen to linen exports to America over the course of 1954 we should look at what is happening to the American textile industries now. Unfortunately the main indicators of activity in the various branches of the industry are available only up to November 1953; but even at this date there were some signs of decline in production. Thus in the month of November 1953 the consumption of cotton by the American cotton industry was 10% lower than it was in November 1952. In the rayon industry stocks of filament yarns at the end of November 1953 were 10% higher than in November 1952; stocks of staple fibre were 40% higher. These are, it must be admitted, only straws in the wind, but they serve to highlight the main features on which American demand will depend. On the basis of pre-war experience a

recession in American textiles does not seem unlikely; but it is too early as yet to attempt to predict when it will begin, or the speed at which it will develop.

Let me attempt to sum up. The major fact emerging from the performance of the linen industry over the past year is that in the face of increasing competition from other fabrics it is improbable that the prosperity of 1951 can be regained. It seems unlikely that during the course of 1954 there can be any substantial expansion in exports to the main Commonwealth or Foreign markets except perhaps for Australia and Brazil. But the major danger over the course of the year would seem to lie in the American market, which for the reasons mentioned above might possibly suffer a significant decline. When we take the longer view, the future of the industry is not very encouraging. Inevitably there will be increased competition from new synthetic fibres, and from the cheapening of cotton manufactures; and the industry's performance in face of this type of competition in the past is not very reassuring.

U. K. exports of linen piece goods.

	Volume '000 sq. yds.			Value £'000		
	1951	1952	1953	1951	1952	1953
Commonwealth ...	13,578	9,336	11,010	3,223	2,331	2,378
U.S.A. ...	20,677	16,818	22,130	5,054	4,335	5,117
Other Foreign Countries ...	15,012	12,589	14,015	6,054	5,699	4,957
TOTAL ...	49,667	38,743	47,155	14,331	12,365	12,452

DISCUSSION

Professor K. S. Isles:—My task is to take the forecasts made in the other papers with respect to the various aspects of the economy with which they have been concerned, and to see what conclusions can be drawn as regards economic prospects in Northern Ireland.

Since Northern Ireland is an integral part of the British economy, any major change or trend in economic conditions would be likely to affect it in the same general ways, though not necessarily to the same proportionate extent, as it would affect the whole. But in Northern Ireland unemployment has never ceased to be a vital economic problem; and in examining the economic forces operating on the economy during the current year, the focus of interest in this paper will therefore be their effects on the level of employment. The three papers dealing with the economic position of the United Kingdom as a whole all have a vital bearing on this aspect but none has discussed it directly. They have analysed the way in which the economic forces at work are likely to affect the position in three related respects:—

first, the general position as regards consumption, capital investment and factor and commodity prices;

secondly, the position as regards the budget and

thirdly, the balance of payments.

I shall, therefore, do two things: firstly, to bring together the conclusions of the three papers in order to see what light they throw

on the general prospects of employment; and then to see the prospects of employment in Northern Ireland taken separately, with special reference to the conclusions of Mr. Black's paper.

Professor Carter, Mr. Robson and Mr. Cuthbert, each surveying the landscape from his own particular point of view, cheerfully looks out upon a scene which, if not of unrelieved gloom, is forbidding and drear. Adding together what they have to say in order to get a synthesis of the prospects for employment, it seems that what we have to look forward to in the United Kingdom as a whole during the course of the year ahead is either growing unemployment or else inflation leading to balance-of-payments difficulties and instability in the future.

The analyses show that in each of the three respects the present stability is apparent rather than real and has been due to the falling cost of imports, a fall which, in the absence of an American slump, cannot be expected to continue. Professor Carter forecasts renewed inflation unless either there is an American slump or unless there develops among the public a general increase in thriftiness, though of that he at present sees no sign. To this forecast must be added Mr. Robson's conclusion that the present low level of investment is not due to shortages, either of material or of investment funds, but indicates a general lack of incentive to invest while tax rates are what they are—and he sees no prospect of a general lowering. In these circumstances, if there does occur an increase in thrift, meaning a general reduction in the demand for consumption goods and even lower expectations of profit from investment, there will be difficulty in keeping up the level of employment, even if his budgetary measures for making investment more profitable are adopted. Thus if Mr. Robson's view about investment is right, unemployment is likely to develop if either of the two possible preventives of inflation come into effective operation this year. My own view is that a significant increase in thrift during the year ahead is so unlikely that it can be neglected, and hence that unless the feared American slump materialises there will be a renewal of inflation: i.e. the outcome will be inflation if it is not unemployment.

At this stage, therefore, it is necessary to bring in Mr. Cuthbert's conclusions about the balance of payments. His analysis suggests that the improvement in the trade balance and the rise in the gold and dollar reserve last year were both due to the fall in import prices relatively to export prices, and that the resulting improvement in the terms of trade cannot be expected to continue—and indeed is likely to be reversed—unless the American slump develops. If that slump does develop there will be a fall in the volume as well as the value of exports and a rapid worsening of the balance of payments. From the point of view of employment this implies a fall in employment, in the export trades and probably more generally. If as some American observers anticipate the American recession does not develop, the rise in prices and factor costs which internal forces are promoting in the United Kingdom will cause a worsening in the balance of payments. Though this will add to the danger of a relapse later on, the domestic demand for consumption goods may be expected to go on rising even if, owing to the disinducement effects of taxation, the demand for investment goods does not.

So far as employment in Northern Ireland is concerned (looked at

separately) what matters directly is not the balance of payments of the United Kingdom, but that of Northern Ireland with the rest of the world, Great Britain included. The United Kingdom balance of payments is important as regards the coming year's prospects of employment in Northern Ireland only in so far as it affects the provincial balance by reacting, either directly or through the effects on British economic policy, on the volume and value of Northern Ireland's exports, or the cost of imports, or the inducement to invest. Experience shows that there is a very close dependence of income and employment on the level of exports, which dominates the level of imports both of materials and of consumption goods. Some 60-70% of the total production is sold outside Northern Ireland, which means that something like that proportion of total income arises in the production of exports. Thus a fall in the volume of exports tends to cause a fall in production for export and hence in the imports of raw materials and fuel. Likewise a fall in the total value of exports tends to cause three related reactions which promote a reduction in imports of consumption goods: namely—(i) a direct fall in income earned in export trades, (ii) a resulting fall in other income, and (iii) a fall in the banks' cash balances in England and, even more important since these can if necessary be supplemented through the sale of securities, an increase in the ratio of the banks' advances to deposits. By reducing the demand for imported consumption goods, the income reactions tend automatically to correct this initial reaction on the ratio of advances to deposits. But this adjustment may be slow and the banks may have to speed up the process by a more general restriction of credit.

So what really matters in considering employment prospects in Northern Ireland during the next twelve months is the prospects of maintaining the volume and prices of exports—all goods sold outside Northern Ireland, whether abroad or in Great Britain.

Looking at the prospects from this point of view, there is, first, one general point. Wage increases are not usually initiated in Northern Ireland but are based on the principle of parity. If workers in Northern Ireland refrained from demanding wage increases on this principle, inflation would improve Northern Ireland's competitive position in Great Britain and would not worsen it as much as otherwise in foreign markets. But that is perhaps about as likely as Professor Carter's potential increase in thrift.

Because the level of income and employment depends on the provincial balance of payments, and because changes in this balance are generally initiated by changes in the flow of exports (whether to Great Britain or abroad), the general prospects of employment in Northern Ireland taken as a whole will depend very largely on what happens in the three main export industries: shipbuilding, engineering, and, last but probably most important, linen.

So far as shipbuilding is concerned, order books, though less full than hitherto, are reported to be satisfactory for the next year or two; and, provided there is no general collapse in trade leading to cancellations, it can be taken that employment will be fairly well maintained during the current year. Difficulty could arise because of material shortages, but on account of the expansion in steel production during the past year this is unlikely.

Employment prospects in engineering depend partly on activity in shipbuilding, so far as marine engineering is concerned. As regards general engineering prospects for the current year look reasonably bright. The prices of exports of general engineering products have been maintained at a relatively high level, and so too has the volume. In addition, there is some prospect of an increase in exports of capital goods to meet the potential demand in Eastern European markets. Northern Ireland may not receive direct orders but is likely to benefit from the general increase in demand which it implies.

The real danger of a relapse in employment is due to the position of the linen industry. Here the prospects, as Mr. Black has said, are far from bright. For, experience suggests that even if there is not a general American slump this year there is very likely, as he says, to be a slump in the American demand for textiles. Though sales to the Southern Hemisphere as a whole are likely to be maintained on the 1953 level (which, however, was well below that of 1951), sales to the United States of America, on which so much depends, are unlikely to be even as great as in 1952, itself much lower than in 1951. If this does turn out to be the case, there is not much prospect of sales in the domestic (United Kingdom) market taking up the slack. According to the 1951 census figures, only 28% of the total production of linen proper was sold in the home market (for consumption in the United Kingdom), whereas of the total production in Northern Ireland of cotton and rayon, classed as products of the linen industry, the proportion was about 70 per cent. Of the total Northern Ireland production in 1951, 53% was linen proper, 38% was rayon, and the rest cotton and other materials. The real difficulty is that sales in the United States of America are predominantly of linen proper, and a fall in the American demand would hit the industry hard because there would be no chance of the British market, which buys only about a quarter of the linen proper, taking up the slack. In addition, Japanese competition in textiles is likely to aggravate the difficulties of the linen industry.

The truth is that, while the Northern Ireland textile industry has got out of the doldrums of 1952, the level of employment is not as high as before that slump. Indeed, this is how the industry has been behaving ever since 1927: that is, some recovery each time but not up to the former level. Some branches of the industry have been doing well, but taken as a whole it has been declining notwithstanding the government's efforts to bolster up the production and consumption of linen through its subsidies on flax and financial assistance to the Linen Guild and to linen research. According to a statement by the Minister of Agriculture in the House last week, during the past five years about £1,000,000 has been given as subsidy on flax, and yet the acreage expected this year is under 20,000 acres as against 80,000 in 1945. Looking at the position squarely, it looks as if it is time for the government to ask itself whether money spent in these ways might not be better spent in encouraging the transference to more modern types of textile fibres on which the future of the industry would seem to depend.

Contributors to the discussion included Sir Graham Larmour, who discussed markets in the linen industry with reference to South America, John E. Sayers, J. Montrose and J. U. Stewart.