ECONSTOR
Make Your Publications Visible.

A Service of

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Hamburg Institute of International Economics (HWWA) (Ed.)

Article — Digitized Version

Great Britain: Waiting for an economic policy

Intereconomics

Suggested Citation: Hamburg Institute of International Economics (HWWA) (Ed.) (1973) : Great Britain: Waiting for an economic policy, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 08, Iss. 3, pp. 68-,
https://doi.org/10.1007/BF02927543

This Version is available at:
https://hdl.handle.net/10419/138789

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

WWW.ECONSTOR.EU

Mitglied der Leibniz-Gemeinschaft

COMMENTS

Great Britain

Waiting for an Economic Policy

The feature of the British labour market in 1972 was a rapid decline in unemployment. In December alone the number of unemployed diminished by 25,000 to 744,876 – the largest fall in 30 years. Economic growth did not, in real terms, quite come up to the magic 5 p.c. rate but shows an upward trend. Is this reason enough for the Heath Government to look back proudly on a successful economic year?

Great Britain's investment goods industry has hitherto reacted hesitantly to the announcement of the country's accession to the EEC which has taken place in the meantime. Even initial signs of the hoped-for investment boom are as yet lacking. The positive growth trend has fed almost entirely on the consumer goods industry. The prices and wages freeze imposed in November 1972 has made little difference. The population is questioning the Government's ability to cut down the rate of inflation from about 8 p.c. to a more tolerable level. Moreover, it is afraid that the upsurge of prices will gather fresh momentum when the wages and prices freeze ends. Particular concern is being felt in this connection over the Value-Added Tax, soon to come into force. Purchases are made to forestall the new tax; consumer goods are being bought. Whether this will be enough of an impetus to translate the "consumer boom" into increased demand for investment goods is doubtful.

For the time being the investment goods industry is still waiting to see what kind of concept the Government will present for a "controlled upturn". The Government however has extended its "pause for reflection", the wages and prices freeze. That does not suggest that it is eager to take economic policy decisions. Resolute action however is necessary, the more so as owing to the wait-and-see attitude no great economic stimulus can be expected from the export industry. fa.

Oil

Iran Joins the Hard-Liners

Iran does not wish to extend its current contracts with the Iranian Oil Operating Companies, which date back to 1954, beyond 1979 but wants to work the oilfields on its own account. In place of the licence contracts with this group of western petroleum companies due to expire in that year the Shah offers a choice between two alternative contracts on the assumption that the Iranian oil reserves are relatively limited and the output will have reached its peak in about ten years' time. One alternative stipulates an increase in oil production by the group from 227 mn tons in 1972 to about 400 mn tons a year, with the present arrangements to remain valid until 1979. The other alternative is a contract for at least 25 years which provides that all production plants are to be taken over by the National Iranian Oil Company and the members of the international group are to be designated buyers to whom the crude oil would be offered at favourable prices to be agreed between the parties.

The financial success of the Arabs on the participation issues may have prompted the Shah to abandon his previous policy because Iran's fifth development plan – which exceeds the fourth plan more than threefold in volume – is starting in March of this year. The Shah apparently expects full nationalisation to provide a safer basis of finance. For the oil companies the announcement of nationalisation and assumption of control over the oil production came as a surprise because the Iran had taken a moderate stand in the dispute over a higher share in profits. They did not however indulge in loud protests. The reason is that Iran promises substantial and assured supplies of crude oil. The industrial countries and the petroleum companies want to keep this source of supply even if under different contractual arrangements. The looming power crisis in the USA is not the least important reason for this wish. na.

Monetary Crisis

Nixon's New Strategy

The decisions of the Nixon Administration to devalue the dollar by 10 p.c. and of the Japanese and Italian Governments to let their currencies float – followed by a number of re- and devaluations – have for the time being brought back relative monetary calmness. But whether the breathing space will be long enough to carry through the long-expected reform of the world's monetary order must be doubted after the experiences gained in 1972. While it was agreed by every nation during the Smithsonian negotiations that the reform should be promptly undertaken in the framework of equilibrium and cooperation, the Committee of the Twenty has only met a couple of times to discuss the first issue of their agenda, the adjustment process. If negotiations continue at this pace a number of monetary crises will have to take place before the vague principles of reform – flexibility and prompter adjustment in exchange rates, bigger role of SDRs as reserves, and more symmetry both in adjusting surpluses or deficits in the balance of payments and in the position of the various currencies – will be transformed into concrete new rules.