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It is the common experience of all of us that there is frequently a wide gulf between fact and opinion; between the realities of a situation and what people believe it to be. People tend to see what they believe; sometimes the belief can blind them to the facts.

There are also fashions in belief and opinion. Because everybody says it, it must be so.

My country is being handicapped in the world today by this contrast between fact and opinion. Sometimes I can hardly recognise Britain beneath the misrepresentation. Some of it is deliberate. Some of it just lazy; the word goes round from mouth to mouth, and frequently from newspaper column to column. People feed on each other's opinions, without checking them against the facts. Some of this misrepresentation, especially overseas, comes from a quite different, almost an innocent, fallacy. People looking in from outside and hearing our intense debate, mistake this internal argument for a basic doubt about our future. This is how the myths grow; the time is here and now to declare total war on the new mythologists.

Let me demonstrate this wide gap between facts in Britain and opinion about Britain.

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1. The belief is that Britain is strike-ridden and un-disciplined. The facts are that Britain's record compares favourably over the years with most other countries. Of course, the recent seamen's strike rightly got headlines. It was serious; it cost us heavily in foreign exchange and trade; and was one of the factors which upset our timetable for getting into balance this year on our overseas payments. Let us get strikes into perspective. The facts are that in the five years 1960-64, the average days per year lost through strikes per 1,000 employed in Britain was 242, compared with 722 in the U.S.A. and 1,220 in Italy, to take two other countries for comparison. So much for that myth!
2. The belief is that British labour costs are pricing goods out of world markets. The fact is that we sold nearly \$15 billion worth of goods last year in world markets. On prices, our surveys of export markets show that we are generally competitive. What is sometimes claimed against us is that deliveries have been slow. I accept this. But the tough measures of July will restrain demand in Britain and therefore allow export production to speed up with an easing of congested order books.
3. The belief is that British exports are falling back. The fact is that British exports rose 7% in value last year and are continuing to rise again this year. We are the world's largest exporter of agricultural tractors, commercial road vehicles, wool textiles, radio isotopes, vacuum cleaners and washing machines, telegraph and telephone equipment, cotton yarn and thread, and much else. Britain has the world's second biggest aircraft industry, office machinery industry, and oil refinery industry. We have the largest petro-chemical industry in Europe, the largest paper and board industry in Europe, and the largest clothing industry in Europe. Another myth destroyed!
4. The belief is that Britain lacks the will and the capacity to pay her way. The facts are that we reduced a deficit of £761 million to £319 million in a twelvemonth from 1964 to 1965. This year, despite the setbacks caused by the seamen's strike and the Rhodesian crisis, there will be a further improvement. And when we found in mid-summer that because of the cost of these special factors and the high level of home demand, we were going to be behind target,

we intensified our policies to the point that in 1967 the best forecasts promise us a surplus. And the changes that are being made in the structure of British industry will ensure that we can maintain a balance in the years ahead.

5. Another myth arises from our short-term indebtedness. The myth-makers here neglect the fact that at the last computation Britain's gross overseas assets totalled well over £15½ billion - \$46½ billion - second only to those of the U.S.A. Our gross assets exceed our gross liabilities by more than £2 billion (\$6 billion).
6. The belief is that government expenditure at home is soaring out of control. Indeed many of the new mythologists cite this as the main reason for our economic weakness. The fact is that in the last two years we have put into effect policies which directly relate public expenditure to the estimated increase in our G.N.P. But here we are not merely operating a weapon of restraint. Our control is selective. We work by priorities. And the two major priorities are, first, expenditure that will build up the economic structure, and second, social measures to aid the neediest in the community.
7. The belief is that the British aircraft industry has little future. The fact is that our aircraft exports reached a very high rate in the first half of this year. More than 50 types of foreign aircraft use British aeroengines, and nearly half the turbine-powered airliners in service or on order are powered by British engines.
8. The belief is that productivity in British industry lags behind everybody else. The fact is that our own growth in productivity has been roughly in line with that in the U.S.A. and Canada. Some others certainly grew faster than we three. We are not satisfied with what we are achieving. We are taking very energetic measures on this in partnership with management and labour.
9. The belief is that we still rely on our own traditional products and are unable to compete with other countries in modern sophisticated products. The fact is that we have revolutionised the character of our export industry since the war, and a large part of our great increase has been precisely in the new products. Here is a simple fact for the myth-makers. Whereas in 1938 our exports paid for just over 60%

of our imports, today they pay for about 95%. U.K. exports per head today are three times as great as those of Japan, and nearly twice as much per head as in the United States. This doesn't sound like a country that can't compete.

I will mention some of the springs of this growth, to point to the inventiveness that has produced things like the vertical take-off aircraft, the first hovercraft, and the first commercial nuclear power station. On this last, the U.K. produces more electrical energy from nuclear power than the rest of the world combined. I should nail at the same time another of the myths about our inventiveness; that while we are good at pure science, we never succeed in carrying the discoveries forward into developments. Here again people mistake our determination to do better for a failure to do anything. One corrective is to look at the work of the National Research Development Corporation. As some people know, it was the N.R.D.C. which sponsored the hovercraft. But it has backed many other inventions too. It has sponsored development projects in computers, flexible oil barges, diesel engines, variable speed gears, photo-typesetting, cryogenic engineering and much else besides. The same is true of the development of the brilliant work done by our medical scientists who have won so many Nobel prizes, and who are developing entire new techniques in surgery and medical treatment.

I have spoken of this gap between fact and opinion as a preface to discussing our problems and our future. We can assess our prospects of overcoming our problems all the better when we have destroyed the myths. I will list briefly five problems that affect our balance of payments, and our methods for solving them.

The first is that we have to maintain a viable relationship between our short-term liabilities and our assets. As I said earlier, our long-term position is not in question. But our role as a reserve currency country means that we must be ready to meet all kinds of fluctuations arising from swings in trade and in confidence. These swings are sometimes not even related to our own internal strength, but they can be just as troublesome as if they were. Fortunately there is growing cooperation between the central banks which enables the reserve currency countries to offset these effects.

This international cooperation is important not only to the reserve currency countries but also to enable the level of world trade among all countries to be sustained. But with Britain's balance of payments under control it becomes fundamentally a matter of management and international co-operation.

The second real problem we face is to increase the productivity of industry, to keep costs from rising, and to keep prices down. We are not alone in facing these problems. Everyone is I think, aware of the momentous decisions we took this summer on a prices and incomes freeze, in order to make a break-through. We took these decisions with the backing of public opinion and we are winning co-operation from both sides of industry, as part of our long-term policy for healthy and sustained economic growth. Of course the prices and incomes freeze is only short-term. We are using the breathing space to work out a long-term policy to relate increases in incomes to increase in productivity. We regard a permanent income policy as a necessary ingredient for success.

The third problem we face is a human one: how to re-deploy the manpower that will be released as a result of the recent measures. This is a human problem, but it is more than that: we need to retrain the men concerned and then harness them to other industries that need them, and especially to the export industries. Hence the importance of our new measures relating unemployment pay to earnings and increasing the capacity of our industrial training centres.

The fourth serious problem we face is the overseas burden of defence. We are ready to accept our full responsibilities, but we must certainly see to it that the burden on us in foreign exchange ceases to be heavier for us than for other countries. I wonder how many people realize that the defence cost to us in foreign exchange is a higher proportion of our G.N.P. than it is for any other country. This explains the emphasis we have given to recovering the foreign exchange costs of keeping our troops in Germany. The determined way in which we faced with Malaysia the problem of confrontation has already brought a release of tension and enabled us to reduce the number of troops serving there.

The fifth problem that we face is really a world problem, namely the potential shortage of financial liquidity for

keeping world trade at a high level. With Britain's payments likely to come into balance in 1967, the problem is of increasing importance. Our economy is bound up with a high level of trade and so is the prosperity of many other nations. The problem of ensuring sufficient liquidity is one which we are working on urgently with other nations because the solutions must be widely acceptable in order to be put into effect. Although this is a problem for us, it is not one which is susceptible to solution by Britain's efforts alone.

This brings me to the occasion which has enabled me to be in Canada at this moment, to my great pleasure. The conference immediately ahead is that of the Commonwealth Finance Ministers in Montreal where we shall be working together, as we do constantly in the Commonwealth, to apply a spirit of understanding and co-operation which is sometimes more effective in the economic field than it is in the political. We have a joint interest here to keep Commonwealth trade and world trade at a high level and to help the less developed countries of the world, so many of whom are in the Commonwealth. We have some moments of high drama in the Commonwealth on the political level, but if this is missing at this week's conference, the subjects are no less important to the welfare of our people. These brief meetings with other finance ministers always make me deeply aware of the human value of the Commonwealth, where barriers of race and history are overcome.

A few days later we shall be grappling in Washington with the problems of international liquidity and with world reconstruction and development. If anyone loses faith in mankind's power to work together sensibly, it is a very salutary reminder to look at the World Bank and the International Monetary Fund, and to see how much these great institutions have done in the post-war period to assist the development of countries along lines hitherto unknown.

If the pace is often slow because one can only proceed by agreement, it is nonetheless remarkable that so much has been achieved in 20 years. The historian of the future may well think that the problems, different as they are, are less intractable than those of 30 years ago if only because the mechanics for dealing with them have greatly improved.

In talking of international co-operation, if there is one country where our words and work are fruitful, it is Canada. We are linked not simply by our historic Commonwealth traditions but in our specific defence and economic alliances in NATO and OECD. It always seems to me that the understanding and co-operation in these fields between our two countries is instinctive. We seem to have the same general aims and also to share a talent for devising practical methods of giving expression to these aims. If I am delighted to be here this year, as I am, I am thinking also of how much I should like to be here next year, so momentous in Canada's history as the Centennial Year. Just over a year from now Toronto will be celebrating a British Week which will be one of Britain's contributions to your Centennial Year and also the culmination of intense work that goes on all the time on British-Canadian trade relations. It seems to me, from everything that I have seen, that it is going to be one of those occasions which will live in people's memory because it will dramatise so much that is often left unspoken. We take a great deal for granted in our relationship, and when we see it spelt out this way, it reveals how deep and how wide is its meaning.