CABINET

THE ECONOMIC SITUATION

Memorandum by the Chancellor of the Exchequer

1. In my previous memorandum (C.P. (56) 7) I gave the reasons which led me to think that the inflationary pressure in the economic system was seriously endangering our position. So long as inflation continues our reserves will be further run down and internal wages and prices will continue to be forced up. We must now decide on the measures we must take to remedy this state of affairs.

2. Public opinion is not only ready for resolute action but expects it. If we fail now, we shall be discredited as a Government. If we succeed, it will make all the other things we hope to do during our present term of office very much easier.

3. What is needed is to take a substantial block from the load now pressing on our resources. I believe that the measures we have already taken have begun to reduce the overload and will become progressively more effective once it is believed that we are serious. This will give us a tide in our favour instead of against us, as it is now. But we cannot afford to wait. Nor need we fear that we shall overdo it. The methods of reversing a deflation which has gone too far are well known and because they involve spending or tax concessions are likely to be only too easy from a political point of view.

4. Our measures must satisfy three requirements

(a) They must show that we intend to be firm.

(b) They must take effect quickly. Steps which will only affect activity in a year's time are useless in the present situation.

(c) The Government must be seen to be making an adequate contribution in the field over which it has direct or indirect control.

5. I start by setting out very briefly the various measures which I think we should take. I would hope that decisions could be taken on all these measures in the very near future and that as many as possible of them could be announced together at an early date. For reasons which will be evident, not all of them could be so announced. I deal with the timing of the announcements in the final paragraph of this paper.

I. MONETARY AND FINANCIAL MEASURES

Credit Policy

6. I attach the utmost importance to the continuance of the measures under this head instituted by my predecessor. Indeed, it is necessary that these measures should now be intensified. I will not enlarge further on this subject here; I may have something more to say to my colleagues orally. I also want to mention the effect on the credit squeeze of the Government's borrowing programme.
programme, particularly that for the nationalised industries. (My suggestions for reducing the investment programmes of these industries are in paragraphs 15-22). But the point with which I am immediately concerned is that the heavy borrowing programme of these industries - estimated at about £275 m. in 1956 - makes it much more difficult to intensify the credit squeeze and tends to destroy any belief that the Government will succeed in curbing inflation. I am therefore convinced that we must find some means of easing this problem. I am having the whole problem examined urgently and I hope to put specific proposals to my colleagues at a later stage.

Hire Purchase

7. The present restrictions have helped to check demand. But they can do more. I am asking the President of the Board of Trade to consider additional measures. First, to take the power to control hire. Secondly, to increase the minimum down-payments required for consumer goods. I suggest that for motor-cars, radios and television sets the minimum deposit should be raised from the present 33 1/3% to 50% for furniture, bicycles and cookers the deposit should go up from 15% to 20%. Thirdly, to extend the control which is now confined to consumer goods to a representative range of capital goods. As a starting point, I suggest that the range should at least include the capital goods which are subject to hire purchase restrictions up to July 1956 - that is motor coaches, goods vehicles and office furniture and machinery. But I think it is important that hire purchase control should be used to exercise a general check on investment demand just as it does now on consumer demand. I am therefore asking the President to prepare a comprehensive list, but to discuss the contents with the Treasury and other Ministers concerned before action is taken.

Savings

8. What the National Savings Movement really needs is an assurance that inflation will be checked so that money saved does not lose its value. Improved securities and inducements cannot take the place of this assurance. But I think it is right to see whether any improvements can be made. In particular I have in mind the scope for tax inducements and the need to provide the movement with something new to sell to the public. I am considering various suggestions under this head.

9. One of these is that the Movement might offer to the public a premium bond - not a lottery in which the investor loses his stake but a scheme in which the money saved remains intact; but instead of earning interest, the equivalent of the interest is distributed in money prizes drawn by lot. It is not worth spending time and staff on organising such a security unless the National Savings Movement is prepared to welcome it and make it a success. I propose to discuss it with Lord Macintosh and go ahead if we can draw up a practical scheme which the Movement will adopt wholeheartedly, but not otherwise.

II. INVESTMENT

10. Much of our troubles are due to the investment boom. Though the objects of this investment may be admirable, we must go more slowly in both the public and the private sectors.

11. In the public sector the nationalised industries are planning to do 16% more investment in 1956-57 than in 1955-56, central government 17% more and local authorities 6% more. Only in housing, taking public and private house-building together, is any reduction foreseen.
foreseen, and that of far too small an amount to offset these massive increases. Our first duty must be to reduce the load which those sectors of the economy which are directly or indirectly under our control place on our resources.

12. We cannot make any impression on the problem if we regard any part of these expenditures as sacrosanct, nor if we regard ourselves as precluded from stretching out programmes which have already received our approval, collectively or individually. Obviously, it would be stupid to delay works which have already started. They should be pushed ahead. But if we can agree to defer work which has not yet started, we can bring the load which investment is placing on our resources within manageable proportions.

13. The adjustments necessary to do this must, of course, be seen to conform to carefully considered plans. Postponements must have regard to the priorities appropriate in each case and the programmes must be properly rephased. This is particularly necessary on the British Transport Commission's programme which is referred to in paragraphs 15 and 16 and which seems to me to require quite radical reconsideration.

14. I ask my colleagues to accept these broad principles.

NATIONALISED INDUSTRIES

British Transport Commission

15. The investment of the railways is planned to increase from £60 million in 1955 to £96 million in 1956. I know that the railways have been held back, and that they have been encouraged to go ahead with a modernisation plan. But this is more than can be managed - probably far more than they will be able to do. I propose that at least £20 million of this work be deferred until next year.

16. The investment of the B.T.C. in other fields is planned to increase by £17 million - a 100% increase. Most of this is for replacement of the British Road Services fleet. I propose that at least £10 million of this be deferred.

National Coal Board

17. This investment is planned to increase from nearly £100 million in 1955 by a further £7 million. We have never previously sought to reduce the N.C.B. investment, but this year I think we should ask for some contribution. I propose that £7 million of this investment should be considered for deferment, if practicable.

Central Electricity Authority

18. Investment in distribution is planned for £72 million, almost the same figure as last year. This, thanks to the efforts of the previous Minister of Fuel and Power and the cooperation of the C.E.A., is already lower than the Authority had hoped for next year - and it implies a substantial slowing down of the rural electrification programme which we clearly must accept. But I am afraid that we must ask for more. I suggest that a further £5 million - about 7½% - be deferred.

19. In addition, well over £100 million is planned for generating stations. Most of this is for stations now being built and for plant already being made. But some part will almost certainly be for stations to be started, and for contracts for plant to be placed within the year. I cannot quantify the saving that can be made, but I do suggest that these projects be deferred.
20. Their investment is said to be planned to increase from a rate of about £15 million in 1955 to nearly £19½ million in 1956. The Board has only recently acquired an independent existence and it may be that estimating difficulties have still to be overcome; in any event, I cannot believe that such an increase is practicable. I suggest that in the fields both of distribution and generation reductions should be made parallel to those we are asking from the Central Electricity Authority.

Gas Council

21. The investment planned for 1956-57 is £56 million, nearly £5 million less than 1955-56. I am very grateful for this reduction, which represents, I know, a very real effort. But, none the less, I suggest a further deferment of £1 to £1½ million, about 2½%.

The Air Corporations

22. B.O.A.C. plans to spend over £16 million more this year, a great part in dollars to buy D.C.7 aircraft on an insurance. B.E.A. plans to spend £1½ million more this year. I make no positive suggestions, but I do ask that the Minister examine most carefully with the Corporations whether some part of this larger investment cannot be deferred.

CENTRAL GOVERNMENT

23. It is at present proposed that the total capital expenditure to be borne on Votes in 1956-57 should be about £210 million, nearly £40 million more than in 1955-56. However essential all this expenditure may be, we cannot defend at this time so great an increase. I ask that all my colleagues look again to see whether some part of these programmes cannot be deferred. In particular, I have the following proposals.

/Hospital Programmes
Hospital Programmes (Great Britain)

24. £15.7 million is to be spent in 1956-7 (inclusive of Scotland). We are committed to programmes which will raise expenditure to £21 million in 1957/8. We have twice reiterated that these programmes will not be cut. Nevertheless, I must ask for a reduction to £13 million in 1956/7. I must also ask that commitments should not be made which will compel us to carry the programme above £15 million in 1957/8.

Atomic Energy

25. This is expected to rise from over £28 million this year to nearly £40 million next year, though shortage of staff may again prevent the Authority doing as much as it would like. I do not wish to hold back this vital activity but suggest that like everyone else, by trying to do a little less in one year, they may help everyone, including themselves, to do a little more over a rather longer period.

Post Office

28. A very large increase, from nearly £91 million to nearly £99 million, is proposed. In the altered circumstances, I do not see how we can now justify an increase. The Post Office, like other parts of the economy, must take account of the national situation, and I must ask that their programme should be kept at £91 m.

Development Areas

27. We are spending about £5 million a year on building factories and extending existing factories in the Development Areas - this at a time when our trouble is too much employment, not too little. We cannot stop work already in hand, but I suggest that we ought to impose a 6-month standstill on new commitments.

Government Building

28. In addition to the services mentioned above, other increases in Government building are proposed. For example, expenditure on Food and Petroleum stores is to increase by nearly £3 millions, an increase of over 60%. In view of the load on the building industry, I should like to see us spending less on all Government building in 1956/57, but if this is impossible we ought at least not to spend more. I am asking the Minister of Works to look carefully at every project in conjunction with the Treasury with a view to possible postponement.

Home Defence

29. It was recently decided to provide £55 millions for Home Defence expenditure in 1956/57. Of this total, £28 millions was for the development of various branches of the Home Defence organisation and the balance was for the stock-piling of food and other items, including the consequential storage. In view of our pressing current problems, I must ask for this decision to be reconsidered. I accept the need for recruiting and training the civil defence and allied services, for maintenance costs relating to the existing stockpile and for finishing works that are well on the way to completion. But in present circumstances I see no positive merit - and indeed I see great disadvantage - in buying food,
oil and medical supplies for the stockpile; if we stopped this we would save £7.5 million. We need not go ahead so fast with works for the storage of oil, and I suggest a cut of £1.5 million. It is proposed to spend far more next year than this on the purchase of fire fighting equipment, and I suggest a cut of £2.5 million (from a total of £4.5 million). I would stop the building of protective works for headquarters to control rooms, saving £0.45 million. And I would cut £1.5 million off the public utility works. I would also cut the Post Office constructional work from £9 millions to £5 millions. By these or other reductions I would bring the total for home defence down to about £30 millions. No one would really be much the worse for this and the national finances and balance of payments (in respect of the buying of food and oil) would benefit considerably.

LOCAL AUTHORITIES

Capital expenditure other than Housing, Education and Roads

30. There is no Central Government control over most of this except through the loan sanction. Investment in 1955/56 is estimated to amount to £122 million of which the main elements are:

- Water: £37.9
- Sewerage: £33.8
- Miscellaneous Local Services: £19.0
- Health Services: £5.1
- Coast Protection and Drainage: £8.0

"Miscellaneous" is running at 50% more in 1955/56 than 1954/5. In the first two quarters only £2.8 of applications were rejected.

31. I must ask that no further loan sanctions for "Miscellaneous" Services be granted for a period of 6 months, except to enable projects in progress to be completed or with the approval of the Treasury to meet really exceptional circumstances. For Water and Sewerage the control should be operated to reduce the total value of starts to the 1954/5 level. In both cases the position can be reviewed after 6 months.

Housing

32. The effects of the changes in the subsidy policy and interest rates cannot yet be estimated. My predecessor agreed with the Minister of Housing and Local Government that he should work - so far as he is able to influence matters - to produce a total of 120,000 subsidised houses and 270,000 houses in all, the latter being a figure for Great Britain. The next step in housing must be the abolition of the general needs subsidy and a revision of the Rent Restriction Acts with the raising of controlled rents.

33. Until this has been done, we cannot reduce the subsidies on existing as distinct from newly constructed houses. I should have liked to take this next step this session but I realise that for various reasons this is impracticable. But, this being so, I regard it as essential that a Bill to modify the Rent Restriction Acts should be prepared and given first
place in the Autumn Session. This means that we must determine the policy of the measure in the very near future because the drafting of the measure will involve many difficult points. We shall not be ready in the autumn if the Bill is not substantially complete before the recess. I would ask that preparatory work should be pressed on and that a Ministerial Committee should be constituted forthwith to deal with this matter.

Education

31. In 1954/5 £63 million of work was started. Projects costing £80 million have been authorised to start in 1955/6. Actual investment in 1955/6 is about £57.5 million. The load on the economy is rising at about £5 million a year. For 1956/7 the proposed programme of starts is:–

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<th>Item</th>
<th>Proposed Investment £m.</th>
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<tr>
<td>1. Primary and Secondary Schools</td>
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<td>2. Further Education</td>
<td>9</td>
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<tr>
<td>3. Other Education Services (Training Colleges, special schools etc.)</td>
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<td>4. Minor Capital Projects (uncontrolled) estimated at</td>
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32. In addition it is now proposed to increase the planned expenditure on technical education over the next five years from £45 million to £71 million. Expenditure under item 4 may be underestimated.

33. In November, 1954 the Cabinet approved the Minister of Education's proposals for rural reorganisation which were then expected to cost about £20 million spread over five years, and limited to £5 million in the first year. No large scale increase in technical education building was then proposed. £12 million of rural reorganisation was started in 1955/6, and next year's programme includes £6 million. There is still £22 million more to be started in three years. The total cost of this programme is twice as much as when the Cabinet approved it. This work is not essential to provide school places for the bulge or for movement of population. In view of the impending increase in the technical education programme I must ask:–

(a) That Local Education Authorities be instructed to defer until 1957/8 any rural reorganisation projects already authorised but not started.

(b) That the rest of the rural reorganisation programme be deferred until after the bulge has been provided for.

(c) That the total programme of education building starts in 1955/7 be reduced from £80 million to £70 million.

(d) That the miscellaneous uncontrolled investment must not rise in 1956/7 above the estimate of £11 million.
37. If these plans for the educational programmes are agreed, it may be necessary, in order to ensure that the new total limits are observed, to withdraw the present arrangement by which Local Authorities are not subject to control for projects costing less than £10,000. I must ask the Minister to consider this.

38. A comparable reduction should also be made in the programme of the Scottish Education Department.

Roads

39. We are at present committed to a programme of expenditure on major works and new roads which will cost £16 millions in 1956/57 and rise to a maximum of some £20 millions in 1959/60. I am not immediately concerned with the years after 1956/57, which we can discuss later. The Minister has, however, suggested an addition to the programme of some £5, of which about £600,000 would be spent in 1956/57. I cannot agree to such an addition. It is difficult to see how roads can be exempted from making some contribution to the solution of the problem we now face. I must therefore ask the Minister to examine whether it is not possible for him somewhat to slow down his programme in 1956/57 so as to show a positive reduction of the expenditure previously agreed for 1956/57.

PRIVATE INDUSTRY AND COMMERCE

40. For the first time the President of the Board of Trade has received from a large and representative sample of firms a forecast of their intentions. This forecast, which we must treat with great caution until we have more experience of its reliability, suggests that private industry is planning for at least as large an increase in investment in 1956 as occurred in 1955. Desirable though this is in itself, it is happening too quickly.

41. Since the abolition of building licensing in 1954, we have no method of direct control over private investment. We have to rely on monetary and fiscal measures, on which, as stated in paragraph 6, I propose to say something to my colleagues.

42. The consequences of a continuance of this overexuberant investment boom are so serious that I have been considering whether we should not re-introduce some direct control of building. The difficulties of doing this are admittedly great. It would require legislation of a most unattractive kind. It would be necessary to build up the staff of the Ministry of Works, and probably of the "sponsoring" Departments as well - a move which would take some time. The control when introduced would not be fully satisfactory in its operation for several months. We should probably have to begin by a "crash" operation, prohibiting all new starts; this would inevitably create a number of embarrassing individual problems. But the situation is such that I feel I must press on with an examination of this and I am asking the Minister of Works to work out the outline of a scheme.

/43. But
But whether or not we can take some measure of direct control of private investment, a deferment of capital expenditure of the nationalised industries, central government and local authorities is vital. Politically, if we institute building control, we should have to be able to demonstrate that the public sector was being created comparably. If we decide not to institute building control, then the need to take adequate action in the public sector becomes the more imperative.

III. GOVERNMENT EXPENDITURE

The rate of Government expenditure has a double impact upon the inflationary position. In the first place, so far as concerns expenditure on capital account, it adds to the burden of already over-loaded industries, especially building and engineering. In the second place, a reduction in Government expenditure would diminish the Government's demands on our labour and other resources, and the purchasing power which results from Government disbursements: and by making it possible for the Government to borrow less would assist our credit policy. From these points of view I may find it necessary to ask my colleagues to effect further reductions of expenditure in the course of the year, within the Estimates as finally approved.
Defence

45. Defence is the heaviest of our necessary burdens and we must make economies wherever we can. It is not too early to select our objectives. I suggest the following:

The Navy

46. I have no specific proposals to make at this stage on the strength of the Navy or the character of its armaments. I would hope however that the drive for economy will not be relaxed, and in particular that the Navy (and the other Services as well) will see that there is no unnecessary accumulation of stocks.

The Army

47. The War Office have already said that a generous pay award (which they have been given) might make it possible for them to manage with six regular divisions and five brigades. I should be grateful to know how this would be accomplished, by what date, and what the full consequential savings would be. In the meantime I suggest that we should aim at reducing the Army by one Division. If possible, this should be done by reducing the number of Divisions in Germany by one. In this way we should save not merely the cost of the Division but also the burden on our balance of payments of maintaining a Division overseas. If this should not prove possible, we should seek our Allies' agreement to regarding one of the Divisions in Germany as our strategic reserve.

The R.A.F.

48. It seems likely that as the years go by the air defence of this country, so far as it is practicable at all, will depend less and less on manned fighters and more and more on the use of guided weapons. I suggest that the Defence Committee should be asked to consider this matter with a view to recommending a date by which this new concept of air defence should become effective. In the meantime we should aim at progressive reductions in the amounts spent on manned fighters, starting with research and development into fighter aircraft.

Defence Research and Development

49. Our expenditure on Defence Research and Development goes up and up. I believe we may already have reached the point at which not only defence but the civil economy suffers through our effort to do too much. I propose that, as a first step, an objective statement should be prepared of the impact on industry and on our scientific and technical resources of the Services' demands. Here again effort must be made more selective.

/CIVIL
CIVIL EXPENDITURE

Bread Subsidy

50. I propose that the bread subsidy should be abolished. It costs £1+1 m. a year. It involves a subsidy and price control—methods which have been almost entirely abandoned by this Government as instruments of our economic policy. The bakers, large and small, want to get rid of it. The result would be an increase of 4½ points on the retail price index. It is equal to 2d., on the 1½ lb. loaf (which costs 7½d.) and the average expenditure on bread per head per week would go up from 1s. 3d. to 1s. 8d.

Milk

51. I propose that the retail price of milk should be raised by 4d. per pint. This would save £20 m. in a full year. The retail price of milk has not been changed since August 1954, though costs of distribution have risen sharply. To judge by past experience, consumption should not fall significantly. The All Items Index would rise by 0.03 points.

Agricultural Review

52. The agricultural subsidies will cost about £210 m. this year. There has been a big rise in costs and the farmers will press hard for an increase. We must resist this and strive for a positive reduction. Moreover, whatever the total figures, we must try to distribute the subsidies in ways which will best help our economy. For instance, we should give an incentive to the fullest use of home-grown feedingstuffs by encouraging the production of animals which live on the land rather than on imports—that is, cattle and sheep rather than pigs and hens. In order to achieve these objectives it may be necessary, and indeed salutary, to impose a settlement. We shall be considering proposals about this at the end of January.

Social Services

53. The only practical ways of securing immediate economies lie in the investment field and have been dealt with earlier in this paper.

54. There is also the question of school meals. On this I await a report from the Minister of Education.

55. In the longer term I hope for some economies from the enquiry to be undertaken by the Lord Privy Seal's Committee of Ministers.

Administrative Expenses

56. The Civil Service has already been reduced by about 50,000 since the end of 1951. But we must do more. The Prime Minister has promised a reduction of 10-15,000 over a period. If, as I hope, we carry out the recommendation of the Priestley Commission as regards hours and overtime and thereby get rid of the present anomalous and expensive arrangements whereby a lot of regular overtime is worked, this may mean that Departments may have to bring about a slightly larger reduction than the 10,000-15,000 promised by the Prime Minister. This reduction covers the Service Departments as well as the Civil Departments.
57. The reduction proposed cannot be brought about by a uniform percentage cut over all Departments. If my colleagues agree, I propose that the Treasury should in the first instance discuss with Departments how the reduction can best be spread. I am sure that all my colleagues will help in this essential measure, but it is clear that we cannot bring about the reduction proposed simply by improved organisation, although this will make its contribution. To some extent reduction will involve the curtailment or even the abolition of certain minor services now carried out and the lowering of the standard of other services. We can save a lot of staff by doing certain things less elaborately. A special scrutiny must also be applied to staff overseas. Here there is a double saving to be secured. Not only a saving to the Exchequer but a reduction in the burden on the balance of payments. The test we must apply is whether the employment of officers overseas is essential, not whether it is simply desirable. I hope we shall also make a concerted endeavour to reduce the size of the delegations which visit so many international conferences.

58. Equally I must ask my colleagues in the Service Departments to make a contribution by reducing the number of Service personnel employed in their Departments.

IV. IMPORTS

Coal Supplies

59. I have asked the Minister of Fuel and Power what can be done to reduce the heavy burden placed upon our balance of payments this winter by imported coal. The Minister tells me he has already arranged to reduce the winter import programme from 6.5 million tons to 5.5 million tons, a saving of 1.2 million tons and over £8 million, and is considering urgently whether more can be done. This will be a big help, and I am grateful for the Minister's co-operation.

60. The Minister will shortly be circulating a paper on the general fuel and power situation. One point I would like to stress at this stage is the importance, in our present difficulties, of maintaining open-cast coal production. The agricultural pros and cons and the compensation problems will have to be looked at urgently.

Steel

61. The import of steel is also very expensive. The present control of steel prices conceals the cost of imports and operates as an incentive to the export of unfinished and semi-finished steel, thus to some extent diverting supplies from exports with much higher conversion values. Furthermore, we have to remember that higher steel prices are bound to give the steel industry a stronger incentive to expand steel-making capacity; and all the indications are that a substantial expansion of capacity is going to be badly needed in the next decade.

62. I am, of course, aware that dearer steel would affect the cost of our engineering exports. But I am sure that the balance of economic advantage lies on the side of ending this price control, and I therefore propose that a study should be made at once of what this step would involve.
Import Controls

63. The increase in imports is one of our main difficulties. I am therefore considering whether some intensification of import controls would be helpful. But I must warn my colleagues that such action, even if decided upon, could not in any way be a substitute for the other measures I am proposing.

64. The effectiveness of increased import controls is necessarily limited by such things as retaliation by other countries and possible loss of confidence in sterling. They may also give rise to the need for internal controls such as allocation. But I have already asked for this question to be examined as a matter of urgency, and I may shortly have proposals to place before my colleagues.

65. If we hesitate to take the necessary steps over internal policies, a situation may develop in which we may have to carry out something in the nature of a "crash" plan of a most drastic character to limit imports. There is no need to contemplate such action now. But I propose to have a plan prepared to meet such a contingency. I must, however, warn my colleagues that even a rumour that the Government was considering such a plan might result in forestalling, with the most adverse consequences for our balance of payments.

V. CONCLUSION

66. As I said in the opening paragraphs of this paper, I would like to announce as many as possible of the measures set out at the earliest possible moment.

67. I recognise that some of the measures proposed (for example, certain of those in the defence field) need a good deal of shaping and working out before they can reach the stage of a public announcement. Nevertheless, I attach great importance to acting at once, and to acting over as wide a field as possible. It is clear that in carrying out the measures contained in this paper statements made by Ministers in and out of Parliament, and instructions to local authorities, will have to be reviewed and new instructions given.

68. As I see it, we cannot succeed unless we are resolute in our determination to do whatever is necessary to rid ourselves of the inflation which, notwithstanding the appearances of outward prosperity, is threatening the stability of our economic life. I see no way of doing this unless the nation as a whole is led by the Government to accept the fact that we are trying, as a nation, to do far more than we can achieve, that the totality of our resources is overstrained.

69. This is not a situation which can be dealt with by a cut here and a cut there. So far as possible all fields of national activity must make a contribution. Further the more readily this proposition is agreed to, the less difficulty we shall have in carrying out our proposals.

70. These proposals form the first part of a programme, which will have to be judged as a whole in relation to the Budget. Critics may say that most attention will be drawn to measures which will increase the cost of living and fall most heavily on the poorer sections of the community. It is too early to see
what may be needed in the Budget, though it will afford an
opportunity to deal with the general balance of my programme.
But if our policy is successful, it will produce a less
inflationary climate, in which lies the best hope for stable
prices. It is not one or two points on the cost of living
which are at stake, but a halt to the continual increase in
prices which has been almost uninterrupted since the end of
the war.

H. M.

Treasury Chambers, S.W.1.

20th January, 1956.