

Introduction

This paper brings up to date the analysis of medium-term prospects for the U.K. economy which was circulated in February 1972⁽¹⁾. The new figures take account of revisions to data for previous years and of the preliminary information now available on the out-turn in 1972; the projections are extended to 1976.

2. Developments during the year have generally confirmed the pessimistic projections for the balance of trade given in the earlier paper. We have now introduced a more detailed quantitative analysis of the main factors which influence the balance of trade in order to be able to estimate the effects of alternative assumptions about the exchange rate and the rate of inflation. But apart from this and a few other minor modifications the approach is basically unchanged.

3. The Appendix reproduces the full set of tables on which this paper is based; we have added a list of sources and formulae which describe how the figures have been obtained. Readers who wish to follow the argument closely will probably find it useful to refer to the Appendix frequently.

4. Much of the work on which this paper is based derives from ongoing research by members of the Economic Policy Group⁽²⁾. The research is part of a programme financed by the Social Science Research Council.

5. Particular responsibility for the estimates of trade and of claims on resources rests with W.A.H. Godley, T.F. Cripps and R.J. Tarling. C.T. Taylor is responsible for the analysis of the balance of payments.

6. The production of the document was again achieved in record time by Mrs. Lilian Silk and her staff.

T.F. Cripps

C.T. Taylor

9.1.73

(1) Problems in the Management of the Economy 1971-75, a working paper of the Cambridge Economic Policy Group (Department of Applied Economics, Cambridge, February 1972).

(2) G.E.J. Llewellyn, K.J. Coutts, B.C. Moore, M.H. Pesaran and J. Rhodes have all contributed to the research on this latest medium-term assessment.