Whatever happened to the balance of payments ‘problem’? The Contingent (re-) construction of British Economic Performance Assessment[1]

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Abstract

This article analyses the changing political significance of UK balance of payments assessment in the post war era, seeking to explain its disappearance as a policy issue today. We demonstrate the historically contingent nature of balance of payments performance assessment by comparing its shifting, conjunctural, constructions, rooted in underlying political economic assumptions, across four periods in the 20th and 21st Century. We argue that the political salience of UK balance of payments assessment is contingent upon structural changes (both ideational and material) within the global political economy and domestic politics. Changes in the prevailing policy paradigm through which balance of payments was interpreted (for example from ‘embedded liberalism’ to neo-liberalism), and redefinitions of balance of payments assessment

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Key Words: Balance of Payments; British politics; Constructivist political economy; British Economic performance

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Introduction

In spring 2007 the broadsheet newspapers in Britain reported, for 2006, a particularly poor balance of payments performance. Gary Duncan of *The Times* noted 'Bleak figures showing Britain's balance of payments plunging deep into the red … the current account deficit ballooned to an all-time high of £43.3 billion'.[1] This short piece, tucked away on an inside page, provoked no media comment, and even the official opposition neglected to castigate the government's economic record in light of this statistic. If we contrast this scenario with the early post-war years, it illustrates how the objectives of economic policy, and the importance attached to certain yardsticks by which economic policy success and failure are judged, are inherently transient historical constructs.

For thirty years after 1945 British economic policy was obsessed with the payments position; the predominant narrative of the economy in these years was one of recurrent balance of payments ‘crises’ (Gamble 1984: 72-90; Eatwell 1982: 131-4; Burnham 2003: 14-15). In the post-war era, the constraints of the international political economy on the Keynesian welfare state would often ‘bite’ around the issue of balance of payments, with, for example, explicit targets often a central feature of the Letters of Intent which accompanied stand-by arrangements for borrowing from the International Monetary Fund (IMF).[2] The balance of payments, and measurement thereof, was a crucial yardstick by which the IMF and others judged national economic policy rectitude. As the IMF’s official historian noted, in 1987; ‘From its beginning, the Fund’s central concern has been the balance of payments positions of its members … As of December 1986, balance of payments adjustment has remained a prime, perhaps *the* prime, issue in the international monetary system and for the Fund.’ (de Vries, 1987: 1). According to Eatwell and Taylor, the balance of payments continued to be regarded as an economic ‘fundamental’ until the early 1990s;

> Average opinion is reinforced by labelling these beliefs “fundamentals,” as if they were revealed truths. For many years it was believed that the UK balance of payments was a “fundamental.” Any deficit in the current account would result in selling pressure on the pound sterling, as the markets followed their beliefs. In the past decade opinion has changed, and the current account is no

> longer a “fundamental,” so deficits no longer produce the reaction they once did. (2000: 13)

Thus today, while the figures are still published in the financial pages, as a UK policy problem it has all but disappeared. At the end of their second term, an authoritative survey of the economic record of New Labour (Nickell, 2004) discussed three macroeconomic criteria-unemployment, growth and inflation. What was once the ‘fourth horseman of the apocalypse’, the balance of payments, was nowhere to be seen. This is not a consequence of any clear improvement in the payments position. What is to count as success in the balance of payments is highly problematic, and is the key issue returned to below. Yet on the currently widely employed measure of the current account deficit relative to GDP, the UK position over the last two decades has been far worse than at any time in the ‘golden age’. Recently, the balance of payments position has been particularly weak, and the reserve position has at times been in the negative (see Tables 1 & 2).

This article analyses the changing political salience of balance of payments assessment, focusing on the changing meanings and significance attached to ‘the’ balance of payments at particular key moments during the last fifty years. What is most clear is that the balance of payments does not operate as a constraint on the British economy in the manner described in economics textbooks. Mainstream economics cannot allow the question as to whether or not the balance of payments is a real economic constraint to be asked. The IS-LM model, a standard teaching tool of macroeconomics, in incorporating the international economy, becomes IS-LM-BP. That is, the balance of payments is a real economic constraint *by definition.* The questions we ask in this paper are simply not admissible. It is possible that this illustrates a performative role for textbook economic models, creating a constraint they purport only to describe.[2] At the very least, what is at play is not an inexorable logic, but socially and politically constructed interpretations of economic phenomena.

It follows that the balance of payments assessment must be placed in a historical context, with particular focus on 3 areas. Firstly, the context of broader developments in the global political economy (for example fixed or floating exchange rates, high or low capital mobility, conditions of global credit creation); secondly, the institutional context (for example the role and significance of the IMF, and ratings agencies); and thirdly domestic ideological conditions (for example the role and credibility of sterling). Crucial within the latter are prevailing understandings of Britain's appropriate international economic position, and articulation with the international political economy. Thus the political salience of the balance of payments is contingent upon structural changes (both material and ideational) in the global political economy, and in British domestic politics.

Constructivist Political Economy

This analysis of the political economy of British balance of payments insists that the ideational level must be afforded due weight if we are to understand *how* and *why* the degree to which the balance of payments 'matters' changes over time. Recent social constructivist scholarship in British, international and comparative political economy has shared this recognition of the independent, causal and constitutive role of ideas, of

[2] We are grateful to Matthew Watson for an illuminating discussion on this topic.

the *ideational*, in shaping political economic outcomes and practices (Hall 1993; Ruggie 1998; Blyth 1997, 2002; Rosamond 2002; Hay 2004; Sinclair 2005; Abdelal, Blyth & Parsons forthcoming). As one leading constructivist summarises the approach, 'the building blocks of international reality are ideational as well as material'. These ideational factors 'express not only individual but also collective intentionality' and 'the meaning and significance of ideational factors are not independent of time and place' (Ruggie 1998: 33).

Sinclair analyses 'specific institutions and associated "micropractices" at the core of contemporary capitalism' and 'the "reconfiguring" effect these institutions and practices have on global economic and political life' (Sinclair 2005: 10-11; see also Ruggie 1998: 27). Our analysis is motivated by a similar explanatory ambition to explore the historical development of 'intersubjective structures' or 'interpretive frames [that] actors use to understand the world' (Sinclair 2005: 10-12). We are interested in how 'economic ideas provide agents with an interpretive framework, which describes and accounts for the workings of the economy by defining its constitutive elements and "proper" (and therefore "improper") interrelations.' (Blyth 2002: 11)

When particular intersubjective beliefs become sufficiently embedded they develop the quality of social facts, resting on 'collective intentionality' (Searle 1995: 24-5; Ruggie 1998: 13 & 20-1; Sinclair 2005: 53-4). These play a constitutive role in shaping political economic outcomes in that they guide collective intentionality, shaping the meaning and significance attached to economic phenomena. In Ruggie's celebrated example of how 'collective intentionality creates meaning', the 'embedded liberal' compromise of the Bretton Woods era 'established intersubjective frameworks of meaning that included a shared narrative about the conditions that had made these regimes necessary' (Ruggie 1998: 21). Embedded liberalism thus established a set of social facts which generated a 'grammar' as the basis for future interpretation of appropriateness of acts.

Social facts are not timeless, impermeable ideational structures. One interpretation of why changes in these ideational structures occur is that they respond to changing material circumstances. This is plausible, but it does not exhaust the possibilities. Both 'material and ideational factors stand in mutually conditioning relationships' (Ruggie 1998: 32). Thus there is a relative autonomy of the ideational from 'material conditions'. In recognising this causal and constitutive role for ideas, we perceive a dialectical relation between the ideational and the material. What Dyson has termed 'the underlying importance of ideas as real phenomena and of their internalisation by domestic elites' which 'underlines the complex interweaving and mutual interdependence between the material and the ideational.' (2000: 647) We recognise that material conditions do establish parameters which delimit the range of possibly prevailing ideational constructions of political economic reality. Nevertheless, there is significant room to manoeuvre within these parameters. As Blyth puts it, ideas 'do not "really" need to correspond to the "real" world in order to be important in that world' (Blyth 2002: viii). Indeed, some of these highly significant 'intersubjective constructions' have 'at best a tenuous relationship to market fundamentals and no precise calculable metric' (Blyth 2002: 43). As Keynes pointed out in an early constructivist approach to financial credibility in financial markets, with his beauty contest analogy (1936: 156), markets are often less interested in the economic fundamentals than in other actors' (not necessarily exhaustively well informed) perceptions. These perceptions are in turn swayed by prevailing political economic orthodoxy which, itself, may not be closely rooted in an analysis of the economic fundamentals.

The reason why particular sets of ideational structures are prioritised over others rests on a Polanyian approach to understanding the configuration of the domestic and international political economy and their inter-relationship as a complex whole. From this point of view one gets a sense of the 'goodness of fit' with global political economic conditions and domestic priorities. Polanyi noted how a particular variant of 'the liberal creed' came to be accepted within domestic and international political economy as orthodoxy in part because of its compatibility and congruence with global political economic conditions (2001: 141-7). Situating analysis of a particular national context in a broader international political and economic context, Polanyi highlighted how within a particular configuration of international economic relations, certain ideas (and policies, and institutions) were prioritised.

Constructing the Balance of Payments

In staking a claim for Keynes as the godfather of constructivist political economy, Blyth notes '[i]n essence, the economy for Keynes is as much a subjective construct as an objective reality' (Blyth 2002: 42). The empirical discussion of changing balance of payments assessment below unambiguously demonstrates how supposedly material facts of the world economy in fact rest on an intricate interweaving of the ideational and material. This is particularly (but not exclusively) true of the balance of payments. What to count, how to count it, and where to place it on the balance sheet is an arbitrary decision (Block 1977: 140) and a social construction.

We seek to understand the ways in which the balance of payments as an issue has been constructed and reconstructed, arguing that there has never been a singular 'problem', rather a changing series of problems constructed through contemporary analytic and political conjunctures. As Fred Block's celebrated analysis, The Origins of International Economic Disorder demonstrated, why and how the balance of payments 'matters' is a complex issue (1977). The balance of payments position does not, in any straightforward sense, offer an objective 'reading' of underlying economic fundamentals. Indeed, balance of payments assessments are not objective in the sense that what makes the 'true' or 'false' is 'independent of anybody's attitudes or feelings about them' (Searle 1995: 8). Rather, they must be carefully unpacked and interrogated. This is because balance of payments assessments are not 'brute' facts (independent of any institutions), but social facts (Searle 1995: 27).

Block identified 'two important realities about the balance of payments' (1977: 140). A tantalising passage illustrates the combination of arbitrary ideational construction and real material impact which characterized, in the period Block was describing, the nature and significance of the balance of payments within the international political economy;

> 'The first is that balance of payments accounting is a matter of choosing among different conventions, each of which makes a number of arbitrary assumptions; in short there is no "objective" technique for analyzing a

> country's international payments position. The second is that the determination that a particular country is running a chronic payments deficit or surplus has very serious international political implications. The paradox is that an interpretation of a country's international payments position that is inevitably somewhat arbitrary has serious consequences because the interpretation affects the actual behaviour of nations and of international agencies.' (1977: 140)

In similar vein, Machlup warned against the dual dangers of 'misplaced concreteness and disguised politics' (1964: 120) in analysis of the balance of payments. Thirlwall and Gibson, in recognition of the 'arbitrariness' of choice of its components, note that the 'balance of payments deficit cannot be measured, it can only be analysed' (1992, 13; see also Brittan 1970: xiii; Strange 1976: 187). Balance of payments assessments, as social facts, rest upon particular (contingent social constructions of) political economic assumptions.

Whether or not they do so is, as noted above, contingent upon the institutional context, the global market conditions (the prevailing views of market actors), and on domestic political conditions. In the ideational realm within the global political economy and British domestic politics, what matters (or does not) in balance of payments assessment is mediated by paradigms of economic ideas (Hall 1993; Blyth 2002: 11). For Block, 'the debate about proper interpretation of the balance of payments is really an argument about the appropriate ways for nations to organize their international economic transactions … there is an implicit conception of what that country's payments position should look like' (1977: 140). The underlying normative structure within which balance of payments analysis and interpretation is situated – the prevailing political economic paradigm - is of cardinal importance.

These ‘intersubjective frameworks’ (Blyth 1997, 232-3, 236; Ruggie 1998) are ‘internalised by politicians, state-managers and policy experts alike and may become institutionally embedded in norms, conventions and standard operating procedures’ (Hay 2004: 504). This is akin to Machlup’s ‘disguised politics’ within balance of payments analysis (1964: 124). These social constructions of political economic ideas, distilled into paradigms, can shape material conditions. As Rosamond puts it, ‘an idea can become sedimented and ‘banal’ in the sense of becoming commonsensical and barely discussed’ and these ‘emergent intersubjectivities’ are important ‘because of the ways they help to structure both perceptions and arguments amongst policy actors’ (Rosamond 2002: 158).

In relation to the balance of payments in the post-war era, paradigm shifts transformed notions of the desirability (or otherwise) of heightened capital mobility, of short-term and long-term capital flows, and of public and private investment and spending. In each case, the prevailing wisdom fed through into a particular framing and mode of assessment of the balance of payments. Thus balance of payments interpretation rests on broader political economic understandings. These paradigms ‘come to define legitimate and appropriate action’ and serves to ‘delimit a range of feasible policy options in any given context, providing cognitive templates through which policy-makers come to understand the environment in which they find themselves.’ (Hay 2004: 504-5; see also Campbell 2001: 160, 170-3; Hall 1993).

British Economic Policy and the Balance of Payments

Mindful of what one IMF Official called these 'treacherous quicksands of balance of payments statements,'[3] and the inherently 'subjective dimension of balance of payments analysis' (Block 1977: 140) we eschew any idea of asserting how the 'true' balance of payments position should be calculated. Rather, we analyse diachronically the changing meanings and significance attached to 'the' UK balance of payments. At a press conference in Washington on 3 December 1965 the following exchange too place: Reporter: 'why do you have balance of payments problems now when you didn't have them 50 years ago?' James Callaghan, Chancellor of the Exchequer, replied: 'there were no balance of payments problems 50 years ago because there were no balance of payments statistics'. (Lindert 1969, p.36) Callaghan was right that the statistical aspect is important, and we return to it below, but even more significant is the recognition of the historical, contingent nature of the very existence of the problem. This section highlights the changing political economic significance (and normative underpinnings) of the interpretive framework within which balance of payments assessment is situated. We demonstrate this by comparing and contextualising the British balance of payments 'problem' (or non-problem) across four periods in the 20th and 21st Century.

Pre-World War Two

The first period we consider briefly is the pre World War Two era. Before 1914 Britain was on the gold standard, and under that regime the authorities' prime concern was the state of the gold reserves, coupled to a free trade regime. The ideational context was one of attachment to what Polanyi termed ‘the liberal creed’ and the attendant notion of ‘self-regulating’ markets (Polanyi 2001[1944] 3-5; Block 2001: xxxix-xxxiii; Eichengreen 1996: 7-44; Kettell 2004: 33-35), operating through the Gold Standard. This was in turn built on a particular view of the ‘appropriate’ articulation between the British political economy and the wider global political economy, rooted in Britain’s pre-eminence within the world economy in the 19th Century. Serious ‘credibility’ concerns about the British economy and its currency had not arisen since the suspension of the gold standard during the Napoleonic Wars. The British state had not constructed the concept of the ‘balance of payments’ (Sayers 1976, 29), and this was reflected in the nature of the economic data collected. Only monthly import and export figures were collected, but even these were a consequence of now superseded trade regulation.

The disruptive effects of First World War inaugurated the collection of much more data. The first official current account figures were published in 1923, and data on capital transactions started to appear around the same time. (Foot 1972) But with the return to gold in 1925 reserves remained the central international economic policy concern. The old ‘self-regulating market’ mental furniture still endured (Polanyi 2001[1944] 31-32, 79-80). Linked to this was a conception on the appropriate organisation of Britain’s international economic relations which attached great importance to Britain’s capacity to export capital; indeed down to 1926 what we would now call the current account was ‘surplus available for investment abroad’ (Foot 1972, 358).

Thus partly because of international economic structures (the Gold Standard), and partly because of prevailing policy priorities (export of capital), the technique had not been developed to measure and assess the balance of payments, and it was not a salient political issue in this period. After departure from gold in 1931, Britain's international position improved markedly through capital inflows, making balance of payments concerns still less likely to emerge.

Post-War Reconstruction

A new international political economic context was inaugurated by the end Second World War, with the establishment of the Bretton Woods order of fixed exchange rates. Under the fixed exchange rate regime, the perceived significance of the UK balance of payments increased. This political salience in part resulted from the new configuration of world order at the end of World War Two, the onset of what Cox has termed 'Pax Americana' (1987: 7, 108). Burnham notes a 'revolution in the international economy resulting from the impoverishment of the UK and the transformation of Britain from the world's biggest creditor to the world's biggest debtor' (2003: 7-8). Sterling's deterioration when the US strong-armed Britain into premature convertibility in 1946 culminated in economic crisis and Bretton Woods system 'shut down' in 1947 (Burnham 2003: 1, 6-7). UK capacity to finance imports, especially from the dollar area, was a key strategic and policy issue. This was amply demonstrated by the 1951 balance of payments crisis. The dollar shortage in the post-war period encouraged the construction of a new discourse of the balance of payments, focused on increasing exports and invisible earnings as well an increasing share of world trade (Burnham 2003: 11-17).

Increasing political salience was also related to the IMF, which exercised oversight functions within the international monetary system, and played a constitutive role in shaping approaches to the balance of payments (de Vries 1987: 9-24). By the 1950s and 1960s, the IMF also offered significant assistance to members in resolving payments imbalances. State statistical and economic reporting techniques had advanced substantially. The collection of much more data was underpinned by the creation of international norms for these statistics, under the aegis of the IMF. This extensive data collection provided the foundations upon which balance of payments assessments could be built. Meanwhile 'emergent intersubjectivites' amongst IMF and national policy elites as well as academic economists, were developing a set of understandings about *how* this assessment could be arrived at.

In his foundational work on the balance of payments, Meade noted that the term 'is often used loosely, without any precise definition of what it is intended to cover, and such loose usage of the term is the cause of much muddled thinking on the subject' (1951: 3). His answer to the muddle was to differentiate 'autonomous' from 'accommodating' transactions, and to argue it was deficit in the former which should define the problem (Meade 1951: 11-13). This influential account aligned with the approach taken by the IMF (Thirlwall & Gibson 1992).

For Meade, as the IMF historian quotes, the policy problem of restoring external balance 'is closely bound up with the problem of maintaining a high and *stable* level of economic activity [and] full employment in the country suffering from the disequilibrium in its balance of payments' (de Vries 1987: 5; see also James 1996: 31-

3; Burnham 2003: 5-6). The economic policy paradigm which shaped the early deliberations of fund officials had a decidedly embedded liberal flavour (Ruggie 1982). The key policy issue was the search 'alternatives to domestic deflation' for countries with balance of payments deficits, and 'the new objective of public officials was to simultaneously attain and maintain internal equilibrium (full employment) and external equilibrium (balance of payments equilibrium)' (de Vries 1987: 9). The absorption approach to balance of payments, developed by the Fund, was favoured in the late 1940s over the elasticities approach because it was 'more in keeping with the new Keynesian framework of macroeconomic analysis' (de Vries 1987: 18).

At the time of Bretton Woods attitudes to international capital movements were shaped by two understandings. These distilled the essence of the embedded liberal policy paradigm. Firstly, that a significant part of the problems of the inter-war international economy had been caused by flows of short-term 'hot' money, and that the new system should limit such (destabilising and problematic) movements and allow national governments to pursue full employment policies without disruption by speculative flows (de Vries 1987: 8-11; James 1996: 32, 37-9). Secondly, that flows of long-term capital were vital to the spread of prosperity outside the metropolitan centres. The policies that resulted from these ideas involved extensive capital controls to prevent de-stabilising flows while not ruling out long-term 'productive' international investment, especially, in the British case, in the sterling area (Conan 1961: 10-15; Eichengreen 1996, 93-6; Schenk 1994, ch.4).

The distinction between short-term and long-term capital flows was a crucial part of the mental furniture used to describe and understand the international context of economic policy. Accordingly, the balance of payments statistics attempted to capture and reflect this distinction between undesirable short-term and desirable long-term flows. It was thus registered in the 'basic balance'. While much of the public balance of payments rhetoric in the 1950s and 1960s focused on the current account (and more narrowly on the visible trade balance), for operational policy purposes the key figure was the 'basic balance' (used in calculation of the balance of payments in the US up to 1955, UK to 1970). It comprised the sum of current account plus long-term capital movements, with the idea of abstracting from short-term capital flows.

The 'Basic balance' attempted to reflect the distinction between long term and short term capital flows enshrined in the Bretton Woods agreement, and was the measurement which was used to define targets agreed with the IMF in the context of stand-by arrangements. The logic of the basic balance focus followed Meade's distinction noted above between 'autonomous' and 'accommodating' elements, in the belief that both elements in the basic balance should be regarded as autonomous, and short-term capital movements accommodating; reserves would then be required to be used if the deficit on basic balance was insufficiently offset by short-term flows. Linked to this was the concern with reserve levels, which formed the key quantitative balance of payments target of the authorities in the post-war period (Thirlwall 1980, 7-8; for problems of the statistics of capital flows, see Hazelwood 1962, 173-183; Schenk 1994, 93-8).

Within domestic British politics, balance of payments issues were constructed in the light of underlying assumptions. The late 1940s saw an unprecedented public policy focus on encouragement of exports, with general slogans like 'we export or die' or ones aimed at specific industries like ‘England’s bread hangs by Lancashire’s thread’. These campaigns encouraged the view that the balance of payments ‘problem’ lay in the current account, and especially the visible account, and specifically with manufacturing. This is not an interpretation that can simply be read off from a dispassionate assessment of ‘the economic fundamentals’ of Britain’s international competitive position. Rather, such an interpretation only makes sense in the light of ‘sedimented’ ideas about Britain’s international economic relations which were at the time ‘banal’, ‘commonsensical and barely discussed’ (Rosamond 2002: 158).

The limits of acceptable policy (Campbell 2001, Hay 2004) did *not* extend to reining in Britain’s overseas capital investment habits in a manner consistent with her underlying economic position. There was an inbuilt normative judgement of the ‘appropriate’ level of overseas investment the British economy should be engaging in, and lurking behind this, a sense of Britain’s appropriate place in the reconfigured post-war international economic order. Despite Keynes’ warning of Britain’s ‘Financial Dunkirk’ (Keynes 1945/1979, 374, 410), to an extraordinary extent given the ‘austerity’ of these times, Britain in the late 1940s re-built its overseas investments, while simultaneously spending very large sums on international military and strategic goals (Cairncross 1986, Tomlinson 1996).

1960s and 1970s

The third period we consider is the 1960s. Here the role of a shifting global political economy context is thrown into sharp relief, as key shifts in that context, notably the move to convertibility in 1958 (Burnham 2003: 2), and the substantial increase in international capital mobility (Kenen & Eichengreen 1994: 7, 28), help explain the changing political salience of balance of payments assessment. As sterling was progressively freed from controls in the 1950s, but continued its role as an international currency, the authorities had to have increasing concern for the consequences of domestic policy for financial confidence. Thus capital mobility was recognized by the UK government to be a problem because of the frequent foreign exchange crises, driven predominantly by short-term capital flows, not the current account (Hirsch 1965, 47-8). Such credibility concerns fed through into increased significance attached to balance of payments reporting. The UK government's response to this problem was to focus on trying to increase the current account surplus in order to build up the reserves and provide a bigger buffer against losses of confidence (Radcliffe, 1958 para. 62).

Yet this construction of the balance of payments policy 'problem' neglected plausible alternatives. The case for the export of capital on a large scale and high levels of government overseas expenditure were debated by policy-makers behind the scenes, but in public policy pronouncements were treated as 'givens', unshakeable articles of faith within the prevailing policy paradigm. The issue, therefore, was how these could be financed (Schenk 1994, 89-93; Tiratsoo and Tomlinson 1998, 24). The answer, to further expand the current account surplus, led to 'displacement' of attention from the capital to the current account, treating the latter as a 'problem' even though it was in substantial surplus. (Middleton 2002, 105-107; cf Paish 1956) This displacement flowed from a particular understanding of the appropriate articulation between the UK economy (and its capital flows) and the wider global political economy. The social fact of this interpretation, rooted more in delusions of grandeur than the brute facts of

Britain's economic fundamentals in the wake of its 'financial Dunkirk', was of cardinal importance for British economic policy making (and perceptions of Britain's economic competitiveness) in the 1950s and 1960s.

Two contemporary lines of critique of the government approach to the balance of payments help expose the underlying assumptions made by the government. Each presents a case for how the economic fundamentals could provoke a very different policy response, and construction of the balance of payments position. The first axis of criticism relates to imperial overstretch arguments, which see the balance of payments problem as resulting primarily from Britain hubristically adhering to an unsustainable status for sterling. Shonfield (1958), supported later by Hirsch (1965) and Strange (1971), argued Britain was over-reaching itself internationally. Excessive government spending overseas, excessive overseas investment, but above all policies of defence of the role of sterling and the sterling area entailed excessive focus on financial confidence at the expense of domestic policy goals. In this argument the balance of payments, as demonstrated by current account surpluses, was not *really* the problem. The real problem, these critics argued, was not lack of competitiveness, but of the 'overstretch' of British resources.

Manser provided a second axis of critique of the prevailing balance of payments orthodoxy (and the political economic paradigm on which it was built), rooted in an understanding of the appropriate role for the public and the private sectors in UK international transactions (1971). Manser's work was stimulated by the recurrent balance of payments crises of the 1960s, driven by sterling's flagging credibility amidst over-valuation and increasing international capital mobility, culminating in the traumas surrounding devaluation in 1967. Emphasising a dichotomy between the international transactions of the private sector (which earned a surplus), and those of the government (which generated a deficit), Manser's central thesis was clear: 'Britain does not run a commercial deficit; she runs a political and military deficit. For the cause of her payments imbalance we need look no farther than official activity. If there were no Government spending, there would be no deficit, and no balance of payments problem'. (1971, 30)

Manser argued that the problem of the balance of payments had been grossly exaggerated and used to justify dubious government meddling (1971, 209-210). But alongside this political polemic was a serious point about the ambiguities of the balance of payments figures. At a minimum it is odd how much the Labour government of the 1960s, like its predecessors, focused so much public attention on visible trade when a deficit in this category had been normal for 150 years (Manser 1971, 6-17). What had changed was to political salience of the balance of payments, given the international political economic context of capital mobility and fixed exchange rates, combined with Britain's diminished international position, but enduring attachment to sterling as a world currency, and taste for capital export.

In addition to debates about how the balance of payments 'problem' should be interpreted, and the underlying policy choices it reflected, there were significant changes in the very process of registering the balance of payments position in this period. These throw into relief the balance of payments as social fact rooted in (contingent social constructions of) economic assumptions, and policy paradigms.

The changing scale and speed of capital mobility, and the degree to which such capital flows were outside national regulatory control, led to a transformation in UK balance of payments assessment and statistical presentation. This illustrated well the arbitrariness and malleability of balance of payments reporting. In 1969, officials recorded an 'increasing difficulty in drawing a useful line between short-term and long-term capital transactions'.[4] At the same time a senior Treasury official noted how attempting to draw a distinction between short-term and long-term capital was at odds with 'the development of the world capital market which is graduated between the long and the short ends of a spectrum'.[5] In particular, the Euro-dollar markets were highlighted; 'The magnitude of these transactions has grown steeply, to a point at which the present long-term capital account is useless as a measure of the success of Government policies'.[6] Furthermore, 'these transactions take place in a world financial and commercial centre, only very partially subject to Government and central bank control'.[7]

This created difficulties in assessing key policy-relevant issues, such as 'the problem of liquidity of the U.K. overseas financing position [which] is very difficult to present, particularly given the size and practically unknown composition of the Euro-Dollar borrowing and lending'.[8] The problem was that balance of payments policy-making was no longer well-served by the 'basic balance' framing. Indeed, officials argued 'the divergence of statistics from policy is the clearest example of the need to get away altogether from the "basic balance", and its sharp division of long-term from short-term capital. This does not fit the shape of the modern international capital market at all.' [9] The view emerged that the 'present form of the balance of payments has become increasingly unsatisfactory. The sharp growth of Euro-dollar financing of outward investment has made a fairly early change desirable'.[10] After the change in 1970, the UK balance of payments statistics ceased to attempt to record a distinction between short-term and long-term capital flows. In the UK before 1970, all monetary movements, including private short term capital movements were regarded as accommodating or financing the deficit or surplus. Then, with the shift to the total currency flow model, it became UK practice to 'consider private short term capital movements as contributing to deficit or surplus, with only official monetary transactions accommodating the resulting deficit or surplus' (Thirlwall & Gibson 1992, 8-9).

As noted above, the intellectual framework for analysis and paradigm within which balance of payments issues are considered is a vital prism mediating the significance and impact of balance of payments data. Such interpretation and framing of the balance of payments is influenced by key conceptual distinctions within the discussion of international economic policy constraints. These are rooted in underlying assumptions about how the international political economy should be ordered. The 'Keynesian' distinction between short-term and long-term flows was thus abolished, and replaced by a single category of 'investment and other transactions' and another entitled 'official financing'. The latter brought together all the transactions by the British monetary authorities, and was the underlying number for the purpose of reserve management.

This illustrates the significance not just the change in material conditions (greater capital mobility, increasingly beyond government control), but also the changing ideational context. The intellectual prism through which the policy issues arising from such heightened capital mobility was interpreted had shifted from the early 'embedded liberal' norms which saw short-term flows as undesirable. The New Right and the emergent neo-liberal orthodoxy saw capital flows, both short-term and long-term, as beneficial, and all part of the process of markets allocating resources efficiently. This demonstrates how, as noted above, balance of payments positions are 'social facts' (Ruggie 1998; Searle 1995; Sinclair, 2005, 54), rooted in collective intentionality, and reflecting the prevailing orthodoxy. The result was that, after 1970, short-term capital flows were not (and indeed could not be) a focus of balance of payments policy, because the statistical apparatus ceased to be able to register them.

Floating Exchange Rates and the 'decentralized globalisation' of credit

The 1980s saw further important shifts in the global political economy context. The shift to floating rates from the early 1970s was but part of a wider set of international political economic changes which altered prevailing perceptions of balance of payments 'problems' and imbalances, and also the role and significance of the IMF in addressing them. The early 1970s saw the beginnings of a process characterized by Germain as 'the progressive privatization of the global credit system' (1997, 104), which saw the IMF's role in balance of payments adjustment greatly reduced. This 'decentralized globalization' of credit creation facilitated access to private sources of credit for governments (Germain 1997, 91-3). Increased availability of private sources of credit within globalising financial markets illustrates the role of capital mobility as an opportunity for national governments, as well as a constraint. As a consequence of the scale of capital flows following liberalization of international capital markets, countries were far more likely than before to be able to finance a current account deficit by capital inflow.

In terms of the institutional context of balance of payments assessment and financing, this gazumped official attempts to increase liquidity within the international monetary system, through Special Drawing Rights, which the IMF had been negotiating since the early 1960s (James 1996, 174; de Vries 1987, 96-7 & 121-2). The 'decentralized globalization' of credit creation transformed payments imbalance financing within the international political economy. In the 1960s and early 1970s, the IMF was (through regular surveillance visits tied to lending and stand-by arrangements) still seeking to play a central role in Britain's efforts to achieve balance of payments. However, Germain discerns a 'slow shift away from the IMF and towards the Eurocurrency markets' in balance of payments deficit financing with Eurocurrency markets considered 'a less onerous provider of funds' than the IMF (1997, 92). The upshot was that, 'whether it is deciding who has access to credit or who assumes the role of balance of payments financier, private banking authorities today play a more central role in the organization of credit than they did throughout the Bretton Woods period' (Germain 1997, 104).

This is significant in changing the parameters of balance of payments adjustments, and the policy consequences of payments imbalances. By the early 1980s, for example, de Vries notes a 'decrease in concern with the problems of confidence in reserve media and of liquidity' (1987, 97). The possibility of financing through global financial markets reduced – for advanced economies – the political salience of balance of payments positions. Governments with credibility in advanced industrial economies, faced with imbalances, need not arrange bridging loans with the IMF. They can 'adjust domestic interest rates to attract an inflow of capital commensurate with the current account deficit. The private firms or citizens involved in such borrowing will have been motivated by rates of return, relative risk and so on, and not with the financing of a trade deficit' (Coutts & Godley 1992, 65; cf. McCombie & Thirlwall 1992, 68-72).

The ideational context, too, had evolved. Manser offered a conservative and decidedly un-Keynesian take which identified the problem as government extravagance obscuring the success of the private sector. This was a straw in the wind of a shifting political economic orthodoxy (Gamble 1986), heralding a reinvigoration of the 'liberal creed' and emphasis on 'self-regulating' markets. To illustrate this point, we need only look to how this shift was refracted through the international economic institutional context which plays a role in shaping credibility. One example is the criteria used by actors in the privatized global credit system when purchasing government debt. These judgements about national economic credibility have important consequences for interest rates, but they also tell us much about what is, or is not, deemed to 'matter' within global financial markets (Sinclair, 2005). These yardsticks of economic rectitude illustrate how the ideational shift toward neo-liberal political economy permeated through institutional changes, and reduced the political salience of the balance of payments. For advanced economies, the balance of payments position does not feature amongst these credibility tests (Eatwell & Taylor 2000). Instead, these financial market actors tend to focus on inflation and public deficit levels (Mosley 2000; 2003). This is perhaps in part because of the relative ease of interpreting and applying these indicators, which contrasts with the complexity of balance of payments determination and assessment already highlighted.

More fundamentally, it throws into relief the shift in prevailing political economic assumptions and orthodoxy. These markets are governed by the average opinion of what the average opinion might be (Keynes 1964[1936]: 156). They are thus dominated by the simple slogans popularised in the monetarist and neo-liberal backlash against Keynesianism which was contemporaneous to their deregulation and ascendancy, “larger fiscal deficits lead to higher interest rates, an increased money supply results in higher inflation, public expenditure bad, private expenditure good.”(Eatwell 1995 : 279; Hutton 1994 : 207) Tagged onto these platitudes is a shift in the interpretation of the balance of payments as a policy issue. The neo-liberal political economic vision championed free markets, and, in some iterations, assumed away balance of payments ‘problems’ under floating exchange rates (Friedman 1953). The empirical and theoretical foundations of this neo-liberal view that balance of payments problems are ‘solved’ by the automatic adjustment processes of free international markets under floating exchange rates are dubious (IMF 1984: 5-8; Thirlwall & Gibson 1992: 244; Zis 2004: 276-9). Nevertheless, this proved an attractive ideational construct, not least in a context of increasing scale and speed of international capital mobility. This made assessing balance of payments problems much more tricky (see e.g. de Vries 1987, 82), and policy-makers found it increasingly difficult to meet targets, and scaled down their ambitions with relation to balance of payments objectives (Burns, 1996: 3-4).

This shift in ideational and institutional context fed through into a further significant change in official balance of payments reporting which once again illustrates the arbitrariness of UK balance of payments measurement and assessment. In 1985, the ‘official financing’ category was discontinued, and the elements of this figure distributed elsewhere in the payments data. The reason for this was because, as the Balance of Payments ‘Pink Book’ (HMSO 1986, 1) put it, the notion of official financing had ‘lost much of its significance’ because ‘over recent years…the monetary authorities’ use of the reserves for balance of payments related purposes has been much reduced.’ The new representation also can be seen as undercutting the significance of the private / public distinction in international economic transactions. Thus, since 1985, ‘private and public transactions in capital are now lumped together in the accounts … the change in presentation effectively does away with an official concept of what constitutes balance of payments disequilibrium’ (Thirlwall & Gibson 1992, 11).

The implication of this change cannot be overestimated for balance of payments policy. With it, the idea of a reserves policy has disappeared, so the idea that the authorities can calculate an optimum level of reserves given the international asset/liability structure has been abandoned. This crucially undercuts the idea of the balance of payments as a separate concern of public policy; there is now no independent instrument of measurement to inform such a policy. This is an example of what Hall call’s ‘third order change’, or a fundamental, paradigmatic shift involving ‘simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals behind policy’ (Hall, 1993: 279).

Once again, the shift was brought about by material and ideational changes in the international political economic context in which attempts were being made to measure the balance of payments. Materially, the speed and scale of capital flows was continuing to pose problems for balance of payments assessment and policy. Ideationally, changing political economy orthodoxy, and a neo-liberal creed, changed the balance of payments policy paradigm on the not wholly tenable assumption that with floating exchange rates, free markets resolve balance of payments problems.

Whilst the new balance of payments assessment techniques reduced the significance of the public / private distinction, in the policy discourse surrounding balance of payments issues, the public / private distinction was becoming increasingly salient, with considerable policy consequences. Indeed, it was being deployed to re-describe Britain's balance of payments situation in such a way as to make its problematic quality disappear. As noted above, as early as 1971, Manser's critique had suggested public sector extravagance as the key balance of payments problem, and this notion found resonance in the Thatcher years. Congdon argued that the 'claim that the central misunderstanding of traditional theories has been to regard the balance of payments problem as distinct from the problems of the budget deficit and government debt sales. The provocative conclusion here is that these supposedly independent problems are, in fact, one and the same' (1982, 1). Congdon teasingly christens this argument the 'fiscal' theory of the balance of payments, arguing 'by stating the problem in fiscal terms some fresh insights have been generated. We have identified the government as the most likely culprit for an unsustainable imbalance on official settlements' (Congdon 1982, 7-8).

Such arguments underpinned a change in the policy paradigm surrounding the balance of payments in the mid-to-late 1980s. The neo-liberal political economy of the Thatcher governments held as an article of faith that, ‘provided that the overall fiscal, monetary and exchange rate framework is sound, and markets are working effectively, the results of the private sector’s economic activity should not normally be something in which it is sensible for the government to interfere’ (Lawson 1988, 16). Lawson as Chancellor applied this principle to balance of payments policy, distinguishing between public and private activity in a novel manner. He argued of the UK current account deficit in 1988 that ‘the government’s own finances are very sound indeed. The public sector finances are more or less in balance … so the current account deficit is clearly not associated with excessive spending or borrowing by government.’ (Lawson 1988, 16) Lawson continued;

> some see a currency account deficit … as a sign of economic weakness – ‘Britain in the red’, as the newspaper headlines are wont to put it. But of course a current account deficit is manifestly not at all like a company running at a loss. A better analogy is with a profitable company raising funds overseas – either borrowing, or reducing its holdings of overseas assets, or attracting new equity. A country with greater investment opportunities than it could finance from retained profits would look for additional funds from outside. A country in a similar position will draw on the savings of the world, which is particularly easy in today’s global markets (1988, 17).

Thus in 1988, a year described by one commentator as 'the annus terribilis of Britain's external accounts' (Johnson 1991, 210), Lawson took the view that the current account deficit was 'entirely the result of private individuals and businesses making choices about their own financial affairs … provided the firm financial framework is in place, a period of private sector induced current account deficit should give no cause for concern, particularly give this country's exceptionally high levels of net overseas assets' (Lawson 1988, 18). Lawson's 'studied indifference to the balance of payments' (Johnson 1991, 208) effectively meant that he simply did not recognize there to be any balance of payments constraints on his stewardship of the UK economy, despite assertions by many economic studies at the time that the Government should have been alive to the possible balance of payments constraints (Coutts & Godley 1992; McCombie & Thirlwall 1992). Lawson's characterization of the current account deficit as 'benign and self-correcting' shows how subject to change 'the determination that a particular country is running a chronic payments deficit or surplus' (Block 1977, 140) can be, and that changing approaches to this process of determination can affect the 'very serious international political implications' (Block 1977, 140) which are deemed to follow from payments imbalance.

The sizeable current account deficits registered continuously after 1987, Snowden and Milner noted in 1992, were, 'in marked contrast to earlier epochs' being 'financed without drama by an increasingly integrated global capital market.' Indeed, given the availability of capital market financing, 'the question arises when, if at all, current account deficits should be a matter of policy concern'. Their conclusion was that 'international creditworthiness, rather than a country's underlying wealth, is the operative constraint' (Snowden and Milner 1992, 1 & 2). Paradoxically, it was the temporary return to fixed exchange rates in the ERM in 1990-1992 which helped to bring about an a major improvement in the current account, by causing a major recession in the economy.

A rather different gloss on the policies of this period was given by the Permanent Secretary to the Treasury in 1996. In a broad survey of economic policy, he argued that 'since the late 1970s' macroeconomic policy had become much less ambitious, and one of the lost ambitions was the attempt to treat reducing the balance of payments deficit as a policy goal' (Burns, 1996: 3-4). This account, and its implication that the payments position will be self-correcting if the monetary and fiscal framework is got right, aligned comfortably with the prevailing neo-liberal political economic orthodoxy of the 1980s and 1990s.

New Labour and the Balance of Payments

Since the accession of New Labour in 1997 the current account has shown almost continuous deterioration as the economy has experienced uninterrupted growth and moved towards full employment. This deterioration has evoked little public anxiety. Some commentators have argued that this reflects continuing weaknesses in underlying performance, (e.g. McCombie and Thirlwall 2004), but these have received little prominence. The government's position has, unsurprisingly, not emphasised the 'fiscal theory of the deficit', because the Keynesian policies of budget deficit financing pursued under Gordon Brown have been pursued rather defensively, and the argument that they have consequences for the payments position has not found favour (Clift and Tomlinson, 2007). Instead, the government has emphasised the ease of financing of the deficit because their policies have made Britain such an attractive destination for foreign investment. The *Financial Statement and Budget Report* for 2007 notes the trade deficit of 4.5 per cent of GDP in 2006, and then simply states that 'Significant income surpluses continued to offset the deficit on trade in goods and services', leading to a current account deficit of 3 per cent (Treasury 2007, 260). There follows a detailed discussion of how Britain continues to have a substantial surplus on foreign investment income, despite having substantially more international investment liabilities than assets (Treasury 2007, 261-2). Implicit in this story is that squaring the payments circle relies upon Britain combining high levels of attractiveness to foreign investment with lower levels of return on those investments than British companies are earning on their foreign assets. There is no discussion of the sustainability of this position.

From Manser's work at the end of the 1960s, through to Lawson in the 1980s a recurrent neo-liberal argument has been that the problem of the balance of payments is essentially a problem of government misbehaviour, and that if this is reformed, and free markets sustained, the virtues of the private sector will effectively abolish the payments problem. This position seems to have in essence been adopted by New Labour; for the time being at least, as regards the balance of payments, we have the dominance of 'the economics of Dr Pangloss' (Buiter 1980). Yet this exploration of the politics of balance of payments assessment over the last 50 years suggests that assumptions about untrammelled free markets 'solving' the problem are difficult to sustain. Therefore the luxury of this Panglossian assessment of the balance of payments situation may not be afforded to UK governments indefinitely. Thompson, for example, identifies the recent balance of payments performance as a 'potential weakness' in New Labour's political economic strategy, because 'the New Labour Government has escaped any consequences for sterling of the burgeoning current account deficit for reasons that seem to have more to do with the dollar's weakness than any permanent indifference of investors in the present international economy to current account weakness' (forthcoming, 12 & 19).

As this analysis has demonstrated, the political salience of balance of payments indicators is contingent upon political circumstances. The atmospheric conditions surrounding balance of payments assessment are notoriously changeable, and the ebb and flow of its political resonance tends to be somewhat arbitrary. What is clear is that New Labour certainly does not control (and may not fully understand) the conditions under which this contingent non-salience of its poor balance of payments performance obtains. Should the shifting sands of balance of payments assessment move in an unhelpful direction, the balance of payments 'problem' which dominated British politics and British economy policy making for much of the post-war era may return with a vengeance.

The arbitrariness inherent in balance of payments, and the fact that 'real' impacts do not always flow from any 'economic fundamentals', or follow any economic logic, mean that we cannot determine *how, when and why* the balance of payments might come to matter again. We can only identify possible sources of increased salience, and note the kinds of factors this salience has hitherto been contingent upon. The value of sterling vis-à-vis the dollar and Euro has been dropping in 2007-2008. Should this process continue, it could generate concerns about the British economic performance and credibility more broadly, and could well increase the sensitivity (and significance in the eyes of global financial market actors) of a wider set of economic data, including, potentially, balance of payments assessments.

Conclusions

The UK balance of payments is not characterised by the 'objective' facts of economics textbooks in the neo-classical tradition, but by 'social facts'. These are contingent historical phenomena, and UK balance of payments performance assessment is a combination of shifting, conjunctural, constructions rooted in underlying political economic assumptions. Significant changes have been seen not only in the importance attached to balance of payments performance assessments, but also in *how* the balance of payments measurements and assessments were arrived at. This further illustrates how balance of payments assessment is contingent upon the structures and institutions of the wider global political economy in which it is carried out, be it the fixed exchange rate regime and the Bretton Woods order, or the 'decentralized globalization' of credit creation since the 1970s (Germain 1997, 91).

Our analysis highlights the political economic significance (and normative underpinnings) of the interpretive framework within which balance of payments assessment is situated. In the UK context, the balance of payments 'problem' is interwoven with broader ideological issues, or principles of political economy. These underlying political economy paradigms are crucial to understanding the construction of the balance of payments as a social fact. At different points in the post-war era, widely different views were taken of the desirability (or otherwise) of heightened capital mobility, of short-term and long-term capital flows, and of public and private investment and spending. In each case, the particular prevailing wisdom fed through into a particular framing and mode of assessment of the balance of payments.

The Polanyian notion of congruence between domestic policies and institutions and global political economic conditions explains the rise and decline of an 'embedded liberal' view of the balance of payments. Indeed, the eventual abandonment of the balance of payments as a policy goal in context of heightened capital mobility can be accounted for because the changing global political economic conditions made it too difficult to achieve. At the same time a neo-liberal laissez faire paradigm (analogous to the earlier 19th Century 'liberal creed') could be invoked to argue it did not matter, and the process could be left to 'self-regulating' markets.

The increased ability to resort to private borrowing by economic actors and governments within certain advanced economies, particularly in the wake of capital account liberalization, helps account for the reduced salience of balance of payments issues within policy debates. In the contemporary period, for as long as global bond market and other financial market actors do not pay attention to balance of payments considerations for the UK and other advance economies, the balance of payments does not matter. This could change, but there is no compelling reason to expect that any change in this situation would be rooted in 'the economic fundamentals'. Certain other changes within the global political economy could make such a shift more or les likely – for example were prevailing perceptions of the benign nature of the US balance of payments deficit to shift in an adverse direction. Unless and until a new prescriptive discourse regarding appropriate (and more importantly inappropriate) balance of payments configurations for advanced economies like the UK gains ground, achieving UK payments balance will remain the forgotten economic 'fundamental'.

<u>Table 1</u>

UK Official balance of payments statistics 1970-2006

Balance of Payments: Trade in Goods & Services: Total balance: CP SA

1970	437	1989	-21081
1971	795	1990	-14370
1972	-71	1991	-6121
1973	-1770	1992	-7448
1974	-4123	1993	-6325
1975	-1798	1994	-4617
1976	-1398	1995	-3066
1977	1035	1996	-2518
1978	2243	1997	1764
1979	750	1998	-7141
1980	5158	1999	-15454
1981	7189	2000	-19361
1982	5077	2001	-26789
1983	2458	2002	-30875
1984	-918	2003	-29445
1985	3351	2004	-34975
1986	-3214	2005	-44242
1987	-4885	2006	-46532
1988	-17103	2007	-49199

Updated on 19/ 3/2008

<u>Source: http://www.statistics.gov.uk/statbase/</u>

<u>Table 2</u> Office for National Statistics Total official reserves 1970-2006

	LTCV
1970	-125
1971	-1536
1972	692
1973	-228
1974	-105
1975	655
1976	853
1977	-9588
1978	2329
1979	-1059
1980	-291
1981	2419
1982	1421
1983	607
1984	908
1985	-1758
1986	-2891
1987	-12012
1988	-2761
1989	5440
1990	-76
1991	-2679
1992	1407
1993	-698
1994	-1045
1995	200
1996	510
1997	2380
1998	164
1999	639
2000	-3915
2001	3085
2002	459
2003	1559
2004	-196
2005	-656
2006	425
2007	-1191

LTCV BoP: FA: Assets: Reserves: Total official reserves (ONS)

Not seasonally adjusted

Updated on 19/ 3/2008

Source: Office for National Statistics

http://www.statistics.gov.uk/statbase

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[1] G. Duncan 'Pound could be hit by soaring deficit: Britain's trade deficit balloons to all-time high of £43 billion', *The Times,* 28 March 2007. For a similar story on the previous year's figures, see A. Seager and A. Balakrishnan, 'Balance of payments deficit rises £8bn to record £32bn', The Guardian, 30 March 2006.

[2] For example, the commitment to achieve balance in international payments by the end of 1966 was a central plank of the government programme in 1965, and this balance of payments objective was also the centre-piece of the Letter of Intent to accompany borrowing from the Fund in May 1965. See PREM 13/3151 Telegram Foreign Office to Washington 'The UK drawing from the IMF' 20 Apr. 1965

[3] IMF Archives. EBD 53/24. Note by L. G. Melville to the Executive Board 'Compensatory Official Financing' 10 February 1953, p. 4.

[4] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969, p. 4

[5] NRA:PRO CAB 139/652, Copeman To Rawlinson 'Review of the Balance of payments', 14 July 1969.

[6] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969, p. 3.

[7] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969.

[8] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969, p. 4

[9] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969, p. 4

[10] NRA:PRO CAB 139/652, 'Review of the Balance of payments 1969: Report by Officials', 9 July 1969; see also Copeman to Rawlinson 'Review of the Balance of payments', 14 July 1969.