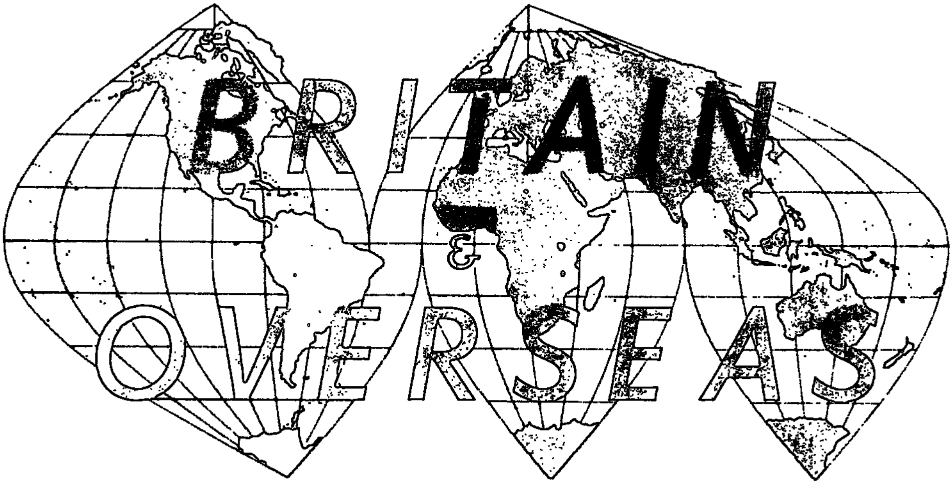

A DIGEST OF NEWS AND VIEWS ON BRITAIN'S ECONOMY AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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THE STATE OF THE NATION

The present economic state of the nation calls for a thorough-going re-appraisal of current policies. It seems that we are confronted with a situation in which the only alternative to continual inflation is deflation. For the past few years inflation was clearly getting out of hand and the threat of hyper-inflation became increasingly close. The attempt to remedy this by monetary controls has created a depression with increasing unemployment, under-use of resources, falling production, all of which are the outward visible signs of deflation.

In his column in the May issue of 'The Illustrated London News' Sir Arthur Bryant wrote – "with a currency and money supply anchored exclusively on debt and fluctuating interest changes, the Government's attempt to control the amount of money and credit in circulation by high interest rates has compelled it, because of the trade union stranglehold on the public sector, to borrow at exorbitant interest rates in order to meet the cost of the public services and finance the relief of the unemployment brought about by its deflationary measures. And, as a result, it is having to impose increased taxation and public sector charges on the hard-pressed private sector – the very reverse of its original and praiseworthy intention".

"While the creation of real wealth and with it productive employment, is being subordinated to the accountancy requirements of a faulty monetarist mechanism designed to cure a fatal inflation, in the absence of any substantial reduction in taxation and of public sector waste, the defects of that mechanism are inadvertently stoking the fires of inflation at the very moment Government is trying to reduce it".

Some of our basic assumptions need re-examining. The present Government set out to cure inflation by reducing its expenditure, which had previously taken too high a proportion of the national income, and by controlling the money supply. Yet the attempt to carry out these policies has, up to the present, failed to produce the looked-for result.

The Yoke of Usury

A clue to the dilemma which confronts the productive elements in the economy was well illustrated by a report in 'The Times' by the Agriculture Correspondent on 11 February last. He reported as follows – **"Almost half of the net income of British farmers was being used to pay interest on bank loans. Mr. Richard Butler, president of the National Farmers' Union said yesterday". 'The Times' report also quoted the Chairman of the Dorset branch of the NFU as saying – "Rid us of this yoke of usury. Farmers and growers owe the banks some £3,000m-plus, and pay them in interest £500m per annum".**

This heart-cry from the farmers will undoubtedly strike a cord throughout the wealth-producing sector of the country. Government itself is not immune from the heavy costs of borrowing, as well illustrated in an article

entitled "The Burden of the National Debt" by Adrian Gray published in our Autumn 1980 issue.

It seems that there is a built-in fallacy in the way in which money and credit is issued. The greater part of our money today is in the form of credit, and this is created through the banking system, and as we showed in our last issue, this is created as a debt carrying the current rate of interest. Such borrowing must, in due time, be repaid together with the interest which has accrued.

When the attempt is made to cure inflation by reducing Government spending and thus reducing the money supply, repayment of debts plus interest places an intolerable burden on the productive sector of the economy. This dilemma can only be resolved by recognising this basic fault in our monetary system as it at present operates.

The Creation of Credit

This question of the creation of credit has been raised many times during and since the last century. For example the following quotation from U.S. Senate Document No. 23 is from Abraham Lincoln's statement on monetary policy –

> **"Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital at interest as a means of financing Governmental work and public enterprise. The Government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government's greatest creative opportunity".**

In the 1930's, in the USA, Professor Irving Fisher of Yale University put forward his own plans for dealing with this problem and in the UK, Professor Frederick Soddy made a notable contribution on the subject.

Questions in the House

During the 1939-45 war the fact that the Government had to borrow vast sums from the banking system to finance war-time expenditure caused a number of M.P.s to raise the matter in the House of Commons. The following quotations taken from Hansard are typical of a great many Questions posed to the Chancellor of the Exchequer at that time.

BANK DEPOSITS

Volume 365, No. 124, November 12, 1940.

Mr. Loftus (col. 1582) asked the Chancellor of the Exchequer whether he is aware that the deposits of the joint stock banks have increased by over £300,000,000 since the outbreak of war, and whether, as this increase represents additional money brought into existence by the action of the banks in supplying the Treasury with funds which they create without cost to themselves but upon which the Government pays interest to the banks, he will consider amending the law so that any further issue of such money, which may be necessary, shall be made upon the authority, and to the benefit, of His Majesty's Treasury, and not upon the authority and to the benefit of any private interests?

"Sir K. Wood: I am aware of the increase in the deposits of the banks but cannot accept the suggestion in the rest of my hon. friend's Question. In so far as the increase has been due to the increased expenditure of Government funds those funds have been provided in the main by means other than borrowing from the banks. Two-thirds of the increase in bank deposits had in fact been incurred before the Treasury began to borrow from the banks by means of Treasury deposit receipts.

Mr. Loftus: Is not my right hon. Friend aware that this borrowing of newly created money is dangerously increasing the floating debt, a practice which my right hon. Friend condemned at Leeds on September 13; and, if it is to continue will he arrange that these newly created credit moneys are created by the State and not by a private monopoly?

Sir K. Wood. I cannot go into that question.

Mr. Bevan: Is the right hon. Gentleman aware that there is a universal demand for him to adopt modern methods in financing this war; and does he not realise that a general impression is abroad that the Treasury is as backward as was the French Army?

Sir K. Wood: No, Sir. I do not think so.

BANK CREDITS

Volume 368, No. 23, February 11, 1941

Mr. De La Bere (col. 1224) asked the Chancellor of the Exchequer whether he will publish a memorandum setting out the powers conferred on the banks for the creation of credits throughout the country as the impression that the banks are able to create costless credit is hindering our war effort?

Sir K. Wood. My hon. Friend's Question is, I think, based on a misapprehension, for no powers of the kind suggested have been conferred on the banks. Any impression such as that to which he refers in the latter part of his Question is, of course, erroneous.

Mr. De La Bere: My right hon. Friend would not disagree with me that purchasing power, newly created to finance the community and based on the Government credit, should not bear more than the most nominal rate of interest?

Sir K. Wood: I do not disagree with my hon. Friend any more than I can help.

Mr. De La Bere: Then my right hon. Friend does agree that it should not bear more than a nominal rate of interest?

Sir K. Wood: Not necessarily.

Mr. Craven-Ellis: In view of the widespread misinformed opinion about the financial system which is undermining the capitalist system, will my right hon. Friend call the Governor of the Bank of England to the Bar of the House to make a statement?

Sir K. Wood: No, Sir. I think I should prefer to rest on the pamphlet which my hon. Friend has issued on the subject.

Mr. De La Bere: Surely if there is nothing to hide, there is nothing to fear?

Questions Evaded

The Chancellor of the day evaded questions in Parliament and failed to give any response to articles in the press. For example, in an article entitled 'The Techniques of Inflation' published in 'The Economist' on 27 January 1940 it was urged that when banks created credit by making an advance, the Exchequer "would be entitled to require that the rate of interest should be no more than the cost of handling the funds – say ½ per cent per annum".

Returning to the same theme on 4 September 1943 it was stated "The only justification that can be advanced for charging anything like commercial rates on created credit lent to the Government is that the banks incur costs in handling the deposits to which their loans give rise. But if depositors bore the cost of handling this argument would disappear".

Bringing this argument up-to-date, Sir Arthur Bryant in the article previously referred to suggested that Government could, under suitable safeguards, "issue a limited amount of interest-free currency and use it to relieve the pressure on the wealth-creating private sector of industry".

It is difficult to understand why this commonsense view has been ignored for all these years. For this reason the Economic Research Council intends to initiate a research project into the creation of credit and its effect on the British economy.

WHAT IS WRONG WITH THE EUROPEAN COMMUNITIES?

Professor Juergen B. Donjes who is Director of the Development Economics Research Department at the Institute fur Weltwirtschaft (Institute for World Economy), University of Kiel, Federal Republic of Germany, since 1969, gave the 11th Wincott Memorial Lecture under the above title in November 1980. This has subsequently been published in booklet form by the Institute of Economic Affairs for the Wincott Foundation.*

Pointing out that the formation of the Common Market customs union initially had a favourable impact on economic growth within the original Six when trade in manufactures expanded rapidly, the author said that this was largely through trade-creation rather than trade- diversion. More recently, however, the European Communities had been pursuing policies which have increasingly interfered with market mechanisms, thus distorting investment and production patterns within the EC and between it and the rest of the world.

He claimed that the EC has become selectively protectionist. It has favoured sectional (producer) interests at the expense of general (consumer) interests as a result of yielding to pressures from inefficient firms in distressed sectors of manufacturing industry. He says "Because selective protectionism does not transform cost disadvantages into advantages, it tends to become permanent – even when conceived as a temporary measure – and impedes rather

**What is wrong with the European Communities? by J.B. Donges, Institute of Economic Affairs, 2 Lord North Street, London W1 £1* than facilitates structural change. It ultimately penalises export-oriented industries since foreign countries retaliate against them".

European Monetary System

Referring to the European Monetary System (EMS) he considers that this has failed to encourage convergence between member countries' domestic economic policy targets and achievements . . . " it is hard to see how this system can become the motor for achieving the monetary integration, and thus the economic and even political unification, which its adherents once envisaged. It would require political leadership and the hegemony of one member-state currency (as during the Bretton Woods era), which is probably unacceptable. The EC might even run the risk of breaking down if the member states were ever forced to accept the policy consequences of a monetary union.

Constraints on changes in exchange rates of member countries' currencies, say Dr. Donges, will raise the average rate of inflation in the EC, create considerable uncertainties for investment and production decisions, and contribute to distortions in the allocation of resources.

Extravagances of the Common Agricultural Policy

Turning to the CAP, Dr. Donges is particularly scathing. He says "this policy has been shaped with an astounding neglect of fundamental economic rules about the efficient use of scarce resources in market-oriented economies. Its devices have given the European Community the justified reputation of having the most protected food market in the world, without concern for the eventual damage to others."

However much this policy may be welcome to farmers in the Community the waste of resources by the CAP has imposed high costs on consumers and taxpayers within the EC, as well as on producers and exporters in non-member countries including the developing world. "Owing to the system of variable import levies, non-member countries which produce at lower cost cannot penetrate the Common Market by selling at prices below the internal guaranteed levels. It is not surprising that the rapid expansion of agricultural trade within the Community reflects a substantial displacement of third-country suppliers".

Enlargement of the Community

The inclusion of Greece which joined the Community on 1 January 1981 as well as later admissions of Portugal and Spain will result in exacerbating current difficulties, unless the opportunity is taken to make substantial reforms.

The EC should recognise that protectionist policies, including cartel-like

arrangements for contracting industries, are a less promising method of achieving structural adjustment to changing comparative advantage than the strengthening of competition.

The most important challenge, says Dr. Donges, remains the needs to reform the CAP. It is much more than minor cosmetic changes that are required, in fact a removal of the whole policy in its present form is probably required.

Reform of the CAP should rest on five principles.

- **(I) Agricultural trade within the Community should be freed and the Common Market should be opened up to third-country suppliers.**
- **(II) The CAP should be relieved of the duty to pursue income-supporting goals and allow agricultural prices to reflect worldwide demand and supply conditions.**
- **(III) Income distribution in favour of EC farmers should be pursued by direct transfers, preferably as the responsibility of national governments.**
- **(IV) The common regional and social policies should be extended more vigorously to backward agricultural regions to help overcome rural poverty and accelerate economic development.**
- **(V) Decisions on agricultural spending should be included in the Community's normal budgetary process.**

EEC EXPORTS

"The narrowing of the gap between world and Community prices has enabled the European Commission, since the start of last year, to cut the butter export subsidy from more than £110 a tonne to about £58 a tonne.

In 1980 more than 100,000 tonnes of butter were sold to the Soviet Union alone, well above the average level of trade in previous years, despite the curbs on exports to that country. Some of these exports arose from contracts negotiated before the Afghanistan intervention.

The Commission also stepped up the subsidized sale of dairy surpluses within the EEC. For example, it supplied cheap butter to food companies, which have nonetheless been complaining lately of shortages.

But these measures have so far had little effect on the overall cost of the dairy sector, which last year amounted to £2,700 million, or 43 per cent of the total bill for farm price support as in 1979."

From The Times 5.5.81.

THE UNSTABLE FUTURE

by Sir George Bolton, KCMG

The worldwide recession has left no country untroubled and it is significant that the U.S.S.R. and its satellites are also involved, especially in food distribution. Nearer home, Western Europe unemployment and balance of payments problems and political turmoil are symptoms of decline and in certain countries – e.g. Italy – deep divisions cast a shadow on the future. Germany is now living on her reserves with a large and increasing balance of payments deficit and a deep feeling of unease about the future. There are signs of strain in the banking industry as Share prices fall and the policy of German Banks to participate in industry appears to present the usual dilemma of solvency versus control. This is happening before Germany feels the full force of the depression, and does not bode well for the future. Holland and Belgium are feeling the effects of trade depression and unemployment, and it is difficult to see how they can cope with rising costs and budget deficits except by a process of devaluation and some reduction in the standard of living.

France is now approaching an election in an atmosphere of impending crisis as the troubles which so many journalists and politicians think are peculiar to Britain are progressively affecting her economy. Many of the apparently insoluble problems which affect the EEC are due to France avoiding decisions which may influence employment adversely, and this state of affairs is likely to prevail in the first half of the year. Italy has her own brand of troubles, greatly exacerbated by the earthquake and tension, but it does not have the full effect on the economy due to the known ability of the Italians to survive despite the Government.

Price of Energy

The high cost of money has been the reaction of the Federal Reserve Board to the inflation crisis, and has not been backed up by a resolute budgetary policy by the Government. No Central Bank can defeat or even hold down inflation by use of the monetary weapon, and a vital decision is required of the Reagan Government as to whether the Federal Reserve is left isolated or whether it is to be supported by appropriate Government Acts. Much lip service is paid to Mrs. Thatcher by publicists in the U.S.A. but this is balanced by the opposition, well supplied with ammunition, who identify the Prime Minister with rising unemployment and the collapse of British industry. But there is one fact that is practically entirely political and completely excluded from Central Bank controls: viz. the price of energy. Oil is now about 15 times dearer than it was 6 years ago and all other fuels have risen in its wake. This is the dominant factor in the whole inflationary crisis and the Arabs are responsible for the havoc they have caused in the world. In previous eras diplomatic or military action would have prevented catastrophe but the possibility of confrontation between Soviet Russia and the U.S.A. precludes a positive reaction to redress the situation.

For the time being, the Far East (viz: Japan, South Korea, Taiwan and Hong Kong) are able to undersell practically all productions of the West. Industry after industry is collapsing under this competition of cheap labour. This is a situation entirely separate from the anti-inflationary policy conducted by so many governments, particularly our own, and so far all that has been done is to suggest to the Japanese that there should be a voluntary restriction on their exports. Any import policy of tariffs or quantity controls is rejected with the wearisome reiteration of 19th century economic wisdom of the virtues of free trade. It is difficult for any of us who have been brought up in the free trade tradition to make a considered review of the contest between free trade and tariffs but the present situation cannot continue indefinitely.

European Monetary System Failing

The position and policy of the new Government of the U.S.A. will be all-important, and the first decision should be to make budgetary policy consistent with the policy and techniques of the Federal Reserve. The latter have done all that could be expected of a Central Bank in circumstances where no effective Government exists. Short-term money rates have been allowed to rise about 20% per annum, a rate which in 1929 proved to be the catalyst which broke the boom and inaugurated the world slump, the collapse of the gold standard and evaluation of sterling and the dollar. The world has never recovered from these blows, except during the brief period of authority of the IMF. This was eventually destroyed by erosion of the influence of the dollar. Nothing has taken its place, nor has the power of the dollar been replaced by any other currency. The attempt by the French and Germans to find an alternative in the European Monetary System is already failing in face of the weakness of the European currencies, especially the German Mark which is unlikely to recover its former attraction.

Africa is in a very unhappy situation as, with the exception of mining and sugar, most of her products are affected by relatively low prices and falling demand. In any case, very few can afford the cost of oil imports, the exceptions being Nigeria which is substantially self sufficient and South Africa which has the offset in gold and diamonds and oil from coal. There is another handicap in the availability of food: South Africa and Zimbabwe have a food surplus but practically all other African countries suffer from food deficiencies varying from famine to bare existence on food imports. It may sound a paradox, but South Africa is the only country likely to survive the current crisis, including the racial problem, and yet the United Nations contemplate sanctions which, if imposed, would probably lead to famine conditions in the surrounding countries with the possible exception of Zimbabwe.

Canadian Controversy

There is a growing problem which may affect us in the decision by Trudeau, the Canadian Prime Minister, to seek Parliamentary approval of certain passages in the British North America Act. He is attempting to get blanket approval without comment from Parliament which he claims to have secured from the Prime Minister during a talk with her last year. In the ordinary way, any request from the Canadian Government to the British Government on a particularly Canadian matter is approved without comment but it is difficult in this particular case to believe that Parliament is willing to hand over to Trudeau a power which effectively limits the powers of the Provincial Governments. Trudeau is regarded as intolerant and rather arrogant, and has no following outside the Province of Quebec and, to some extent, the Province of New Brunswick. The remaining States which make up the majority in terms of population are opposed to this transfer of power and distrust the motives of Trudeau which are assumed to be pro-French-Canadian. The parties to the controversy are digging their heels in and there is every likelihood that Parliament as a whole will not be willing to change the current situation without some guarantees, and this raises the question of the independence of Canada from the remnants of Imperial control. It is mixed up with legislation regarding Canadianisation and the price of oil but is basically political and very difficult to solve. Canada deserves more than this, as she is suffering from a very great depression and the attraction of industry south of the border. I hope that our Prime Minister, before coming to a definite conclusion, will send one of her trusted senior Ministers to Canada to discuss the whole matter with the parties concerned.

ECONOMIC PROGRESS IN BRITISH COLUMBIA

Brief Summary of Informal Talk by Alexander Hart, Agent General for British Columbia

Mr Hart gave brief details of the Province he represents, one of the ten Canadian Provinces, with a population of 2½ million (10% of the Canadian total) but with 22% of the natural resources as against the national average of 17%, and an average per head income 10% above the national average. Though the birth rate had dropped, population had been increased by the inflow of people from further East, so that per head income had declined. Unemployment and inflation were relatively modest, but the Province on the Pacific rim depended heavily on exports, particularly to America and Japan, and was therefore vulnerable to recession elsewhere, though fish constituted an important renewable resource. Labour relations were not good, and the Province was now facing some long strikes. But the scenery made tourism important, and a major natural resource was lumber.

On the current constitutional issue, where the Federal Government is about to ask Britain to repatriate a Constitution altered to suit two out of the ten Provinces (the two which happen to elect the majority of the Federal MP's) Mr Hart emphasised the importance of delay, to give Canada time to work out a united solution to its own problems, where the existing rules made each Province the owner of its own natural resources, e.g. oil, with which Alberta in particular was so well endowed.

BRITISH COLUMBIA 1981-82 BUDGET

Presenting the $6.64 billion budget for 1981-82, the British Columbia Minister of Finance, the Hon. Hugh Curtis, noted that the budget document emphasised the importance of sound financial management and fiscal intergrity in government, two principles that have enhanced the quality of life in British Columbia in the past.

British Columbia, said Mr. Curtis, had played a major part in causing the West to become the engine of economic growth and mobility in Canada.

- Over the past five years British Columbia, which has approximately 11 per cent of the Canadian population, has contributed over 17 per cent to total growth in the Canadian economy.
- Since 1975, 195,000 new jobs have been created in the Province – more than 14 per cent of all new jobs created in Canada.
- Over this same period, capital investment has grown at an average rate of 15.7 per cent in British Columbia, compared with only 11 per cent for Canada as a whole.
- In 1980, real gross domestic product is estimated to have increased by 3.6 per cent, while for Canada as a whole and in the U.S.A. there was little or no growth at all.
- More than 62,000 new jobs were created last year and the rate of unemployment declined – for the fourth year in a row – to 6.8 per cent, which is well below the Canadian average of 7.5 per cent. Indeed, the rate for January 1981 was 5.8 per cent, which is the lowest British Columbia rate on record.

From British Columbia News Letter, April 1981.

ECONOMIC SANITY OR COLLAPSE
Reviewed by A.M. Wade

This book,* published by The McGraw-Hill Book Company of New York in 1980 is a work of unusual importance to both the Western World and to the Third World. It is a challenge to orthodox teaching on economics and is an alternative to the two existing schools of thought, namely Capitalism and Communism.

It is motivated by the conviction that neither of the existing doctrines has succeeded in providing the modern world with a form of government which meets the needs of human beings as a priority.

We are informed on the cover of the book that there is evidence of Vatican approval of the new outlook on Economics and that it has been welcomed by the leading economists in the Third World.

The author of the book, Gerald R. Zoffer, is the president of his own company in New York dealing in financial and other matters. The ideas presented are primarily those derived from Dr. Loebl and Stephan Roman.

Professor Eugen Loebl was born in Czechoslovakia, became a Marxist, and became Deputy Minister of Foreign Trade in the Government. He was convicted of being too cooperative with Western governments and given a sentence of eleven years imprisonment, five years of which were in solitary confinement. During these years he gave much thought to the respective views of Marxism and Capitalism and developed his own ideas about the inherent weaknesses of each and the alternative. After his release he went to America and met Stephan Roman, a very successful industrialist who had emigrated to Canada when a boy and worked his way up the ladder to become owner of his company.

In discussing matters they found that they had formed similar opinions and they produced the book entitled, THE RESPONSIBLE SOCIETY in 1977.

The author of ECONOMIC SANITY OR COLLAPSE is Mr. Gerald R. Zoffer, who is president of his own company in New York, dealing in financial affairs.

A Dramatic Breakthrough

Mr. Zoffer made a close study of the ideas of Mr. Roman and Dr. Loebl and became convinced that the Roman-Loebl approach to economics could provide a way out of the present impasse in America, and in other countries. The author claims that this is the most dramatic breakthrough in economic thinking since Adam Smith and Karl Marx.

The author traces opinion on economics and trade from the Mercantile school of thought of the first Elizabethan period, to the classical doctrine of Adam Smith and the monetarist school which held sway until the 1930s when the enormous pressures of the Great Depression compelled a relaxation of the doctrine as pioneered by John Maynard Keynes. The scandalous situation in the early 1800s induced Karl Marx to break with this doctrine and challenge it with his conception of the class struggle and revolution as the only means of attaining social justice for the proletariat.

Marxian concepts are shown as tyrannical and materialistic, and completely out of date today in their understanding of modern industry.

The classical school proved its inability to solve the employment problem after the first World War in this country and in Europe. The violent reaction in Germany resulted in the rise of Hitler who used deficit finance, organised by his Finance Minister, Hjalmar Schacht, to energise the industrial might of his nation for war.

Britain, with its servile adherence to the doctrine enshrined in the Bank of England which has dominated our society for hundreds of years, ignored all appeals to social justice; to compassion for the men who had fought for their country and were now brushed contemptuously aside with a mere pittance of unemployment pay; until Keynes pressed for them to be paid to do some work at the cost of State borrowing from the Banking System (deficit finance).

The author shows that Keynes had great difficulty in persuading the Treasury to change its attitude (in modern parlance, to make a 'U' turn) and unbalance its budget in order to make use of the otherwise millions of unemployed. These reflationary views were, after much controversy, adopted in U.S.A. but in post-war years – say from 1950 – they were considered responsible for the developing inflation.

What a pathetic commentary it is on our leaders today that after the tragic failure of the classical school of SOUND FINANCE in the inter-war years, resulting in that terrible Second World War we fly back to those discredited principles in order to escape from the inflation brought on by the irresponsible flood of new money created under the authority of the Heath Government in 1971.

While Britain seems bankrupt of ideas for solving this problem, Gerald Zoffer, himself a successful business man with no personal axe to grind, is moved to confront the Western financial system with proposals for making it work in the public interest by formulating a new philosophy, known as the Roman-Loebl Approach to Economics.

For convenience the writer has selected the salient concepts of the Roman-Loebl philosophy, as he sees them, and presented them in his own words for brevity.

ECONOMIC SANITY OR COLLAPSE, by Gerald R. Zoffer, published by The McGraw-Hill Book Company, 1221 Avenue of the Americas, New York, N.Y. 10020. The price in USA is $14.95. In England £9.95).

The Roman-Loebl Attitude to:

Money Supply. The Quantity Theory, MV = PT is elegant but not convincing. The matter of substance is the total deposits and currency.

Professor Friedman's views. It is believed that Professor Friedman's views of the American economy are mistaken because it is a credit and not a money economy.

Control of Prices. Government control is impossible.

Economics and Religion. The author believes that until Eugen Loebl and Stephan Roman incorporated Judeo-Christian principles in Economics, in the 70s., religion had been excluded from the science (so-called) of Economics.

Unemployment in 1930. This was a threat to the character and validity of the official doctrine of the monetary system. It was rejected in Germany resulting in the rise of Hitler. If the restraints of Monetarism are not in fact necessary, highly dangerous forces build up. Keynes proposed a way of releasing these forces by the use of deficit finance for public works. This saved the face of the Treasury but proved the defeat of classical economics nevertheless. The recipe won widespread support against much opposition but seemed to fail in post-war years when inflation created a swing back to monetarism.

Money. Real money – actual money in coin or currency – plays only a small part in things. Credit is what matters. All the fuss about liquidity ratios, and indeed savings, is largely meaningless.

The Balanced Budget is a capitalist's bogey. It is the government's responsibility to provide conditions for optimum growth. Government spending on that which does not benefit society is inflationary.

Inflation. The falling value of money has a damaging psychological effect on the public and is destructive to the concept of thrift.

A New Conception Necessary. Concepts assigning prior importance to financial profit and loss are outdated and must give way to considering the nation as a whole. In the human body all parts work together to make an efficient whole, and it is so with the nation. All must share in the creation of wealth and in its benefits. Karl Marx's conception of surplus value stolen by the employer is certainly not true today. American industry has realised the folly of class antagonisms and has accepted the idea of cooperation.

Dr. Loebl's conception of 'gain' in place of profit. There is a subtle difference between the two. What looks good on a balance sheet may not be to the real benefit of society. The real object of policy should be to raise the life style of the nation. The object of all activity should be 'gain'.

Government Control of Money. The author assures us that Adam Smith was in agreement with government control of money.

Credit. The important thing about credit is the use to which it is put.

The Heart of the Matter. Credit, though costless, is the green light to all activity. The Government should spend, through the existing banking system by granting block credits, to be loaned to business enterprises which will use them only for constructive purposes which are socially desirable. There would be no interest charge to the banks by the Government, and the interest charge by the banks would be very low to cover administrative purposes only. Repayment would be necessary in the ordinary way.

Mortgage rates would be very low (4 – 5 per cent) so that house building would be encouraged.

Taxation. The beneficial effect on taxation is discussed in the last chapter.

ENERGY CONSERVATION
Who can take the initiative?

Officially, energy conservation is seen as one of the three main components of the Government's long term energy policy (the other components being coal and nuclear) – but it receives little political attention. The reason is that it is easy for a Government to order a new power station or coal mine, less easy for a Government to encourage all the myriad individual adjustments by householders and companies which would make us a more energy efficient nation. Faced with this difficult problem most Western Governments have settled for simple carrot and stick policies, with conservation grants on the one hand and high fuel prices – and possibly energy conservation legislation – on the other.

These simplistic policies are not effective, mostly because they fail to view the problem through the eyes of the energy consumer. He is not a technical expert, and he often doesn't know what to do. Equally, despite energy price rises, energy is not high on his budgeting priorities. Thus if he is to adopt energy efficient habits and install energy saving features, in his house or factory, he will need both technical and financial help. He is neither able to take the initiative, nor interested in doing so.

This Research report* looks at who could take the initiative, and examines policy steps which could bring about a much more rapid introduction of energy conservation measures. The report suggests that the existing public utility companies – the gas and electricity supply companies – need particular study, because they alone have existing financial and technical networks which touch every energy consumer. It is possible for them to progress from simply being fuel supply companies to being true 'utility' companies, taking an interest in how their customers use energy, and thus supplying true 'usefulness'. Private utility companies in other countries are already doing this. There is urgent need to examine the restraints which are preventing such initiatives being taken in Britain.

**Energy Conservation – Who can take the initiative? by Jim Platts, published by Economic Research Council, 55 Park Lane, London W1. Price £1 (postage 14p)*

FOOD PRODUCTION IN POLAND

Recent events in Poland have underlined the part played in the upheavals in the failure to produce sufficient food. Adequate food supplies determine both the people's mood and the state of the economy as a whole. In 1972 Poland ceased to be a net food exporter, the amount of foreign exchange spent on imports exceeded earnings from sales abroad. The question being increasingly asked is – will agriculture ever be able to feed the country again or are the people of Poland doomed to growing imports of grain, feedingstuffs, meat and even sugar? In the debate which is now sweeping the country the experts are claiming that Poland can within a couple of years be transformed from a customer for food into its old role of exporter, if correct methods are adopted.

An article in the journal 'Polish Perspectives' for February, 1981 gives a number of excerpts from articles published recently in Poland including a description for the problem by Jan Wolek, a farmer from Szczeciv Voivodship in a discussion in the weekly **Zycie Gospodarcze.** He says –

"Why are our children unwilling to say on the land? Because they are put off by the life, which offers very little attraction. There is no time for anything but work from dawn to dusk, and even if there were, there is nothing to do with it anyway.

Nobody pays any notice to the institutions of rural self-government. It is impossible to buy land. I have been trying to do so for the last six years. They give land to the cooperatives, to the state farms, but not to private farmers. And heaven knows how much of it later lies idle in the cooperatives. In our village only 20 hectares of land were offered for sale, because there are 'ceilings'. There are ceilings for everything; to get building materials you must put your name down a year beforehand. How am I to foresee that one of my pigs will demolish half my pen? You have to put your name down everywhere, apply everywhere. I am a farmer, not a bookkeeper-cum-clerk. I'm supposed to produce food, not write applications!

Thus investments were made in state farms and cooperatives without regard to their rationality. Nor was the gigantomania typical of industry avoided.

In some large industrial farms it costs from 15 to 20 zlotys to produce a litre of milk, 70 zlotys to produce a kilo of meat, several hundred thousands to accommodate one head of livestock. On such farms the animals feed like inmates of a concentration camp, suffer from stresses, are afraid that there will not be enough fodder to go round. And of course these fears are often justified, because of some hold-up in the supply system or failure in the installations. Cattle hates congestion, concrete, damp, noise, but these industrial farms cannot be designed as to avoid this. The same cow transferred to a more traditional environment would yield a third more milk. The same pig consuming the same amount of fodder would achieve much greater weight increases. What, I ask, has such a breeding plant, however sophisticated it may look, in common with modern and efficient farming?"