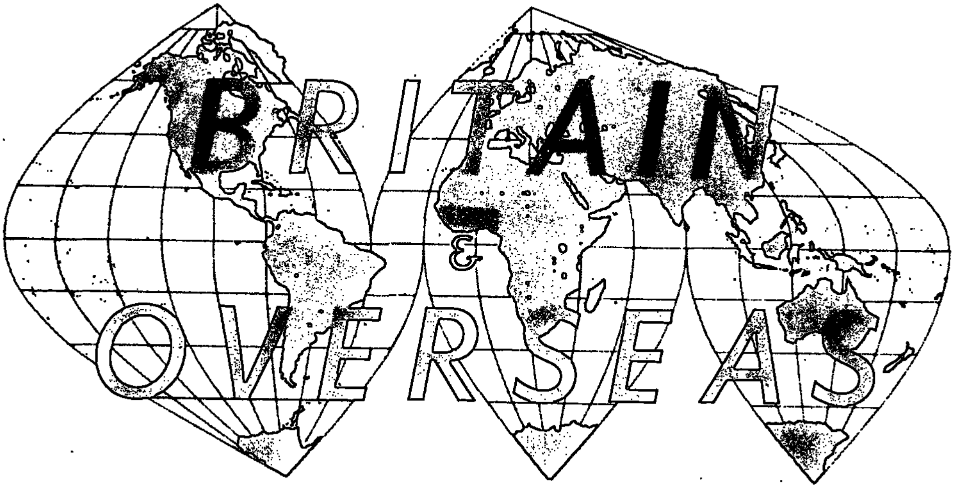

A DIGEST OF NEWS AND VIEWS ON BRITAIN'S ECONOMY AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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NORTH/SOUTH DIALOGUE

The Ottawa Summit currently taking place in Canada has, no doubt, examined many urgent problems. High on the Agenda at this Conference and at the subsequent Commonwealth Conference in Melbourne and the North/South Summit in Mexico must be the acute disorder in the sphere of international monetary affairs and the world's exchange rates. Commenting on the present situation, Lord Lever, in an article published in 'The Times' on July 15th wrote - "The money markets of the world have come increasingly to look like a casino in which the major currencies are turned from reliable investment and trading media into little more than gambling counters".

Lord Lever went on to show the fluctuating values of the world's major currencies - "Sterling dropped dramatically against the Dollar to $1.60 in 1976. By late 1980 it had gained no less than 50 per cent, to pass $2.40, before starting a new and steep decline to near $1.90, a drop of 20 per cent in less than 6 months. From mid 1970 to early 1980 the D mark rose 110 against the Dollar, the Yen and French franc rose respectively by 50 per cent and 37 per cent. In the 12 months to October 1978, the Yen rose by 45 per cent against the Dollar and the D mark by 27 per cent. Equally disruptingly in the last 18 months they have see-sawed dramatically downwards."

Increasing External Debt :

In a memorandum addressed to the Heads of Government, published in 'The Times' on 20 July Mr. Edward Heath, pointed out the extent to which the middle-income developing countries have only been able to finance their external debts by becoming increasingly indebted to the commercial banks of the North.

He wrote "Since 1975 their external debt has more than doubled - and stood at $280,000M by the end of 1980". He went on "There is now a growing danger of collapse in confidence by private lenders. This could rapidly precipitate a default by a major borrower. That, in turn, could seriously weaken the commercial banking system of the North and lead to massive instability in the world's monetary arrangements."

M Jacques Rueff, the French economist once commented "It is strange that in an era when so much time and money are devoted to scientific research, the problem (balance of payments deficits) that has been dominating the international political scene, and whose solution directly affects the welfare and security of all the people of the world, should have been explored so little and always by methods so utterly lacking in precision". It is certainly true that if an equivalent wealth of scientific knowledge had been put into solving the problem affecting international trade and payments as has been devoted to the landings on the moon, a satisfactory and workable solution would have been found! As it is, the whole sphere of money and its role, both internally and internationally, are mysteries shrouded in jargon which fail to reveal the absurdities in the systems which still prevail.

'Beggar my neighbour' policy

Paramount among those policies is the view, constantly reiterated, that the aim of each nation should be to try and obtain what is euphemistically called a favourable balance of payments. It should be borne in mind that if one nation succeeds in obtaining a favourable balance, then this can only be at the expense of some other nation, which must, of necessity have an 'unfavourable balance' with all the penalties that this brings in its wake. A favourable balance of payments means, in real terms, that a nation sends more real wealth abroad then it takes in exchange. It is only in financial terms that it makes any sense, nations that have a 'favourable balance' tend to become more powerful in the eyes of other nations. Yet, if nations do succeed in increasing their overseas earnings, but fail to use them to increase their imports, they pass on to some less fortunate nation an adverse balance of payments. The effect of this is to turn international trade into a 'beggar my neighbour' policy. Trade between nations, which should be the exchange of goods and services to mutual benefit of all concerned, degenerates into economic war.

It is this fundamental fallacy which bedevils all efforts to obtain a more equitable balance between nations in their trade relationships.

Post-War Plans

It was to get away from this unrealistic concept that, in preparation for the post-war world economy John Maynard (Lord) Keynes, put forward his plan, in 1942 which suggested the provision that equal pressure should be brought to bear, not only on the debtor nation to pay its debts, but also on the creditor nation to accept payment.

What happened, in fact, was that the 'Gold Exchange Standard' first took shape. It arose from the Bretton Woods Agreement, arrived at as a result of a major conference held at Bretton Woods, New Hampshire, in 1944. Representatives from 44 nations took part in this conference and Britain's Spokesman was John Maynard Keynes. He outlined his plan,

but his views were, unfortunately, found unacceptable by the U.S. Congress of those days.

Keynes wanted to see a system established which would be a complete revision of the pre-war monetary system; to obtain the advantages without the disadvantages of an international currency, he envisaged the setting up of a clearing union where payments between Nations could be swapped, leaving only the balances to be paid in currencies. Both surpluses and deficits in the balance of payments of member countries would be reflected as credits or debits in the books of the Union expressed in the terms of a new international monetary unit; 'Bancor', which member nations would agree to accept instead of pounds, dollars or gold.

Deficit countries would be able to obtain an overdraft from the Clearing Union based upon gold and foreign exchange surpluses deposited by creditor countries. This would have meant that the Clearing Union would be able to create the means of payment to iron our the debtor/creditor relationships.

Pressure on creditor and debtor

An essential part of the plan aimed at establishing equilibrium in the balance of payments suggested that creditor nations would be subject to a penalty as their credit volume grew, while debtor nations would have to give pledges in gold, national currencies or bonds if their negative balance passed a certain point.

A year earlier, in 1941, a publication entitled '<u>A 20th century Economic System</u>' was published by the Economic Reform Club and Institute. This envisages a system of multi-lateral contra-account whereby Nations would acquire credits in an International Clearing Union when they exported. It could only clear those credits when it imported, so creating a contra-account. It would not have to import from the country to which it sold but if it wished to take payment it could do so only by importing from some other nation to the value of its exports (visible and invisible).

Failure to import would result in a credit held by the International Clearing Union; credits so created would have an agreed life and would then be cancelled. This plan very briefly summarised achieved significant support at a subsequent conference of the Commonwealth Chambers of Commerce. A broadcast on the subject made in 1947 on the Third Programme brought in letters of support for the ideas it contained from all parts of the world.

A similar scheme was put forward by Dr. Herbert Feis, at that time an official of the American Treasury. He advocated the setting up of an International Clearing House where claims between the various countries could be swapped, and if claims remained outstanding over an agreed period of years they could be cancelled.

To clarify this issue the following should be borne in mind:

Under present conditions the settling of international balances can be completed in three main ways: payment in gold; payment in national currencies; or payment by some form of credit arrangement.

Of these methods, the simplest is settlement in gold, but there is not sufficient gold in the world to make this universal. Payment in national currencies can be made but, this only operates in a situation where the creditor is prepared to accept it. As a general rule the country who is

owed the money does not want to hold balances of that particular currency. Most countries keep only a small amount of other countries' money, and they convert any excess into gold, dollars or pounds.

Transfer of Goods or Services:

Payments by one country to another can, in the final analysis, be made only by the transfer of goods or the supply of services. If, say, an importing country buys machinery from the U.S., the domestic currency used by the importing country is not normally wanted by the American interest who wants payment in American currency, the U.S. dollar. The only way the transaction can be completed is by the country concerned earning foreign currency which can be convertible into dollars, thus completing the exchange.

The greater part of world trade (visible and invisible) is done by contra-account, credit and debits being cancelled out by the earnings on the exchange of goods and services.

However, there inevitably remains a relatively small proportion of the total that is not cancelled out by the exchange of goods and services; it is this that leads to the problem of international liquidity, for this is what represents the favourable and unfavourable balances that are a major source of trouble and difficulty.

Need for greater liquidity would largely disappear if trade between nations could be balanced; but with the present wide disparity in wealth and productive resources between the 'have' and 'have-nots' this cannot be achieved.

Discussion in the international field of schemes to provide greater liquidity seem to lose sight of what is, in fact, the basic problem; greater borrowing facilities would not dispose of the question of how a developing country can be enabled to pay its way - if indeed the creditor nations of the world do not wish to receive payment in goods and services.

With the breakdown of the Bretton Woods system the need for a better system of international payments is increasingly recognised. A system under which nations in credit should accept the obligation, which is crucial in the case of the developing countries to increase the volume of their imports would give the debtors the opportunity of meeting their indebtedness. Such a system would provide the machinery whereby export surplus and deficit balances were held in an agreed customs union.

The high-income industrialised countries need an expansion of world markets. The low-income countries would provide the capacity for that extension if means were found to enable them to meet their obligations without being saddled with unpayable debts. Aid and loans cannot by themselves do more than tinker with this problem, and those concerned should re-examine the ideas put forward in the 1940's as a matter of supreme urgency.

THE CREATION OF CREDIT

Arising from the articles in the Winter and Spring issues of BRITAIN & OVERSEAS, the Economic Research Council is initiating an enquiry into the question of credit creation and how this effects the workings of the British economy. It is hoped to produce a report on the subject for publication

some time in October, 1981.

The enquiry will be based on the following guidelines :

1. The generally accepted aim of monetary policy is to maintain liquidity of the monetary system at such a volume that the general price level is held reasonably constant and employment opportunities maximised.
2. Judged by this criterion, monetary policy over the past fifty years has shown very little success. During the deflationary years of the 1920's and '30's money appreciated in value with dire results; from 1946 there has been a steady depreciation in the value of money with equally deplorable long-term results.
3. There seems to be a good case, therefore, for an examination of one important aspect of monetary policy, viz., the creation of credit. This has been largely neglected by the authorities and seems to give rise to many misconceptions. The first question to be answered is - What are the methods by which money is created and what institutions are able to create it?
4. Secondly, what constitutes the stock of money? It appears that there are two main forms of money:
   A) Notes and coins - issued free of debt and free of interest. The profit on issue accrues via the Bank of England to the National Exchequer.
   B) Bank Credit. This constitutes by far the greatest proportion of money in circulation.

It is money created by the banking system and issued as a debt. Since it carries the current rate of interest the profit on issue accrues to the banking system.

5. Arising from this it needs to be asked :-
   A) What is the justification for the Government in paying interest to the banks for creating money on its own behalf.
   B) To the extent that the Government borrows credits from the banking system, would it not be more equitable in the National interest if they created their own credit, debt and interest free as notes and coins.

6. When, in 1940, the Economist was reviewing the post-War monetary policy, they proposed that when Banks created credit by making an advance, the Exchequer "would be entitled to require that the rate of interest should be more than the cost of handling the funds - say, ½% p.a."
   Again, in 1943, they stated "the only justification that can be advanced for charging anything like commercial rates on created credit lent to the Government is that 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."

7. Relating this to current problems with interest rates at unprecedentedly high levels, would it now be in the National interest to examine the proposals made in the Economist?

8. What would be the savings in terms of Government indebtedness if the banks were rewarded for their services by a rate of interest which only covered their operating costs?

   The purpose of this enquiry is to ascertain the facts about the creation of credit and to publish the findings in due course.

ENERGY CONSERVATION - PROGRESS REPORT

by Jim Platts

Under the impetus of Ministerial request, the Department of Energy has now begun to look more closely at several initiatives in energy conservation, including more action by the energy utility companies, following experience in other countries. Wishing for assistance from those who have expressed serious interest in this, the Department convened a meeting on 28th May, which was attended by about 30 people. There were really two meetings in one. A number of voluntary organisations were present, largely interested in community activity to develop energy awareness and energy efficient habits in the energy user. A significantly different discussion about professional activities to improve the insulation standard of homes and buildings and improve the efficiency of energy equipment generally, took place mostly between representatives of the four fuel supply industries (gas, electricity, coal, oil) an architect and myself.

On user education, discussion centred on a recent study by a small team at LSE (who were present), which showed significant (20%) saving in energy consumption simply due to changes in patterns of use, by families given face to face advice and help in the home, in monitoring their daily consumption for a period, correlating it with weather, washing, cooking and the use of energy using equipment generally. The Department wished to know how this might be extended. The general consensus was that voluntary organisations, community groups, Manpower Services schemes, etc., could all do a little (there are now some excellent examples of this type of effort, for instance, in Newcastle) and the groups present were asked by the DOE to consider what more they could do and what assistance they would like towards doing it. However, my own feeling was that this type of approach, though very effective in particular areas, with a particular group of people, ultimately has a limited impact on the total problem.

Professional Initiatives

Discussion on possible professional initiatives was to my mind slightly negative. All four energy supply industries will give advice and some will install insulation etc., in response to a user's request. These services are uneconomic and tend to be taken up by people who are already interested in energy matters (the young middle class). American experience also confirms this. Further, British Gas in particular stressed the negative side of their experience of the North Sea gas conversions, mainly the difficulties and criticism experienced during the exercise.

On this first point it seems to me that any service in which men visit houses at random over a wide area

when asked, is bound to be uneconomic, (BP quoted £40 per visit, and others quoted American experience at $150 per visit). There is a world of difference between this and planned work on a street by street basis, taking blocks of housing type and, for instance, automatically installing basic levels of roof insulation, cavity wall insulation, and other clearly cost effective features, unless requested not to do so. It seems to me that it is more active approaches of this kind which have to be explored, firstly on paper, then by trial in different areas, if a positive approach to energy conservation is to be evolved.

On the second point, the history of difficulties experienced in similar exercises such as the North Sea gas conversion, is something to be studied and used as a source of guidance, but these difficulties are not a reason for not proceeding. Any project - every project - has its difficulties and attracts its criticism. This is a statement about life, not a valid reason for inaction.

Thus, discussion on more professional activities - which would have a far wider impact on the energy scene, but by the same token take much longer to organise - was inconclusive. However, the Department's door is now open for further discussion.

Mr. Jim Platts is author of "Energy Conservation - Who can take the initiative?" published by the Economic Research Council, 55 Park Lane, London, W.1. on 18th May 1981 Price £1.14 per copy (post free).

A NEW RELATIONSHIP

Of all the member states of the European Community, Britain is the only one a majority of whose citizens are opposed to membership; and that majority continues to increase. Britain has now made radical reform of the Common Agricultural Policy the testing point for its future relations with the Community. It would not be much exaggeration to say that the rest of them have laughed at us.

The French, the majority of the other members of the Community and the prospective new members have not the slightest intention of altering the principles of the CAP from an agricultural regime which keeps the United Kingdom as their captive market and is managed in the interests of continental production and continental self-sufficiency. On top of this comes fishing, where the management of Britain's sovereign waters, in which two-thirds of the total fish resources of the Community swim, is to be taken out of the hands of Britain and placed in those of the continental nations who have ruined their own resources. Britain finds herself in her own seas in the position not even of a partner but as a suppliant.

Fundamental Incompatibility

The realisation which began to dawn long ago in Britain is dawning now on the continent. The whole idea of Britain as an integral member of the EEC was a mistake. It was not necessarily an ignoble or a reprehensible mistake. By many it was entered upon with high and, in some cases, even idealistic hopes. But what now faces

this country and the other countries of Western Europe is an endless vista of British recalcitrance and repugnance, punctuated by a series of quarrels and crises which damage the pursuit of those common interests which do genuinely exist. Blame is an inappropriate notion here. The causes lie in the fundamental incompatibility both of Britain's statehood and political institutions with those of her neighbours and of Britain's economic situation and requirements with those of the continent. It would be in the best interests of all if this were now frankly recognised.

Many people believe that, in spite of the existence and the indispensability of NATO, a close political collaboration between Britain and her near neighbours on the continent is immensely desirable for our defence. The fact we now have to face is that this collaboration will be continually frustrated if it has to take the form of an economic and institutional straitjacket into which Britain will not and in the end cannot be forced.

European Ideals and Vision

The Prime Minister speaks from time to time about European ideals and a European vision. That is nothing incompatible now, and never has been in the past, with Britain's history, outlook and national requirements. What we have learnt, painfully and bitterly, during the last eight years is that integral membership of the Community is not for Britain an aid but an obstacle to sharing those ideals and that vision.

Apart from a very small sect of fanatical European federalists, whose ambitions lie altogether outside the mainstream of European history, I believe we would now find wide sympathy and understanding among our continental neighbours for the proposition that a new relationship between them and ourselves must now be urgently sought and found.

Extract from a speech by the Rt.Hon. J.Enoch Powell, M.P. on 25th April 1981.

THE ANTI-COMMON MARKET PROJECT

by John Coleman

On 24th April a group supported by sponsors of widely varying political affiliations placed a full-page advertisement in the Guardian at the cost of £8,000 raised by members of the various anti-Common Market organizations which still exist but feel that their case gets a very poor airing in the national press.

The advertisement was a first effort and, although no doubt there was room for improvement and it was impossible to deal with the deeper problems of centralization, the role played by international forces on the EEC scene and the deeper problems of the way the whole modern world is developing, the advertisement did concentrate on the effect of the EEC on traditional British industries, the unemployment which has soared since we joined the Common Market despite promises at the Referendum that if we stayed in 'Europe' we would stay in work etc. - promises made significantly after the 1973-4 oil crisis. The advertisement showed clearly the strength and policy of the Conservative European Reform Group and explained the various anti-Market views within the Labour Party. It stressed the scandal of EEC food

mountains and showed how EEC levies affected the import of food from New Zealand and other Commonwealth countries.

A section dealt with the question of the erosion of democracy, the powers that should rightly belong to our own elected representatives being transferred to the EEC institutions behind the pretence of a sham 'Parliament' which evoked no great enthusiasm in any of the member states when it was first directly elected.

There is no doubt that the first advertisement made a considerable impact on the pro-Market establishment. It was followed by several television and several radio programmes on it. The Times ran two editorials about it, the first by David Wood was directly about the advertisement, the second was on Mr. Pym's speech indefence of the EEC, which was also reported in the Telegraph on 7th May and in the Daily Mirror on the following day.

Economic Argument Lost

David Wood (27.4.81) was honest and said that the economic arguments for membership were virtually lost and that the EEC had to be defended on political and other grounds such as 'the overriding arguments for Western European unity' - one supposes that he meant a West European superstate with Britain as a province.

Mr. Pym's speech was highly misleading. First he made the point that our exports to the EEC have grown at twice as fast as our exports to the rest of the world. This may be true but it is not relevant. What actually matters is the trade gap between exports and imports in manufactured goods. Our exports to the EEC were at a low level prior to entry because of the EEC's tariff barriers. Of course they increased rapidly when we joined and the barriers were taken down. On the other hand our trade with the rest of the world was at a high level and one would not expect it to increase rapidly.

It is clear that any comparison must exclude fuels and should really be with the original six. It is the trade gap in manufactured goods - the productive sector - that is significant because it is that only that mirrors the state of British industry, the bankruptcies and the unemployment. Oil tax revenues do little more than enable us to pay the dole to the unemployed and give compensation to industries such as fishing, steel and textiles while they are being liquidated. The EEC would only be too glad to buy oil whether we were in or out of the Common Market. In fact the figures,as given in the House of Lords Hansard for 4th February, are :

Total exports to the EEC (for 1980)	£20,826m
Fuels	£ 4,284m
Exports less fuels	£16,542m
Imports from EEC	£20,803m
Fuels	£ 1,481m
Imports less fuels	£19,322m

Thus there was a deficit in manufactured goods of £2,780m in 1980, so the figures given by the Anti-Common Market Project were the significant figures which represent the realities of bankruptcies and unemployment in Britain today.

How can Mr. Pym and the apologists for the EEC say that our present troubles are due to causes other than the Common Market? A country rich in oil and coal should gain by increased energy prices in the world, should be able to ride through a world recession and contribute substantially

to overcoming it. And we would if we were not part of a bureaucratic and inward-looking Common Market, a sort of architypal lame duck.

Cheaper Food

Mr Pym tried to ascribe our present troubles not only to the external factors of the price of oil and world recession but also to poor industrial performance within the country. We believe that our industries recovering after the strains of the Second World War needed the advantages of the cheaper food available on world markets and of having our own coal and oil reserves. The EEC has prevented us from using the natural advantages which could have brought about our economic recovery. It is pointless blaming our trade unions when the cost of living has gone up to European levels and wages fall so far short of those paid on the Continent.

The Daily Mirror in its 'Comment' on 8th May indulged in the kind of crude propaganda that has not been seen since the Referendum campaign. It said: 'The Community has poured money into our depressed areas, finances job-creation schemes, and helped the big loss makers like steel, shipbuilding and textiles.' This cannot be true since Britain has always been a net contributor to the EEC budget. What has happened is that part of the enormous sums of money which the EEC claims from Britain has been diverted for these purposes instead of going to Brussels.

The Mirror claims that the EEC gives jobs to over 2,000,000 people in Britain. It does not mention the greater number of jobs that are lost through the penetration of our markets by goods from the EEC, nor does it mention the jobs lost through the movement of major firms, such as ICI and Nettlefolds, to the Continent.

Britain's Needs

The fact of the matter is that the EEC as a dominant trading bloc has successfully taken away most of the competitive advantages that Britain, as a small and highly populated island off the coast of Europe, had and needed to keep in order to survive.

Britain needs to look towards the whole world but especially towards the Commonwealth and the Third World and we need to use our competitive advantages before we are totally devoured by the West European monster; and that means we must begin the process of withdrawal from the EEC immediately.

It may be noted incidentally that by gearing our production to the genuine needs of people in the Commonwealth and the Third World we will thereby cease contributing to the gluts of consumer durables in the industrialized world and turn to markets where there is a genuine need - the true way of helping the poorer countries.

In arguing all this the Anti-Common Market Project aims to discover the common ground of anti-Marketeers in all parties. We believe that they are all, in the last analysis, and despite surface differences, motivated by an instinctive attachment to the true inner traditions of British political history: the tradition of Thomas More who knew the welfare of the nation depended on the welfare of the common people, the tradition that created the House of Commons, the tradition that wanted Britain to be One Nation, not exploiters and exploited, the tradition that wanted the Empire to be turned into a Commonwealth

of free partners, the tradition that wanted fair dealings with all other nations. We believe that if we can unite the anti-Common Market forces and join hands with all countries that believe in independence and self-government we will be able to pull out of the Common Market and far from being weak and left out in the cold we will pioneer a world community of genuinely free nations who can live and trade with one another without the tyranny of economic power blocs and all the debts and deficits by which such power blocs grind down small nations.

British Tradition

The core of British tradition hates the bully but our pro-Market establishment are asking us to join with the bully, in order to survive, they say. But in our hearts we know the way to survive is to resist the bully. They tell us we must join with the voice of the bully or our voice will not be heard in the world. But in our hearts we know that our voice will be heard most when we stand alone against the bully, as it was as recently as 1940.

The Anti-Common Market Project aims to pull together the arguments of anti-Marketeers of all parties, including many of the small ones but with the exception of the Social Democratic Party which seems to us to be aiming at the overthrow of the whole of British tradition in the name of the ideal of European power and unity.

Ours is the battle to save the true traditions of Britain. It is the battle against the money and power of supranational forces who have no loyalty to any country. They have bought their way into our media and our establishment. As a result we have been forced to buy expensive advertising space to say the things that should have been said in the editorial columns of our papers if our press had really been free.

NEW ZEALAND BUTTER ACCESS

Ninety-nine years after it began supplying butter to the United Kingdom, New Zealand has won the right to do so for three more years. The EEC Council of Agriculture Ministers, meeting in Brussels at the end of March, finally set their seal on a Commission proposal to that effect. The proposal set out the terms of access up to the end of 1983, and made provision for further renewal at the end of that time.

Under the new agreement on butter, New Zealand is entitled to send 94,000 tonnes to the United Kingdom this year, 93,000 tonnes next year and a quantity yet to be determined in 1983. The figures are not high when set against traditional sendings (about 170,000 tonnes annually) but they are of vital importance to the New Zealand dairy industry.

It was originally intended that access should be not just to the United Kingdom, but to all the countries of the Community. In the face of determined French opposition, however, this idea was dropped. The arrangement is to be reviewed in 1983 to decide policy on New Zealand imports after the end of that year; it may be that the idea of allowing wider access can be re-examined at that time.

HIGH COST FOOD

To the Editor
Britain & Overseas.

Dear Sir,

"Britain & Overseas" for Winter 1980-81 noted under the heading "High Cost Food" that the Common Public Accounts Committee has been told by Sir Brian Hayes, permanent secretary at the Ministry of Agriculture that Britain's consumers paid £2,250m more for food in 1980 because of the C.A.P. than they would have paid if the C.A.P. did not exist, but that this calculation assumed our paying high prices from traditional suppliers as the alternative.

It is hard to know how to interpret this statement. To start with, if we were to abandon the C.A.P. any food not sold to Britain by the EEC would be sold on the world market which means that our purchases there would be offset and prices to us would be at present (low) world food prices.

Prices in Britain for foodstuffs other than coffee, tea, tropical fruits etc. would be, on average about 20% lower than at present, thus saving the consumer over £3,000m per year (figure reported by the Minister of Agriculture in Hansard, 8th July 1980).

Britain would then wish to pay farmers here 'deficiency payments' along the lines pertaining before we joined the E.E.C., but the sum of £1,000m or so that would be involved is itself only equal to about one third of our current financial payments direct to Brussels - most of which is spent on intervention buying and storage. Withdrawal from the C.A.P. would therefore enable us, not only to reduce food prices by 20% (saving consumers £3,000m per year) but to reduce taxation by up to £2,000m as well!

Yours sincerely,

Jim Bourlet

INDUSTRIAL INNOVATION

The rate of industrial innovation is falling in Britain and North America and resources devoted to research and development, while apparently adequate in some industries, are generally far from sufficient to ensure that UK, US and Canada remain competitive in world markets.

This is one of the gloomier conclusions of a Report recently published* by the British-North American Committee on Industrial Innovation in The United Kingdom, Canada and the United States.

The Report, by Dr. Kerry Schott, an economist at University College, London, compares the performance of the three countries with that of its main competitors and suggests that the recent economic difficulties experienced by each of them have been made worse by the consistently low priority given to industrial innovation.

The author shows how industry-funded innovation is concentrated in the chemical and electronic sectors in the UK and US while government funded innovation activity, though more widely spread, is concentrated on the defence supply industries.

* Industrial Innovation in The United Kingdom, Canada and the United States, by Dr. Kerry Schott, British-North American Committee, 1 Gough Square, London, EC4 01-353 6371, £2.25