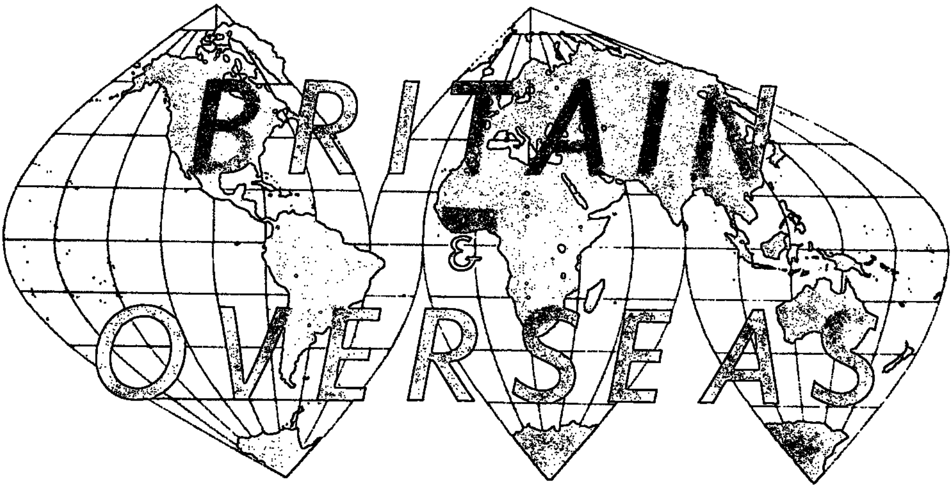

A DIGEST OF NEWS AND VIEWS ON BRITAIN'S ECONOMY AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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THE FUTURE OF THE FALKLANDS
by Sir John Biggs-Davison, M.P.

Even before the Argentine invasion, Ulster loyalists would compare themselves with the Falkland Islanders. They have long suspected that there are those in high places who regard their determination to remain British subjects in British territory and the like resolve of Falklanders and Gibraltarians as a tiresome and outdated irritant to relations with the foreign powers that claim them.

The Member for Down, South, believes that sinister, defeatist forces, appeasers of Dublin and Irish America, inspired the latest attempt to instal a "cross-community" devolved government in Ulster. Mr Enoch Powell and the present writer have tenaciously opposed Mr Prior's Bill which can only distance the province from the rest of the United Kingdom.

Mr Powell and the writer were in 1968 busy scotching the manoeuvres of an earlier government to trade sovereignty of the Falklands with Argentina. Mr Denis Healey was Secretary of State for Defence. He told me in reply to a Parliamentary Question that "these islands do not have a contribution to make to our future strategy". In January 1969 Mr Powell took up this exchange in a weekend speech.

Command the Ocean

He envisaged then what NATO conceives of today, a war of "lengthy operations, by land and above all by sea".

> "With, or in the last resort without, allies Britain must be able to give battle and exercise surveillance far out in the Atlantic: in short, her maritime forces must command the ocean which separates the Old World from the New. At the southern end of that ocean are situated, on the East, the Cape, with the naval base at Simonstown,* and on the West, the Falkland Islands and their Dependencies. How important those two positions are for controlling the Atlantic can be read from the naval history of the First and of the Second World Wars."

The then Tory Member for Wolverhampton, South-West, continued by posing a question concerning the graduation of the Soviet Navy from coastal force to the first high seas fleet since the Russian Revolution. Suppose the Falklands –

> "belonged to the Soviet Union, would their Minister of Defence be saying, 'These islands do not have any contribution to make to our future strategy'? If the answer is, 'No, he would not', then the answer of the British Government must be the wrong one."

Then, as though with foreknowledge of the South Atlantic Task Force:–

> "Maritime power is uniquely elastic, and with the increase in the range and endurance of vessels maritime warfare may well regain something of the ubiquity which it had in the age of sail; but with this provision, that the limits and the intensity of maritime action will depend upon the presence or absence of the factor of the air. Fortunate therefore is the naval power which, in its own possessions or in the territory of its allies, has the land positions where it needs them most."

* Simonstown, had the Agreement not been terminated, could have been useful to the Task Force.

A Base for Defence

The Argentine flag might have flown peacefully in the islands had they been an allied base, British-administered under British sovereignty. NATO perversely ends at the Tropic of Cancer. A "SATO" or rather a Southern Oceans defence system ranging from Australasia to Latin America is needed now that the Soviet Navy has graduated from coastal force to high seas fleet. The Bear has taken to the broad waters and threatens our vital supply lanes. If war came, Panama could be blocked but the Magellan Straits could still be commanded from the Falklands.

The Islands could thus be a base for defence but also for the development of both Falkland and Antarctic resources. Falkland waters contain the world's largest marine resources. The shrimp-like krill could yield rich protein for the hungry peoples. There are also blue whiting, hake, croaker and other salt water species, valuable crustaceans and inland fresh water fish. The Falkland Islands Office in London suggests a commercial pilot project.

An exploratory oil drilling programme should also be undertaken. Moreover, only political uncertainty and diplomatic havering have deterred foreign commercial interests from exploiting the long seaweed known as "kelp" for the production of alginate chemicals. Island wildlife and the lure of Antartica could stimulate tourism.

Right of Self-determination

There is little new in this. Readers may refer back to the summer 1977 issue of BRITAIN & OVERSEAS. About the same time I addressed the United Kingdom-Falkland Islands Parliamentary Group of which I was Chairman and quoted a **Times** leader of 18th July: "Britain and Argentina have worked hard to break down the islanders' will". The Government could demonstrate its support for the islanders' right of self-determination by "urgently extending the airfield and thus linking Britain to those whose undoubted desire is to remain British".

Much might have been different had that recommendation of the Shackleton Report been carried out. The voices that croaked that the Falklands could not be re-possessed without unacceptable loss or even complete disaster have been heard again bleating that to hold them will cost too much. The difficulties should not be exaggerated. To secure the islands is a British task; but a Southern Oceans alliance is strategic sense.

The Falklands are also a Commonwealth concern. The Commonwealth Secretary General declared his unqualified support for the United Kingdom's actions. New Zealand and Australia made helpful naval dispositions, relieving vessels of the Royal Navy. A Falklands base would be of interest and advantage to these potential members of a future system of Southern Hemisphere defence against Soviet imperialism. Like the United Kingdom, they are powers with Antarctic territories.

THE GUERNSEY EXPERIMENT

The idea of a paper currency based on commodities is by no means new. It has in fact been put into practice several times and on each occasion it was completely successful. It may well be asked why we have not heard more of it: what happened? The answer is that the banks opposed it, and the more successful it was, the stronger became their opposition. In nearly every case the banks won.

The first and probably the best known of these monetary experiments began in Guernsey in 1915. It was a year of considerable difficulty for Britain, and Guernsey was particularly hard hit. The States, as the Parliament of Guernsey is called, described the condition of the island in a paper addressed to the Privy Council. "In this island, eminently favoured by nature, nothing has been done by art or science towards the least improvement; Nothing for the display or enjoyment of local beauties and advantages; not a road, not even an approach to the town, where a horse and cart could pass abreast; and the deep roads only four feet six inches wide, with a footway of two or three feet, from which nothing but the steep banks on each side can be seen, appeared solely calculated for drains to the waters which running over them, rendered them ever yet deeper and narrower. Not a vehicle, hardly a horse kept for hire; no four-wheeled carriage existed of any kind, and the traveller landed in a town of lofty houses, confined and miserably-paved streets from which he could only penetrate into the country by worse roads, and left the island in haste and under the most unfavourable impressions.

A Depressing Picture

"In 1813, the sea, which had in former times swallowed up large tracts, threatened, from the defective state of its banks, to overflow a great extent of land. The sum required to avert the danger was estimated at more than £10,000 which the adjoining parishes subject to this charge were not in a condition to raise. The state of the finance was not consolatory; with a debt of £19,137 and the annual charge for interest of £2,390 the revenue of £3,000 left only £600 for unforeseen expenses and improvements. Thus, at the peace, this island found itself with little or no trade, little or no disposable revenue, no inducement for the affluent to continue their abode, and no prospect of employment for the poor".

It was certainly a depressing picture. People were beginning to leave the island. Eventually a committee was appointed to consider the deplorable state of the Market. "Humanity", it was said, "cries out against the crush which it is difficult to get out of; and against the lack of shelter for the people who, often arriving wet or heated, remained exposed for whole hours to wind and rain, to the severity of the cold and the heat of the sun".

The committee examined the situation and came to the conclusion that further taxation was impossible. The alternative was to borrow money from the banks, but this would mean paying a high rate of interest which they could not afford, and even if they found the money the debt would still be there. Then somebody proposed that the States should avail themselves of their ancient prerogative and issue their own money. At first the proposal was turned down, but as they urgently needed £5,000 and had only £1,000 in hand, it was finally decided to issue £4,000 in one pound notes.

Creation of State Money

The first creation of State money was so successful that it was soon followed by others. In all, the States issued £55,000 worth of notes which paid for the rebuilding of the market, the schools and several other public buildings, widening the streets and building new roads and sewers. In 1827 the Bailiff, Daniel de Lisle Brock, was able to speak of "the improvements which are the admiration of visitors and which contribute so much to the joy, the health, and well-being of the inhabitants". Things had certainly improved since 1815.

In 1830 the banks launched a counter-attack and began to flood the island with their own notes. The words which the Bailiff used when he addressed the States in 1836 are worth quoting. "No one has a right to arrogate to himself the power of circulating a private coinage on which he imprints for his own profit an arbitrary value. With these facts before our eyes we must realize the necessity of limiting the issue of paper money to the needs and customs, and the benefit of the community in general. Permission cannot be granted to certain individuals to play with the wealth and prosperity of society".

A Compromise

But apparently the States were unable to stop the banks issuing their notes, and eventually a compromise was reached. The States agreed to limit their own issue to £40,000, and it remained at that figure until 1914. After the first war this was increased to about £200,000. The notes were issued free of interest, and it is significant that the Great Depression never troubled Guernsey; there were no unemployed and the Income Tax was tenpence in the pound. The States' notes are still circulating alongside Bank of England notes. Income Tax in Guernsey is now four shillings in the pound, and there are neither Super Tax nor Death Duties.

The above extract is taken from 'Money the Decisive Factor' by Allhusen and Holloway, published in 1959.
Today Income Tax in Guernsey is 20%, there are no Capital Gains Taxes, VAT or Death Duties. Jersey and the Isle of Man also issue their own notes. A fuller account of this interesting experiment has been recorded and is available on a cassette from Peter Cahill, 119 Yokermill Road, Glasgow G13 4HC. Price £2.50 post free.

GOVERNMENT DEBT

The Treasury Reply

Thank you for your letter of 31 March, commenting on my letter to Sir John Eden which concerned your publication "Government Debt and Credit Creation".*

I am sorry you feel my earlier letter misinterpreted the case you made. Let me therefore try again.

Your paper proposed that the Government should redeem the various forms of Government debt held by the banks, in exchange for interest free paper, "Treasury Credits", that sight deposits with the banks should be backed fully by holdings of notes and coin or "Credits"; and that total advances by the banks be restricted to a fixed multiple of the latter.

The Government would have a number of difficulties with these proposals. For example, experience of the operation of quantitative controls in the past has not been totally successful. While making cosmetic improvements to the Government's control of the money supply, they have produced distortions and so been less successful in controlling the underlying growth of credit and thus the rate of inflation. More importantly an obligation on the banks to hold non-interest-bearing paper in excess of the amount they choose to hold for transactions purposes would entail a fundamental change in the relationship between government and the banks, of a kind the Government would not wish to contemplate.

I would be the last to claim that our present system of managing credit is incapable of improvement. But I confess I do see substantial objections to what you propose and on balance I think the Government believes that by maintaining steady but not excessive downward pressure on the growth of the money supply and continued reductions in the level of its own borrowing, it will achieve further reductions in inflation, and a subtainable lower level of interest rates, for all borrowers.

27.5.82 (Signed) JOCK BRUCE-GARDYNE

**'Government Debt and Credit Creation' published by The Economic Research Council, 55 Park Lane, London, W1. (Price £1.20 including postage).*

Cheap Food Exports from EEC

Last year the EEC spent £8m a day subsidizing cheap food exports, a substantial part going to the Soviet Union. Food sales to the Russians rose from 400,000 tonnes in 1977 to almost 1 million tonnes in 1979. After the invasion of Afghanistan, it was agreed that cheap exports to Russia would be contained at "traditional levels", but despite this, the export total for 1980 was more than 2 million tonnes. The figure for 1981 was 3 million tonnes, plus vast quantities of cheap wine.

Extract from an article by Teddy Taylor, M.P. in 'The Times' 21.7.82.

MONEY CREATION

A Responsibility of State Not Banks

by A.M. WADE

There is something mysteriously incoherent about Government policy at this most serious time in our history.

Superlative vigour and courage has been shown over the Falkland issue when brave men were asked by the Government to fight for a high principle involving the welfare of our own people. But at home enemies of our society who profit richly by the corruption of our young people and coming generation, on which all the hopes of our country depend, are given free rein to pursue their ways in defiance of the better judgments of the older generation, which is generally treated with contempt.

We have become stranded on economic sand banks and no one in command shows understanding of why this has occurred or how we can get off. The most glaring anomalies coexist without serious challenge. That millions of men should be in enforced idelness when new homes are most urgently needed, and a great deal of other building work also, and all the physical resources are at hand, is an insult to intelligence and a crime against society. The pretence that money is not available is a mockery, especially in the light of what is said later in this article. There are two great activities for the nation – (a) the financial system, and (b) the running of the nation, education, health, agriculture, production, defence etc. What we see is the first mentioned thriving and dominating, and the second, a minor partner served with half-truths, and loaded with debt.

We have been told by this Government that there has not been the money to maintain a high standard of maintenance of national assets – housing, railways, health service, infra structure of towns and cities, etc so that millions have been thrown out of work and industry no longer need apprentices as formerly. Furthermore, what money has been available has been excessively costly and ruinous to industry. Why?

Reformers have said for sixty years that money could be made available at low cost, and free of debt to the nation, but the press has refused to allow a free discussion of these views so that the public has been misled about money. If they knew the facts, and providing they could break away from other attractions for a short time, they would demand a fundamental change through their Members of Parliament.

Where Money Comes From

On the 26th June the financial article in the Daily Telegraph by Mr. Andreas Whittam Smith, dealt with the present policy of the Chancellor of the Exchequer, Sir Geoffrey Howe. Naturally the whole article should be studied but we are concerned here about only one facet of it which is of great interest and importance to a real understanding of the money system as against the usual half-truths which are permitted to stray into the correspondence columns.

The article informs us that many companies have been obliged to borrow huge overdrafts of late owing to financial restraints, and that these, together with the recent entry of banks into the mortgage market aggresively at the expense of building societies, and "AS BANK LENDING IS LITERALLY MONEY CREATION, the money supply has tended to expand rather too fast for comfort ..." (Our emphasis) Moving on in the article we come to: "To neutralise this great stream of credit which the banks made available, the Treasury ..." And later still: "But it can be seen that the Government may have to raise more than it strictly requires in order to offset the massive credit creation by the banks."

There is a find of unexpected treasure for the joy of all monetary reformers. The secret of banking power and profit is revealed, together with the knowledge and full consent of the Chancellor who has to make shift to avoid the deluge of credit now descending on the British public reminiscent of the 1971 deluge and consequent inflation from which we have never recovered. Yet we are told that the necessary money was not available to keep industry and the nation in good shape. There are two diverse parts of the nation as we have said. The first prospered beyond the dreams of avarice: the other suffered serious disablement.

One can readily appreciate the need for a small mesh net of surveillance by the editorial staff to ensure that no fish of this kind will enter the correspondence column, for on this specific subject the bamboozlement of the public is far better financially than true enlightenment. Only the columns of this policy can monetarism rest secure – or relatively secure!

The Government seems to hold a mid position between the banking system and the public. By law and by all historic precedents it, and it alone possesses the prerogative of money creation, but this privilege of sovereignty was granted to the private finance company euphemistically entitled, The Bank of England, in 1694. It can therefore be said, as it so often has been said by ministers of the Government, that the Government has no money of its own. No, it has accepted the role of borrower, of debtor to those who have acquired the legal right to create money by making loans. (Building Societies make loans, but they do not make the money to lend.)

Now it might be expected that the public would challenge the Government on this matter, which is of supreme importance, but No! This speaks volumes for the thoroughness of the education they have received on the money system! So the present system is insured against too much public curiosity and can proceed in the knowledge that the following conditions can endure.

1) That the origin of money will not be questioned.
2) That money can be treated as a commodity which is bought and sold in the City with a price determined by market forces.
3) That the banks may raise their interest charges by restricting the credit supply.
4) That although high interest rates are seriously detrimental to industry, to employment and a creator of inflation, no resistance will be offered.
5) Any suggestion that the Government should use national credit, debt free to itself must be scotched with every possible means.

State Creation of Money

As we have seen, the idea of the Treasury (State) printing and issuing money in all forms, without the backing of Government debt, is now regarded as a dangerous heresy certain to create hyper inflation. Monetary reformers challenge this view, believing it is totally wrong and the inversion of sound reasoning and social justice, in support of which the following evidence is adduced.

Lord Balogh in evidence before the Select Committee on Nationalised Industries, 1969.

> "Money has always been one of the most important attributes of sovereignty. You can issue money only as a sovereign power and you can delegate this to some extent, but the ultimate decision of course, over currency is an embodiment of part of sovereignty and cannot be delighted in ultimate terms." (Q.1559)

Royal Commission of Enquiry on Banking, Credit and Currency, in New Zealand in 1955.

> "As already stated, according to Mr. Whyte (Chairman of the Associated Banks of New Zealand) most bankers until a few years ago failed to realise that they were creating money. The difficulty now is that they do not realise the full implications arising from the fact that they do create money. Is there any responsible person who, in his heart of hearts, honestly and sincerely believes that private banks should be permitted to create money? This Commission has had the evidence of the high-ranking English economist, Colin Clark and other witnesses in support of the view that the issuance of all money should be the prerogative of the State.
>
> No positive statement of law has been produced to the Commission that private banks actually have the right to create money."
>
> (Part of the statement by Dr. O.C. Mazengarb, C.B.E. Q.G.M.A.)

> Also quoted was the following from Archbishop Temple in his book "The Church Looks Forward"

> "To me it seems ridiculous, when the nation needs credit for the carrying out of its own purposes, that it should borrow that credit from a section of itself and pay interest on it. The source out of which repayment has to come is of course the whole national production. That is the real security, and I cannot see why anything more should be paid for it than the actual adminstrative cost, which a very high authority has told me is perhaps one-eighth of one per cent."

Professor Frederick Soddy, in his book, "Money Versus Man"

> **DEMOCRACY**
>
> "There is a growing body of opinion that Democracy, in this country at any rate, has not been given a square deal. Its political power has been useless without real economic power. The view taken in this book is that its fatal mistake was first in allowing a private monetary system

to grow up and then in not putting an end to it. It is finding itself under vague international compulsions to pursue policies which inflict irreparable damage to its internal economy, continuously to restrict production and employment, to get deeper and deeper into debt, and unable to use its strength or skill for its own life. After a century's unparalled advance in the arts of producing wealth, living is becoming for an ever increasing proportion more difficult and insecure. Everyone knows that there is something fundamentally wrong, and that the solution of the problem is not yet within the horizon of party politics.

"The alarming increase in unemployment and the continued depression of our staple industries is the continuous theme of all parties, but on the money policy as the obvious, and indeed the definitely predicted cause, there is a conspiracy of silence. Parliament endorses and encourages the banker in his belief that the nation's money is his sole concern to create or destroy as he decides. It deferred, or appeared to defer, to public opinion to the extent of appointing another Commission, since the notorious Cunliffe Currency Committee that advised deflation, to enquire into the financial system. The finding of this, if ever published, no ordinarily intelligent person probably would even take the trouble to read, any more than they would of a Temperance Commission composed of brewers. It consisted of bankers and such experts and economists as hold views about money acceptable to the bankers who have taught them.

"The public knows perfectly well that hardly any step in knowledge or advance in thought, however commonplace today, has ever been made without those deeming themselves authorities in the matter being hostile and opposed to it when first made. To regard money as made for man rather than man as made for money would, to the money expert today, be as great a heresy as it was at one time to believe and teach that the earth went round the sun, and not the sun round the earth. But if Galileo and Copernicus had lived today, and had upset the theories of the authorities regarding the nature of money rather than of the universe, they would have had far more difficulty in getting their views impartially discussed than they had from the Medieval Schoolmen and the Courts of the Inquisition. (pp 107-8)

"Freedom of thought and discussion applies, as yet, only to the affairs of the mind and conscience which affect directly no man's pocket. It does not yet apply to money. That is the Ark of the Covenant, the Holy of Holies of the Slave Civilisation. It might have consequences to humanity graver and more fundamental than freedom of belief. Those in authority know well the danger. It might lead to economic freedom, the tap-root of all freedom, worth the name. .... If the world cannot be made safe for Democracy it seems impossible that it can be made safe at all. Dictatorships and autocratic rule offer no final solution of the real problem, the wise consumption of wealth. (p 109-111)

"The betrayal of Democracy was originally due to ignorance. Today it would probably be truer to say that fear and distrust of the people are responsible for the real economic strangle-hold of money being left in private hands. Parliament would not dare openly to do the deadly work that has been going on since the War. (1914-18). It shelters itself behind the plea of impotence. 'The grim goddes of Finance exercises, as she always must, an inexorable power.' (p.111)

"The Government responsible to a Democracy has no more right to allow private people or firms to appropriate the proceeds of the issue of money than the proceeds of a State loan. By doing so they have betrayed their trust. The loss of the unclaimed wealth to the nation is the least and most insignificant of the evils which follow from allowing a private money system. Before the day when money rose to its present power, in the early days of democratic Parliaments, such a situation as at present exists would have had the support and defence of no party. It would have been the target of righteous scorn and ridicule of every individual representative of the people. (p.93)

"The mistake in those days was, indeed, the same as now. Parliament has always been afraid to issue money sufficient for the nation's needs, as gold and silver and the older methods of distributing the revenue became insufficient for modern production. It was afraid of being deemed immoral and fraudulent by the ignorant, if it got 'the something for nothing' which it is impossible not to get by the issue of modern money, and if it dared to pay its way in part by this method rather than by the 'honest' method of imposing taxation. But, in those days, it was equally particular that no private bank or firm should do what it considered would be regarded by the public as immoral and fraudulent. Then the cheque system was invented, which relieved the impossible situation by allowing banks, without the public knowing it, to issue money the Parliament dare not itself do openly. Now the interests in this practice are so gigantic that they can suppress, to a large extent, any public discussion of the subject that is unfavourable to them." (p.94)

The often quoted dictum by Mr. Micawber "annual income twenty pounds, annual expenditure nineteen nineteen and six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery" has often been used as an infallible economics proposition for State purposes, but is not true in that respect. The state can legitimately issue notes representing money values and use these for the payment of services or purchase of goods. In neither way is it a case of something for nothing.

If used in a big way for the finance of war, by Treasury notes, there would be inflation, but nothing like the amount of inflation which would result from the same issue of credit through the banking system, because that would carry interest charges that are never paid except by incurring a further loan. The consequential difference between the two methods is enormous.

Professor Soddy wrote his book during the previous great economic depression in the 30s and used all his influence in the advocacy of monetary reform for the good of our country and an example to the free world, but was regarded by his opponents as a crank. We have now fallen again into the same situation, and the advice he gave, along with other exponents of the New Economics has received the same fate.

To expect peace and prosperity under the present monetary system of debt finance, and progress in human relations in an ever more permissive society is to expect figs to grow on thorn bushes. "The Mind Benders" by James Gibb Stuart throws light on why we have reached our present situation.+

+ William Maclellan (Embryo) Ltd. 268 Bath Street, Glasgow G2 4JR £4.95

RENAISSANCE OF RAIL – THE NON-UTOPIAN LINE

Summary of Talk by Sir Peter Parker, MVO, Chairman British Railways on 16.6.82

Sir Peter began by announcing two themes: (1) The Renaissance of British Rail; and (2) the problem of relations between Government and Industry, a problem which extended far beyond British Rail, and was at the heart of our declining national economic performance.

Railways throughout the world were discovering a new and irreversible identity in the essential service they rendered to Industry, Commuters and to the whole economy, at the minimum cost in the use of energy. He looked forward to new 21st century railways, and underlined the international assessment of British Rail's performance, indicated by the strength of BR's exporting arm, now offering consultancy services in 29 countries, as a basic element of an industrial society. It was now for British Rail to take part in this international renaissance.

Recession in Britain and elsewhere had reduced the railway market by 10% with resultant troubles not only for BR, but the market had not collapsed as with other national corporations, e.g. British Leyland and British Steel. The crisis on the railways was in the need to change methods and management/staff relations.

Refusal to accept change

Yes, there had been strikes, but the number over the last ten years was 2/3rds lower than the average for UK industry as a whole. He was out to generate pride in performance, but we must be ready for change. Railways are the most visible of all industries, carrying two million passengers a day, with a complaints ratio of .01% to numbers carried. It was the refusal to accept change that was the liability, the ball and chain that hobbled the railways in their efforts to do their job in the way they could do it.

He believed firmly in a mixed economy, enabling the public and private sectors to work together in a stable environment. Values did conflict – e.g. Government insistence on BR buying ships from Harland & Wolff, at prices far higher than private operators from ports like Felixstowe, had to pay, as compared with Sea Link, in itself an efficient operation, from Harwich. Order

had to emerge from competing values, and he held to that singular position of being a pluralist.

He was not depressed about the future for railways if productivity changes could be made. The Government was now committed to extending electrification, after an independent review which noted the advantages of using home produced fuel, and economic operation once the infrastructure had been erected. Railways were basic to the life of great cities where road traffic trying to replace trains would strangle movement.

Two National Priorities

There were two national priorities: (1) to find how best any Government could handle national corporations; (2) to end the present tormenting confusion. During his own five years of total commitment to the public sector, he had had to deal with five different Secretaries of State. There was a mis-match. Boards were chosen by Secretaries of States, but when salaries were held at levels below those for corresponding positions in private industry, how did one motivate managers? Unions and management were over-centralised, and this was being remedied on the management side by identifying the separate businesses that made up a railway, and as far as possible making each separately accountable. With so much use of joint assets, this involved accounting problems, but these were being solved. Much had already been achieved with the more productive use of assets, for instance, over recent years computerised control of the freight wagon fleet had reduced that fleet by 53%. At stations, new concepts of customer service were being developed in which new uniforms identified the staff who could answer passengers' questions, and contributed to pride in the service.

On the Union side, the problems with ASLEF were well known; and two successive independent Tribunals had failed to persuade that Union to accept the need for change, already accepted by the NUR. But our position and commitment to change had been constant and would prevail.

But the basic problem of relations between Government and industry had not been solved, because Government had not yet found an agreed and accepted policy for dealing with industry. The Neddy meetings, usually chaired by the Prime Minister or the Chancellor, were not enough, and the present consultative processes were not adequate. People should remember that on the Continent, Governments put twice as much of their Gross Domestic Product into railways as did Britain, with results visible to all, especially on the French Railways.

Sir Peter did **not** want subsidies. He wanted specific **contracts** with the Government, as the chief customer representative, for doing specific jobs, such as the social task of providing efficient and adequate commuter services. Such contracts would then be separately priced, checked and agreed on a firm basis to which future capital expenditure could be related and justified.

Finally, he emphasised the importance of adequate personal contracts between Line Managers and the staff for whom they were responsible – not easy when so many staff were working on shifts and on moving vehicles, but essential to maximise if the persistent we/they feelings were to end.

ARTIFICIAL STRUCTURE OF CAR PRICING IN THE U.K.
by K.G. SPEYER

Early this year a table of car prices was published which highlighted the enormous price differences obtaining in different parts of the EEC. Prices expressed in European Units of Account showed i.e. that a Rover 3500 sold in Belgium at £UA 10,770 whilst we are asked to pay in the UK £UA 19,785, both prices including all taxes. Equally, as an example of foreign produced cars, a Renault 5GTL sold in Belgium at EUA 3,983 and here at EAU 5,810, etc., etc.

By coincidence, a few days prior to the publication of this information nationally, I wrote as a shareholder to the Chief Executive of major British Company holding important foreign franchises, as follows: " ... the notorious price differences obtained here vis-a-vis the rest of the EEC will be known to you. The scandal really lies at the door of the domestic producers (or our continuing membership of the EEC) and perhaps one cannot blame foreign manufacturers for taking advantage of such 'donated' extra profits at the expense of the British consumers. Nevertheless, your principals could steal a march on all their rivals and at the same time create lasting good will, were they to advertise that from now on their cars will cost a buyer no more here than if he were a customer in Belgium, Denmark or Germany.

Probably it is only a matter of time until the present inflated and false price structure has to give (unless we leave the EEC and protect ourselves), and the seller first to appear willing to give honest value should be able to capitalize on this to his advantage. Then even such as I perhaps could get interested again in a new car, having long ago given up buying new cars under the present pricing structures in favour of keeping my old vehicles going by letting my garages care for them, as may become necessary, and in achieving my aims, spending most of the money here in England. Thus I personally still drive my 14 year old Rover with 140,000 miles clocked, which might seem odd to some people, but no less so is the present situation when sundry entrepreneurs can earn a living selling imported vehicles to the public direct or by converting them, still leaving enough margin substantially to undercut the established concessionaires here."

A New Car Market

If more car buyers – and I mean especially transport managers, hire fleets, boards of large companies, etc. – followed this example of not replacing still serviceable vehicles in one, two or three years, we would soon have an entirely different new car market here. Partly to blame for the present situation are the distributors/agents, who as the name implies, are creatures of their masters. Were it not so, our own motor makers would never have been allowed to become so slothful in earlier years when substandard products were allowed to pass the quality controls of factory, dealer etc., and 'caveat emptor' was very much a buyers worry.

In response to the above letter to the Chief Executive, a director responsible for import and franchising sent an answer and limited himself to writing 'we are, of course, closely following the EEC moves in respect of manufacturers pricing policies. Thank you for writing to us with your most interesting comments.'

Such response was not particularly surprising as it demonstrated that importers with successful, growing franchises are not concerned with rocking the boat for their principals, especially so long as they themselves are doing quite nicely. Presumably if they acted more independently, it would just sour their relationship with their foreign principals and might lose the franchise to another more compliant importer.

Perhaps 70%, and maybe more, of all new cars sold in the UK are imports if we include, as we must, imported Ford and GM products. (Ford recently announced profits of over £200 mill, no doubt mainly achieved by reason of their profitable importations).

Export at any Price

How has this ludicrous situation arisen? In the comparatively recently past the British producers had 70% and maybe more of the Home Market, and they were also large exporters and earners of foreign exchange. Earners of foreign exchange they still are, except that this is no longer of such crucial importance to our balance of payments as it once was, because of North Sea oil and gas exports. Now our exporting motor industry seems to have sunk to a level of the Comecon enterprises in the USSR and Poland, etc., which sell their vehicles in the West for hard currency at any price necessary to achieve this, but seemingly without reference to their domestic costs, subsidised as they are by the hapless inhabitants of these countries.

For various reasons it seems that all our governments, as well as sections of industry and public opinion think it important that we retain a large motor industry, even if it is inefficient in creating profits, has to be aided by state subventions and is led by a management from the rear, which speaks of economising whilst at the same time awarding itself large increases in benefits, which have also been called obscene by some critics.

So be it, maybe one should say amen to all this. In that case, would it not be better for this country if at least we were all to benefit somewhat from this benevolence bought by our taxes? How much nicer, if our motor manufacturers instead of selling at low or even loss prices to compete, and thus benefiting foreign economies, instead were to slash their prices in the Home market by 50%. This would be of twofold advantage to the UK. Although we would still have our lossmaking motor manufacturers, it would immediately reduce our whole internal price niveau (with all this would mean to inflation) and it would give strong competition in the domestic market to foreign imports and take back some of the sales lost to them, not least to those from the Far East. The lost export foreign exchange should be balanced probably reduced foreign exchange requirements needed to service our present high imports of assembled cars.

At the moment we get the worst of all possible deals, e.g. Sky high prices, desperately defended by the trade by making difficult even private bypass importations 2) by being the most lucrative mass export market anywhere in the world for foreign manufacturers, who are laughing all the way to the bank for every car they manage to sell in this country, most profitable of all for makers in the Far East; 3) through the exportation of our own vehicles at prices made possible and underwritten by taxpayers money.

All we need to change matters, as in so many things, is the will !

PROPER MONEY!

Unemployment and inflation are not separate economic evils; rather they are both symptoms of the same deep-seated disease. We are currently suffering not so much from ill-considered Government policies as from a mulfunction of our basic financial institutions.

Our present "money" is so absurd that, had it not slowly evolved without anyone quite noticing, and had someone, instead, proposed its immediate introduction in its present form 200 years ago, when the slow decline began, the proposer would have been gently led to th nearest lunatic asylum.

The very purpose of money has always been to provide a store of value, yet, today, there is no country in the whole world which attempts even to define the value of its currency, much less to preserve it.

In the United Kingdom we use a note which bears a legend seeming to claim that it is "worth" one pound, but what one pound is worth nobody says. In theory the value of money is supposed to be maintained (at an undisclosed level) by controlling its supply. On the other hand, it is widely agreed that nobody knows quite what should be counted as money even though its supply is believed to be controlled.

Extract from an article by Professor Ivor Pearce published in the 'Daily Telegraph'.

STOP AIDING OUR ENEMIES

With the imposition of military rule in Poland particularly in mind. Mr. Stefan Troyanski, a political scientist living in Munich, has written a monograph **The Strongest Ally*** which has the subtitle 'The free West's most reliable allies are the enslaved peoples in the Eastern bloc'.

The author describes vividly how the anti-human and irrational creed of Marxism-Leninism has become spiritually, morally, politically and economically bankrupt. He argues that the West instead of propping up this rotten edifice ought to be assisting the enslaved peoples in the Communist countries to attain self-determination and human rights.

**The Strongest Ally. By Stefan Troyanski. Foreign Affairs Pub. Co., 139 Peterham Road, Surrey TW10 7AA. £3 or $6*