BRITAIN & OVERSEAS

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

Winter 1984/85 **Vol. 14 No.4**

Published quarterly

Editor: Edward Holloway

Published by

The Economic Research Council

55 Park Lane, London W1

Subscription rates; U.K. £2p.a. Australia $6 Canada $6 New Zealand $6 U.S.A. $6

INFLATION AND UNEMPLOYMENT
THE DILEMMA of 1985

There is little doubt that the two major problems confronting Britain's internal economy in 1985 are inflation and unemployment. While the need to combat inflation remains of paramount importance, it is equally necessary to guard against the dangers of deflation. Anyone with memories of the harmful effects of the latter in the 1920's and 30's will be aware of this.

Can we learn from previous experience? The White Paper "Employment Policy" (Cmd 6527) of May 1944 stated in the foreword "... widespread unemployment in this country can be prevented by a policy of maintaining total internal expenditure." Again in Chapter IV it stated "Total expenditure on goods and services must be prevented from falling to a level where general unemployment appears." The question is how to achieve this without spiralling inflation?

To seek some way out of this current dilemma perhaps we should look back to the method of financing the 1939-45 war. Fears were then expressed that it would lead to rip-roaring inflation. This did not happen.

There were three main developments which contributed to this –

1. The replacing of borrowing on Treasury Bills by the Treasury Deposit Receipt.
2. The maintenance of a 2 per cent bank rate.
3. The introduction of the Keynes plan for Post War Credits as an alternative to increased taxation.

A Main Factor

The policy of substituting Treasury Deposit Receipts for Treasury Bills was a major factor. As the Bank of England's evidence to the Radcliffe Committee on credit and currency clearly showed –

> "If the Exchequer borrows by issuing Treasury Bills which are taken up by the banks and spends the proceeds (so that the cash borrowed finds its way back to the banks) the liquid assets and deposits of the banks will be increased and they will be put in a position to increase the supply of bank credit.
>
> Indeed only a portion of the banks' deposits requires to be covered by cash and other liquid assets, a given loss or gain of liquid assets by the banks has an effect several times as great on the potential volume of bank credit."

It was here that the T.D.R.'s played a significant role as they could not be used as part of the banks liquid assets on which additional credits could be created. Thus they were not in a position to increase the volume of bank credit by several times which would have been the case with the Treasury Bill.

The second factor was that Bank Rate was held at 2 per cent for the war period. On the outbreak of war it was doubled to 4 per cent but an all-party group of M.P.'s and others brought pressure on the authorities and got it reduced.

"Invest in Britain"

The third point which might be worthy of consideration in present circumstances is the plan for deferred savings and Post War Credits. This enabled the Chancellor to keep taxation at a lower level than would otherwise have been the case. Introduced today as deferred savings for an 'INVEST IN BRITAIN' scheme, it might well be acceptable if it helped to reduce taxation. It would have the added attraction if it was introduced as part of the plan to extend share ownership, for the tax credits could allow for a dividend to be paid to holders in line with the growth of the economy. It is an idea capable of variation but it might well appeal to people's patriotism in present circumstances.

THE GOVERNMENT PHILOSOPHY TOWARDS TAXATION AND THE TAX SYSTEM

Speech to the Economic Research Council
by John Moore MP Financial Secretary to the Treasury on 30.10.84.

Tax is about raising revenue, that is obvious. Tax fills the gap, which is bound to be large, between what the Government spends on the one hand and what, on the other hand, it recovers in charges for its services and what it can prudently borrow. But adequate sources of tax revenue are only made possible by the creation of income and wealth. The Government has to tax something: for example, income or profits or spending. If the tax system weighs so heavily that it smothers economic activity, it defeats its own purpose. And taxation crucially affects how people behave. It shapes societies and values. It is, in short, an important matter both economically and socially.

When we took office in 1979, our tax objectives were twofold:

— First, to reduce the overall burden of tax;
and

— Secondly, to shift the burden from taxing people's income to taxing their spending.

This Government is a libertarian Government. That means we want to keep taxes as low low as possible, so that people may choose for themselves how to spend and how to save. Reduced taxes serve to encourage initiative and risk-taking because success will be rewarded. They should be seen as part of a long-term programme to get the economy moving by releasing market forces, thereby removing distortions and allocating resources more efficiently. And they are part of what economists have termed our 'supply-side' approach to economic policy. At every given level of factor utilisation – both capital and manpower – output should be higher because the factors are performing at higher levels of efficiency.

The supply-side, of course, includes many other areas of policy apart from tax. It was clear in 1979 that in some of these cases action could be taken fairly quickly, in others less quickly. The privatisation programme, for example, was embarked upon as soon as we took office and has been gathering speed ever since. Exchange controls were quickly abolished and domestic credit rationing – through HP controls and the 'corset' – relaxed and then lifted altogether. Measures to reduce rigidities in the housing and labour markets were also quickly introduced.

We also made a start – in 1979 – on tax reform. But in those early days our room for manoeuvre on tax was very limited. Price and wage inflation was very high, the former reaching 25% at an annual rate in 1980. The world economy was about to enter a very deep recession, partly the consequence of the OPEC oil price 'hike' in the summer of 1979. Public expenditure was proving difficult to bring under control, and the PSBR was at an unacceptably high level if monetary growth and inflation were to be brought under control.

The economy is now on a much sounder footing. High inflation has been defeated. Output has been growing steadily again for some 2-3 years. This combination of low inflation and a steady growth over the last two years is something we have not experienced since the 1960's. The position with respect to monetary growth and Government borrowing is also much more secure. This has provided the opportunity to turn again to the taxation system and to consider its basic purpose afresh. In the Budget presented last March by the Chancellor the theme of tax reform was indeed a central element. How then does the Government view tax reform in 1984?

Government Tax Objectives

The main objectives of tax reform can be described under four headings.

First, we want to reduce the overall tax burden, both on incomes and on savings and capital accumulation. This will provide greater rewards for work, enterprise and risk-taking.

A second objective of tax reform is to change the balance of taxation as between that which falls on income and that which falls on spending. To improve choice and give people even more of their own money to spend, we want to reduce taxes on income.

Thirdly, we want to achieve a more broadly based tax system. As the number of exemptions and special reliefs are reduced, we can achieve the double advantage of lower rates and fewer tax-induced distortions. The more market orientated the economic system becomes and the less it is distorted by tax considerations the more efficiently will resources be allocated.

This of course is the only a general guiding principle. It does not mean that exemptions or reliefs are ruled out on all occasions. There may be grounds for making tax concessions, for example, to deal with a market imperfection elsewhere in the economy. Or an exemption – mortgage interest relief for example – may be justified on wider social grounds. But it must be remembered that departures from the neutrality concept must always carry a cost: each exemption or relief increases the marginal and average rate of tax elsewhere in the economy and increases tax based distortions.

Fourthly, we are aiming to make the tax system both simpler to understand and easier to administer. As well as the obvious benefits for resource allocation, a simpler system would reduce compliance costs both for taxpayers and for the Revenue Departments, and has beneficial effects on the yield/cost ratios for collecting taxes.

Achievements to Date

Against these objectives just set out, how has the Government performed?

First, our record on improving personal incentives has been a good one. Since we took office we have raised the married man's allowance to its highest level in real terms since the war and have reduced the marginal rate of tax for nearly everyone. Both single and married earning the average wage, now pay 1½% less of their income in income tax than when we took office in 1979. Several measures have contributed to the lower tax burden:

- 16% real increase in thresholds;
- a cut in the top marginal rate of income tax to 60%
- a cut of 3 points in the basic rate to 30%

Incentives to work and save have also been improved by abolition of the investment income surcharge and other changes including:

- reductions in the top rates of capital transfer tax, increases in thresholds, and statutory indexation have reduced the burden of tax, particularly on small and medium sized estates;
- the introduction of better share option schemes enables companies to reward success.

These achievements have been denigrated by our critics, who have pointed out that if employees National Insurance Contributions are added to income tax, the burden has risen on people earning up to twice average incomes. But this is not an appropriate measure of the burden of direct taxation. There are, of course, similarities between NICs and income tax, both of which are deducted from income at source. But there are also important differences. NICs carry with them specific rights to certain benefits, which are not paid to people without a contributions record. And NICs are paid into National Insurance Fund, not – like income tax and other taxes – into the Consolidated Fund. NICs help to finance benefits, which are paid for out of the Fund. When demands on the Fund rise, through an increase in the number of pensioners for example, the rate of contributions has to increase. Those who call for increases in national insurance benefits are often the same people who quite separately castigate the Government for increasing the burdens on wage earners without distinguishing between income tax and NICs. They would do well to consider the illogicality of their position.

Burden Shifted from Income to Spending

Secondly, since 1979, the burden of personal taxation has shifted from income to spending. There has also been a reduction in the proportion of revenue raised from payroll-related payments by employers. This is part of a concerted policy to remove distortions which have discouraged employers from taking people on. The shifts have been fairly sizeable. The proportion of total tax and NICs taken by income tax fell from 32½% in 1978-79 to 27% in 1983-84, while the proportion taken in taxes on final spending rose from 27½% to 30% over the same period. Employer NICs and NIS fell from 14% of total tax and NICs receipts in 1978-79 to 10½% in 1983-84 – the proportion is expected to fall below 10% this year as NIS is finally abolished. Directly reducing employers labour costs in this way provides a real impetus to job creation.

Thirdly, we have taken a number of important steps to broaden the tax base and eliminate or reduce reliefs and concessions. The last Budget included a number of examples of this in the area of taxation of savings and investment. Among the most important of the changes was the withdrawal of life assurance premium relief. These changes will reduce distortions which have discouraged individual savers from investing directly and encouraged the institutional dominance of financial markets. They should also assist structural changes taking place in the financial sector as different institutions expand their range of services and compete more closely (the proposals for charging bank interest at a composite rate are a good example here).

The most important and radical reforms in this area, however, are those in the field of business taxation. These changes involved:

- The phased reduction in the main rate of corporation tax from 52% to 35% by 1986-87, and an immediate reduction in the small companies rate to 30%;
  and
- lower rates of corporation tax to be accompanied by a phased withdrawal of first year capital allowances for plant and machinery and initial allowances for industrial buildings, with existing rates of writing down allowances to remain.
- the immediate abolition of stock relief;
  and
- the abolition of NIS

The changes in corporation tax will reduce the tax bite on profits; reduce the tax subsidy given to certain types of investment; and reduce the major distortions which are an incentive to wasteful investment and which have favoured capital against labour. In future more investment will be undertaken because it is truly profitable and productive and not merely because a tax subsidy makes it so. As a result, the average yield of the nation's capital stock should improve as low yielding investments are abandoned and the reduction in corporation tax rates reward

higher yielding projects. The penalty against other – non capital –types of business expenditure is also removed. Product development, marketing expenditure or employing more higher skilled labour, can be just as effective in improving competitiveness as putting in a new machine. And the changes remove the bias agianst risk-taking which results indirectly from the current discrimination in favour of borrowing rather than funding by equity.

Simplifying the Tax System

Finally, through the reforms introduced since 1979, we have made some progress in simplifying the tax system. There is of course a long way to go. Some areas of work – for example that leading up to legislation in 1985 (for Customs) and 1986 (for the Inland Revenue) on enforcement powers following the work of the Keith Committee – have perhaps a more immediate priority. But the substantial reductions in manpower that have been achieved in the Revenue Department – and that are looking for in the future – reflect the trend to simplification as well as other changes – the introduction of COP for example –which are to some degree related to the reform programme.

The Future

Summing up our achievements on tax since 1979, I would point to:

- Improved incentives to work, save and take risks as a result of the reductions in income tax, the capital taxes and stamp duty;
- some shift in the burden of personal tax from earning to spending;
- a major reform of business taxation so as to make the market rather than the tax system pre-eminent in investment and expenditure decisions;
- a somewhat simpler system that takes less people to administer.

It has to be admitted that all this has been achieved against a background of an overall tax burden which, until recently, has been rising. Higher North Sea taxes and a shift in the burden to taxes on personal expenditure has made possible the reduction in income tax and capital taxes. However, I believe that, although the tax burden is now more sensibly distributed, it is still too high. In particular I would like to see further reductions in income tax.

If this is going to be achieved, it will be necessary to reduce the overall tax burden.

This will not be easy. Though taxes and NICs as a proportion of GDP have fallen slightly from its peak of 39½% in 1981-82, the ratio is well above the levels of the early 1970's (30-35%), let alone the mid-1960's (25%-30%). The Green Paper on Long-Term Public Expenditure gave illustrative figures of what could be achieved on certain economic growth and public expenditure scenarios. How fast we can progress in reducing the tax burden will depend crucially on our success in controlling public expenditure. If we are successful on the latter front, and the economy otherwise performs as assumed in the last MTFS, there is a prospect of a substantial cumulative fiscal adjustment – the MTFS gave us an illustrative figure of £13½ billion by 1988-89 – which could be used for tax reductions.

It would be premature to say how we might use such room for manoevre. But I would mention a few areas where we would like to make progress as and when finance becomes available:

- The income tax levels at which people start to pay tax are still far too low. For example, a married man without children starts paying tax at the basic rate at around one third of average earnings. Twenty years ago, he would not have started paying tax until 45% of average earnings, and not at the basic (then standard) rate until 85% of average earnings. So raising personal tax thresholds will be a priority.
- the current CGT regime is in many ways seen as unsatisfactory and too complex
- exemptions and special reliefs will be kept under review to see that outdated ones serving no economic or social purpose do not linger.
- we shall continue to search for simplifications which taxpayers' understanding of the system reduce compliance costs both inside and outside Government.

I cannot of course anticipate the Chancellor's next Budget. But he made clear in his first Budget that he was setting the course for a Parliament and that would involve a programme of tax reforms designed to stimulate enterprise, enable the economy to work better and create the conditions in which new jobs could be generated. I believe the Government's economic policies will continue to keep inflation under control and provide the basis for substantial economic growth. These are the conditions that we require to continue with our policies of reforming and simplifying the tax system.

RESPONDING TO INDUSTRIAL DECLINE

Across the board intervention by well intentioned governemnts to alleviate the problems arising from industrial decay, is as likely to cause new problems, as to provide a remedy.

This is the main conclusion of a study, *Managing the Response to Industrial Decline*,° published by the British-North American Committee. It was prepared for the Committee by Professor Joseph L. Bower, Professor of Business Administration at the Harvard Business School.

°*Managing the Response to Industrial Decline* by Professor Joseph L. Bower, British North American Committee, 1 Gough Square, London EC4.
01-353 6371 £2.00 (incl. p&p).

THE U.S. DEBT PROBLEM

Abstract

from a thesis presented by Professor Robert Blain of Southern Illinois University

1. DEBT HAS BEEN INCREASING IN THE UNITED STATES BY JUST UNDER THE INTEREST RATE SINCE 1791. This exponential process, at work for two centuries, explains why debts for farmers, corporations, state and local governments, the Federal Government, and consumers, are increasing by such large amounts now.

2. THE CAUSE IS THAT THE U.S. MONEY SUPPLY IS CREATED BY LOANS FROM COMMERCIAL BANKS. Such loans obligate debtors to pay back more money than their loans create. This is impossible. Neither coinage, increased production, nor increased exports solves the problem. The shortage could be met if creditors spent what they collected in interest back into circulation but creditors prefer to have their interest compound. So the only option for debtors as a whole is to take on more debt each year equal to the interest owed on their loans minus what creditors spend. This causes total debt to increase by just under the rate of interest year after year.

3. IF DEBT DOES NOT INCREASE BY JUST UNDER THE RATE OF INTEREST, ECONOMIC RECESSION FOLLOWS. The payment of interest or principal reduces the money in circulation, causing a slowdown in economic activity, until new larger debts equal to the interest and principal paid are incurred. Debtors must either accept an ever-larger debt burden, or they must lose their property and jobs to creditors from foreclosures and plant closings.

4. THE SOLUTION IS FOR CONGRESS TO CREATE, NOT BORROW, AN INTEREST-FREE U.S. MONEY SUPPLY. It can do this by issuing, paying, and lending a United States currency denoted in units of worktime into circulation. It is proposed that Congress create for this purpose a NATIONAL CAPITAL DEVELOPMENT ADMINISTRATION.

5. CONGRESS MUST LEGISLATE INTEREST ON EXISTING DEBT DOWN TO A FEE-FOR-SERVICE (PROBABLY LESS THAN 1%) IN ORDER TO STOP TOTAL DEBT FROM CONTINUING TO GROW EXPONENTIALLY. Less than 1% would cover bank direct overhead expenses and the tiny fraction creditors historically spend. Thus interest would be spent back into circulation, halting the exponential growth in current debt.

6. TAXATION MUST BE USED TO LIMIT THE AMOUNT OF MONEY CREDITORS COLLECT ON EXISTING DEBT. Otherwise the entire wealth of the nation will be turned over to a small minority of people through debt repayment.

7. MORE IMMEDIATE RELIEF FOR DEBTORS CAN BE SOUGHT IN THE COURTS on the grounds that the present method of money creation makes loan contracts collectively unperformable and, hence, invalid.

The political will for these actions must be found and the predictable resistance of creditors overcome, because debt is now growing about $2.7 billion a day and will grow by more in the future. The continuing growth of debt will force taxes, prices, and interest rates to rise exponentially, causing the erosion and eventual disintegration of the United States economy.

RETHINK THE RIGHT TO WORK
by Mark Goyder

The tragic strike of the National Union of Mineworkers has been based upon the "right to work". Many have questioned the desirability of a continued right to be sent underground to risk life and lung. Fewer have questioned the right to work itself.

Winston Churchill's coalition government was the first to commit itself to the maintenance of full employment. Much of the turmoil of contemporary politics is due to the inability of government to fulfil that promise.

A statesman's response to unemployment would acknowledge the obligation on governments to provide the jobs, to admit that they don't know how it is to be done; and start to explore some of the many ways people can work without having a job.

Because we are surrounded by unemployment we tend to think of the full employment years as a golden age. But were they? Many people hated their work; had their hearing or breathing destroyed by it; found it dull. Equally, I have met many in their late fifties and early sixties to whom redundancy has been a liberation. They have escaped the treadmill in time to do something different – enjoy their grand-children, travel, develop their hobbies, do part-time work. That is only half the story. But it does suggest it is not always a job that liberates and unemployment which enslaves; rather, to use Dahrenhorf's distinction, it is the freedom to be active which most people want – a freedom that some will fulfil through a job and some through unpaid activity – provided always that they enjoy some other source of income. That is a big proviso. Conventional judgement has it that you are worthy if you support yourself by a job and less worthy (if not worthless) if you let the state support you in some activity. Before we can move from a job-centred to an activity-centred economy, government has to convince citizens that they may, without stigma, occupy themselves while supported by the state. Self-reliance has to become something more than the search for the next wage packet. The right to work has to be replaced by the right to economic support without stigma. Education ceases to be an examination-centred conveyer-belt, feeding a job centre, and becomes a preparation for self-reliance. Government maybe unable to guarantee a job to everyone; it does have an obligation to mobilise everyone's contribution and keep paying all those who are active but unwaged.

Two Extremes

Our economy is divided into two extremes. There are those with too much paid work and those with none; those whom time is money and those drowning in time. Britain has more unemployed than anywhere else in Europe, but also works more overtime. How about compound national insurance paid by the employer for every hour of overtime worked by his people? This could then fund a reduction in employment costs for additional fulltime or parttime employees; or even be used to finance the next stage: increasing the opportunities available to people who want to make their contribution outside of paid employment. The ways will be many; the initiatives voluntary. Already the government gives £3.3 million to voluntary organisations through the DHSS's "opportunities for volunteering" programme, and more through the MSC's community programme.

"Count Us In" is a blueprint to be used by any government which has the wisdom to recognise that there is more to the crisis of youth than unemployment. By the age of seventeen, young people are tired of having things done to them: there is nothing most would rather do than make a direct contribution. They have been carried along the conveyer-belt of secondary school, making few choices for themselves and having little practical experience to teach them how they may be able later to make use of all their dull hours in the classroom.

On leaving school they can no longer be passed smoothly into employment which may have been tedious but promised financial independence. Instead we offer them an array of training schemes, which many spurn but most take *faute de mieux*. The schemes may be dull and some of the "preparation for life" classes they offer border on the absurd. ("How Your Council Works" in the morning and "How Your Body Works" in the afternoon!) The best few do interest young people in a skill worth pursuing; the majority help them to kill time. All invite their trainees to think in terms of deferred contribution; preparation for some future role. Yet the essence of being seventeen is that you want to start NOW; to be important and active this instant, not at some ill-defined future date.

Short Cut to Responsibility

The special attraction of community service is that it does offer a short cut to responsibility. It draws on those skills which human beings, young and old, possess without resort to formal training – caring, helping the very old or the very young, providing company to the housebound and entertainment to the mentally-handicapped. One, or sometimes even two volunteers attached to a chronically-sick person can make possible a life at home when otherwise he or she would be forced into an institution. Think of all the places where what is needed beyond all professional help is ordinary human contact – hospices and terminal care wards could do with a squad of youngsters laying on concerts, baking cakes or just chattering in the corridor.

Think of the extra million over-75s there will be by the end of the century. Think of all the conservation and amenity tasks that at commercial prices we will never tackle; urban wastelands that could be turned into city parks or playgrounds, dry stone walls to be built and footpaths to be maintained in national parks. Volunteers could help the emergency services in the aftermath of floods or fires. Think of schools where some parent volunteers are already used to increase the individual reading time that pupils have; the experience of tutoring younger children by young adults is that both learn fast.

Any doubt about the "Work to be done" is best answered by Professor David Marsland in his paper of that name°: he estimated 450,000 placements in the UK in social services, health and education alone.

All this work cries out to be done by someone; meanwhile thousands of young people would jump at anything that offered exitement and a sense of worth.

The last thing we want is a massive new agency to set up a monolithic national scheme. All government should do is fund the income and support the volunteers (yes, full-time volunteers do have to be paid something – probably at YTS levels) and earmark the agencies or groups of agencies which can allocate that money to satisfactory projects. The "Count Us In" group calculated that 100,000 places could be created for a net outlay (allowing for value of work done and supplementary benefit saved) of £100 million.

Community Service

And where does that leave youth training? Some would insist that youth training comes first, and social action afterwards. Others would say that many young people will be far more ready for youth training once they have gained maturity from a spell of community service. Perhaps the best option is to take the 16-18 years olds out of the labour market altogether and offer them instead an array of opportunities from youth training, specialised vocational training, community service at home or away from home, adventure training or, if they insist, the freedom to do none of those things.

Community service must certainly not be compulsory – for that would destroy that sense of worth it gives its participants. It is not a substitute for vocational training, although it has as much training value as any exposure to the outside world has for an overprotected school-leaver. It is not intended to replace paid and professional care, although without the mobilisation of more voluntary help, more and more of the tasks that affect our quality of life will be left undone.

Since 1985 is the International Year of Youth, much will be said about the rights of young people. No society should repudiate the right of young people to work and make a contribution to solving the community's problems. But we will be counting young people out if we persist in imagining that the only contribution worth making is through paid employment. There is a contribution that up to half a million young people could be making now, if only we showed the imagination to connect the crisis of youth with the impending crisis of care.

° *"Work to be Done" Professor David Marsland published by Youthcall, c/o Social Services Deoartment, Springfield, Maidstone.*

Mark Goyer is Vice Chairman of the Tawney Society and editor of its pamphlet "Count Us In", obtainable price £1.75 (including postage and packing) from 18 Victoria Park Square, London E2. A Day Conference on "Count Us In – where next?" is to be held in London in March 1985.

THE WORSHIP OF MONEY

by H. C. Rutherford

The present movement to encourage education in science, technology and mathematics and to discourage education in the humanities is as fallacious as the craze for 'creating jobs' and for a similar reason. What are jobs? They are not the same as work. There is no need to create work to be done. There is plenty of that – houses are urgently needed, and roads, railways, sewers and many other public services need maintaining or improving. It is said that we should have more investment. But there is an even more critical investment in the country's future in which 'jobs' are being destroyed rather than 'created', namely health and education.

So what are the jobs that ought to be created? A 'job' by this definition is any work, whether productive or not, socially useful or not, and whether having any intrinsic value or not, for which any private person or corporate body is prepared to pay. Productive or socially valuable work which is paid for by some public body, such as the Government or a local Council, does not qualify under the present definition of 'job creation'. Such 'jobs' should be reduced to the minimum. What is the secret of such a perverse valuation? It is money. Money is the supreme value. What makes money for an individual person must be good, whether or not it is of any value in itself or to anyone else. On the whole private persons are not prepared to pay someone else to do a job unless they conceive it to be of some benefit to themselves; and in most cases this is reckoned in terms of monetary gain. The money which anyone pays out in rates and taxes is not seen to be of direct personal benefit to the payer and so jobs which have to be paid for out of rates and taxes should as far as possible be abolished.

Education in science, technology and mathematics is directly relevant to money-making. Therefore it is a good thing. Education in philosophy, sociology, psychology, literature or history is at best only indirectly relevant to money-making; at worst these subjects tend to cast doubt on the certainty that money is the supreme value, and to be subversive of a morality and an established order which reckons money-making as the highest virtue. But has this worship of money led to any greater peace, prosperity or happiness for the citizens of this country? Forget happiness. Why should people be happy anyway when the road to wealth is strewn with gastric ulcers? As for the peace, how in a competitive world can you get on without confrontation? You have to fight for what you want. And prosperity? Well, if we all make ourselves miserable enough, the favoured few may one day be prosperous.

Science and technology will never tell us how to bring about an equitable and well-ordered society. No learning can possibly do that if the will to seek it as a primary aim is not there. But the subjects which are officially discouraged as mere humanities, including those which investigate other possible ways of odering human affairs, can at least contribute to the sort of thinking which would help to create such a society. Sir Richard Livingstone in his book Education in a world adrift, published in 1942 but more than ever relevent today, deplored the domination of education by utilitarian standards; he wrote, 'Our real problem lies deeper than politics, science or economics, and in the absence of a spiritual ideal we shall never solve it. If we go on as at present, we shall probably decline into an economic religion, worshipping material prosperity in a more or less refined form. Such a religion is inglorious and, because it does not satisfy the deeper needs of human nature, short-lived.'

APPOINTMENT IN JAPAN
by G. C. Allen

Seldom can one have an opportunity to read such a delightful book. Published after his death "Appointment in Japan" is an account, fortunately completed of G. C. Allen's personal thoughts and reminiscences of his long experience of Japan from 1922 to 1982. As a student of economics, I, and many others have valued his textbooks and contributions towards understanding British economics without realising the scope of his contribution in Japan – or his high reputation there. We can now rectify that gap by reading this enjoyable and illuminating last, and I believe, lasting publication.

A sample of chapter headings best indicates the subject matter – "Nagoya, Arrival at the City of Fame and Antiquity", "Town and Country in the 1920s", "Manner, Moods and Convictions", "Recreations, Travels and Encounters" and "*Dai Nihon* and Great Britain". All promise – and fulfil, personal insight, correction of misconceptions and a balanced, deeply thoughtful account of attitudes and reactions spanning the many difficult years from the abrogation of the British-Japan treaty in the early 1920s, through war and onto the so called 'trade friction' problems of today.

This book is not intended to be about economics – but the skill of that discipline and, at times, its reasoning, runs strongly beneath his account. At one point, in commenting on religion he explains that a Japanese aquaintance once expressed the view that Christianity, believing in just one God could hardly be as good as another religion believing in many Gods since many specialists must surely offer a better service than one. Allen comments "I knew about the economies of the division of labour, but this application had never occured to me".

This is a candid account. Reasons but not excuses are suggested for Japanese war activities. The reason why the Japanese work so hard, he quotes a friend as suggesting "is because we are so much more comfortable in our offices and factories than we are at home". Following earlier high reputation Britain, by the 1960s, he says was viewed by the Japanese as having joined the *Shayo-zoku* – the 'tribes of the setting sun'.

Allen ends his book nostagically "In 1922 Japan still breathed air of her feudal past. The beauty of the countryside had few blemishes. Modern technology and Western influences had not yet shattered the fabric of traditional life. Japan offered me, at an early age, the opportunity to share in her ways of living. From the first, I was an appreciative guest at the feast she provided and my gratitude for her hospitality has not grown less with the passing of the years."

"I cannot believe", he says, "that a young Englishman, on his first visit to Japan today, is now able to find his way into the magical world into which I was admitted sixty years ago".

As such an Englishman, visiting Japan for the first time recently, though admittedly with advantageous personal circumstances, I can assure him that, at least 'behind doors' such a world is still very much there to be found.

Jim Bourlet

(Published by Athlone, 1983 at £12.50)

IS THERE A THREAT TO BRITISH STABILITY?

The author of this book "The Paradise Builders"° is Dr. K. W. Watkins, an economist and political scientist who has established a considerable reputation based on his accurate forecasting of current economic, industrial and political events. In this book which contains a number of essays, he seeks to explore the relationship between political ideas and practice in the modern world. The conflict between liberal and Marxist views of society is clearly demonstrated and such matters as the role of the police and the attitude of managers to Marxism are adequately covered.

The author has also given considerable coverage to problems in international politics including the Far East, a subject which he has studied for many years.

Dr. Watkins writes in his first essay "The great question of our time is whether liberal democracy will be able to survive the Marxist challenge? Few people realise how, in terms of length of human history, young and tender a plant is liberal democracy."

°*The Paradise Builders – and other essays* by DR. K. W. Watkins published by the Sherwood Press at £7.50.

TRANSFORMING THE WORLD ECONOMY

This book ° contains nine critical essays on the International Economic Order, edited by Herb Addo. Its purpose is to make a contribution to the continuing debate on the transformation of the world economy, and it is intended to provide food for though for political economists in particular, academics and intellectuals in general. It contains material likely to be of interest to those members of the general public who take an active interest in international economic affairs.

There are eight contributors, all of who were connected with the United Nations University's network project on Goals, Processes and Indicators of Development.

°*Transforming the world economy* edited by Herb Addo published by Hodder & Stoughton in association with the U.N.University at £12.50.

"A SHARE IN THE ACTION"

Launching an 86-page CBI discussion document entitled "A Share in the Action", Sir Terence Beckett, Director General, said: "It might seem insensitive to some to talk now about a wider capital-owning democracy when three million people, because of recession, are out of work and cannot earn money let alone save and invest. But it's now, while we are seeking new ways of curing our ills, that we should be looking at the fundamentals.

"The country might not have been facing many of its current problems if more people had taken a direct stake in enterprise years ago."

Figures in the document contrast the boom in home ownership over the last few decades – 60 per cent of the population now compared with 29 per cent in 1950 – with the fall that has occured in direct share ownership. Only about 3 million people in the UK (7½ per cent of the adult population) directly own shares compared with 42 million or 25 per cent of the adult population in the USA. The discussion document lists 31 action points for CBI members, the Government, the City, educationalists, the professions and the media designed to help people climb what it calls "The savings and investment ladder."

One of the major proposals for the Government is that it should look again at the taxation system, not discounting major changes, to see that it encourages or at least does not discriminate against savings and investment in general and direct share ownership in particular.

The discussion document looks at the evidence that the money is available for a gradual revolution in share ownership, shows who owns shares now, how the City works and is changing, and how the encouragement of many different initiatives – from profit-sharing schemes to the starting up of a new small business – could radically alter the British scene. A glossary of terms – designed to "remove the mystique" from share dealing – is included so as to encourage the widest possible audience to take part in the major debate the CBI seeks.

∞ "A Share in the Action" is published by the CBI, Centre Point, 103 New Oxford Street, LONDON, SW1A 1DU. Price £4.50.

Printed By: Doppler Press, 107 High Street, Brentwood, Essex.