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AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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THE FRAILTY OF GOVERNMENT STATISTICS

By Richard S. Wainwright

For forty years much of the political debate in Britain has centred around the alleged state of the British Economy. Elections have been lost and won on statistics of inflation, balance of payments, and national product, often seriously revised after the polls. I believe that vast changes in our economic structure have made most of these statistics dubious, as shown by the increasingly large corrections which are made to them years after the impact of their first publication. I do not think that they can any longer bear the weight of political argument to which we have become dangerously accustomed.

My first doubts arose from the disappearance, in my highly industrial constituency, of the old land-marks for the state of business and employment. The manufacturing giants, in terms of huge labour forces, have been disappearing, this decade. The rapidly growing variety of specialised products is reducing the knowledge and influence of Trade Associations and the big changes in patterns of work reduce the credibility of the employment figures. The extent of self-employment can only be guessed at and the extent of part-time jobs cannot be scientifically assessed. More important, the general public has become deeply suspicious of the official unemployment figures and there are no agreed statistics to form the agreed basis for debate. Transactions in the Service industries are often impossible to aggregate correctly.

A catastrophe for the reputation of official statistics has followed the successive discard of formulas for the monetary aggregates. M1, PSL1, PSL2 and M3 have rapidly followed each other into the litter bin after being lifted high for public worship in the Budgets of the 1980s. All the Chancellor is left with is the primitive MO which is a doll's house index which receives little respect.

The instantaneous transfer of huge funds round the world every hour out of the twenty-four, by electronics and satellites, has created a challenge to the producers of quick national statistics which they are not able to meet. At the same time the acknowledged margins of error in Government forecasting become greater every year to a point which makes forecasts such as fixed investment and manufacturing output very dubious indeed, not to mention GDP.

While British politicians and economists worry themselves about these difficulties, Italians and other competitors move ahead of us without basing their judgements on such frail figures but, instead, by attending to the real and visible problems of industry and employment. Whatever the OECD may say, those who spend much time in Northern Italy report firmly that their observations show a higher material standard of living over the Alps than in most parts of Britain.

I do not believe the economic information available to central Government is sufficiently credible to justify the current massive interference with Local Government and with Government-supported independent authorities. Month by month a most powerful centralised authority is usurping power which needs to be dispersed in a democracy. And this is being done on the basis of increasingly suspect financial and economic information, in much of which the mere nation state is no longer an appropriate unit. The surest way for Parliamentary democracy to destroy itself is by concentrating its debates on information which, outside Parliament, is not accepted and which makes General Elections a poor game of blind man's bluff.

INDUSTRIAL INVESTMENT AND INTEREST RATES

By John Maples M.P.

In Britain the volume of bank lending has been growing at around 20% p.a. and short term interest rates are over 9%. In contrast, in West Germany bank lending is growing at about 4% p.a. and interest rates are only 4%. There has to be a connection and a lesson to be learned.

Our high interest rates are in part a direct result of the hectic growth of personal credit. Interest rates are largely determined by the demand for credit and the supply of savings; if interest rates are consistently in double figures, that is a fair indication that the demand for credit is excessive in relation to the supply of savings.

The old banking cartel effectively rationed credit, but now banks sell credit aggressively; new ways of lending money are constantly being invested and promoted. Banks issue credit cards and encourage their customers to take out loans; they have entered the mortgage market while building societies are planning to offer personal loans.

Banks have shifted their lending substantially from industrial customers to the man in the street. Loans for property development and investment on the Stock Exchange have also increased substantially. That is because this kind of lending is very profitable: it is not very sensitive to interest rates. After all, you and I will pay from 14% on our overdrafts to 25% on credit cards. We are concerned with whether or not we can meet the monthly payments not with the rate of interest. Property developers and share dealers expect quick profits and are willing to pay high interest rates for short periods.

Banks have been able to get high interest rates by concentrating their lending in these sectors. This has stimulated the total demand for loans and interest rates have had to rise to attract the necessary savings to fund them. It is a fallacy to assume that the process begins with high interest rates first attracting increased deposits which banks then have available to lend. The banks themselves are the engines of loan growth; bankers are not passive intermediaries sitting in their offices waiting to see how much money they have taken in deposits before deciding how much they have available to lend.

High interest rates are bad for manufacturing industry which usually cannot afford them. Manufacturers investing in new plant have to take long term decisions; before borrowing money at 12 or 13% they have to be sure they can make adequate profits over several years to justify this. They often decide that the investment does not justify the risk of borrowing at such high interest rates. Investment in manufacturing has fallen in recent years and so has bank lending to manufacturing companies in relation to personal lending. Natwest's lending to manufacturing and other production industries has grown over the past 5 years by only 33% while its lending to property companies has grown 170% and to individuals by 215%. The other big banks show a similar trend.

Manufacturing industries are seriously constrained by high interest rates which the personal and property sectors are willing to pay.

It is not just the direct cost of loans that works against productive investment. The current flurry of takeover activity is largely fuelled by the need to find a home for spare cash and takeovers are often more attractive than expensive and risky investment in new plant. High interest rates encourage investors to keep cash in the bank rather than risk it in new investment. They encourage investment in property and the stock market rather than production. The city is often criticised for its cautious view, but that is in no small part the result of high interest rates and the attractive alternative of leaving money on deposit or lending it to the government without risk.

High interest rates are disastrous for everyone except banks and depositors, though in the long run even depositors are borrowers and will suffer. Quite apart from stifling investment in manufacturing, the high level of personal lending is very dangerous. Individuals' debts have risen from 50% of their disposable income five years ago to 85% now and the results of this are being seen in the high level of defaults on mortgages, credit cards and personal loans.

Much of the lending goes into consumer spending on imports. Record levels of retail sales are accompanied each month by record levels of manufactured imports both boosted by record levels of consumer lending.

Lower interest rates can only be achieved if growth of bank lending is substantially reduced. If that were to happen interest rates could fall without endangering the exchange rate. Sterling has been under pressure largely because of the excessive growth in credit and the concern of financial markets that this will result in increased inflation.

A start could be made by increasing down-payments on hire-purchase and deposits on mortgages and by requiring far faster repayment of credit card and similar loans. There is no real reason not to go further and actively restrain bank lending to individuals and property companies while encouraging lending for productive investment. The Bank of England has the power to do this. Lower interest rates resulting from lower credit growth would stimulate manufacturing investment and production, improve the balance of trade in manufactured goods and be accompanied by a less vulnerable exchange rate.

THE $64,000(000) QUESTION!

By Andrew Street & James Bourlet.

It seems that never before has opinion been more divided – and with good reason, on the question of the likely course of events for inflation. But much hangs on guessing correctly, both for individuals and for companies. As a contribution to the debate "Britain and Overseas" decided to try and outline the two opposing 'cases'.

A PRELUDE TO INFLATION?

The past five years have witnessed a remarkable decline in the rate of inflation in Britain – from over 12% to only 4%. Last year it seemed that only exceptional items were increasing in price. The general feeling was of price stability and most people began to plan on the basis that 'inflation was dead'. The reasons why inflation had so dramatically declined were both domestic and foreign. At home the monetary policies and recessionary fiscal stance of the early 1980s, which led to unemployment of perhaps 3½ or 4 million if reckoned on the basis that had been used during the 1970s had depressed demand whilst at the same time the highly attractive interest rates available led to an increase in savings, a fall in the speed with which people chose to spend their incomes and a high exchange rate. The high exchange rate in itself held down the prices of imported goods but this trend was reinforced by the world wide recession which led to falling raw material prices – notably in oil. These 'external' effects would have been even stronger had not the Common Agricultural Policy prevented the sort of fall in food prices which would have occured in pre-EEC membership days.

But time lags are important and last years events were the result largely of policies followed two or more years previously. World events and British policies followed last year and this year will determine events during next year and beyond. What such events can we identify as important? Perhaps the most important change in British policy has been the relaxation of policy over money supply which on a M3 basis is now running at around 20% annual increase. In everyday terms, this is reflected in the common experience of finding bank managers, credit card firms and building societies competing vigorously for the chance to lend us yet more and more. For one journalist earning a modest salary who went out one day to see just how much he could borrow the startling result was a total of over £120,000! A second event is the change in world trading conditions associated with a lower value of the £.

Boom conditions – at least in terms of increased monetary demand, look like continuing in the United States as a fall in the rate of 'real' expansion inhibits the Federal Reserve from changing tack towards higher interest rates. In a March 1987 publication entitled "The Great Liquidity Explosion" the First Boston Bank argued that "The risk of creating domestic bankrupcies on a massive scale will, in our view, continue to prevent the Fed from aggressively pursuing restrictive monetary policies". Thus lower interest rates – or at least lower *real* interest rates look like being a world wide pattern starting in the U.S. but followed also elsewhere – even in Japan and West Germany. Such conditions are a ripe setting for a major increase in oil and other raw material prices. Meanwhile those countries which *can* make a genuine contribution to falling prices based on their ability to dramatically increase productivity, such as Japan and Hong Kong are increasingly prevented from benefitting Britain by the protectionist clamour of the Brussels commissars who parade the world declaring 'trade wars' in their efforts to satiate the lobbyists and financiers assembled ever more effectively around the EEC headquarters. American wheat, Japanese typewriters, Hong Kong textiles and much else is thus gradually being squeezed out of genuine free access to the British market.

Already the prices of many imported goods are rising and will rise further as soon as demand and domestic competitor's costs permit. Domestically the position today bears a strong resemblance to the later years of Edward Heath's premiership. In 1972 and 1973 money supply showed alarming growth rates and house prices were already rising alarmingly. Gold had just started a dramatic rise that was to take it to treble 1972 levels by 1976. Raw material prices and oil prices were climbing. At the same time, the government was assuring all that inflation was under control and indeed the vast majority of laymen and even economists were complacently assuming that inflation would only rise 'slightly'. There seemed no idea that by 1976 inflation would top 25%. But there *were* jeremiahs and notable amongst them were the small group of monetarists known as the 'Economic Radicals' who warned in a pamphlet called 'Memorial to the Prime Minister' that the vast increase in government borrowing was leading to a vast increase in bank lending (the banks at that time being constrained in their ratio of total lending to their holdings of goverment debt) which would lead to demand led inflation.

Today the banks seem constrained only by the numbers of credit worthy customers who come forward and so government deficits, as such – the 'P.S.B.R.' – holds less relevance. Given the still cautious fiscal stance of the government it seems that it is this increased bank lending which had been the major factor explaining the recent slight fall in unemployment. Many, many of us as individuals and firms, are taking the gamble in borrowing money today, that overall lending will continue to increase or government policies will be relaxed so that inflation can bale us out of our overextended position. Most likely – as in America, the gamble will pay off. Government and banks alike fear more the consequencies of massed bankrupcies than delayed inflation.

Cartoonists in 1973 showing pictures of Britain booming out of control gave captions of 'For God's sake stop' while Samuel Brittan in the April 20th 1987 edition of the Financial Times commented that "The stimulus to domestic spending arising from lower interest rates is about as desirable as another drink for the road for someone already in danger of exceeding the breathalyser limit". This might of course, be offset in its effect by higher taxation, but Samuel Brittan continues "It is a million pities that pledges and hints about reducing taxes and an overmechanised PSBR formula have limited the government's ability to restrain demand".

So today, as in 1973 credit is growing apace, house prices and gold prices are rising and this is set against a world picture of a choice between a deep recession and renewed inflation. There may be just a chance that spending power will simply pile up in ever larger cash balances in private bank accounts (a further fall in 'velocity of circulation') but to many there seems now, even if the British government reign in still further it's own spending, an inevitable and major future rise in general inflation.

BUT.....

EVIDENCE SUGGESTS CONTINUED STABILITY

With the latest monthly inflation figures showing an increase to well over 4% it has to be admitted that the U.K. is beginning to experience a cyclical upswing in the rate of retail prices. However, a number of factors suggest that inflation will not get above 6 or 7% during this upswing and that the economy will enter the 1990's with inflation falling again.

The two ingredients which will produce this outcome are, the changed atmosphere and policy mix in the U.K. and secondly the world economic environment which is likely to be vastly different from that experienced during the 1970s.

The U.K. Economy

Given the determination of organised labour to press for ever-larger money wage increases and the weakness of employer resistance to these claims, the U.K. was very inflation prone and suseptable to external inflationary shocks in the 1970s. The 'Thatcher years' however have changed labour market behaviour, partly through harsh reality (high unemployment) and partly through rhetoric (attempts to install more realism, and continued talk of, but not implementation of, a tight monetary policy etc.) So, whilst the U.K. probably remains more inflation prone than most other developed countries, it seems likely that whatever changes may now take place in economic circumstances and political leadership, at least some of the complex of economic forces which have favoured a weakening of organised labour and a new entrepreneurial spirit amongst employers will continue. Furthermore, the evidence from the election results of the remarkable popularity of the Conservatives in face of high unemployment and the confidence with which so many people are investing in share ownership, point toward an electorate which will back policies for price stability for the forseable future and which will shun politicians who appear likely to ride the inflation tiger once more.

Thus the domestic picture suggests a better-than-even chance for low inflation after a mild rise during the coming two to three years. The fulfillment of that scenario however, will depend on events in the world economy and it is there that one can see the most dramatic contrasts with the inflationary world of the 1970s and thus the clearest grounds for predicting continued U.K. price stability.

The World Economy

The world economy grew at a sluggish 2.5% in 1986 compared to 2.9% in 1985. 1987 could be a worse year for growth than 1986. A glance at the major economies suggests that the growth outlook remains gloomy and that there will be little upward pressure on prices from the demand side. This is much to do with trade balances, especially between the U.S.A. and Japan, and the failure of currency adjustments to rectify these imbalances quietly. The next U.S. administration will quite probably have to introduce a deflationary fiscal policy in order to curb import demand and to protect the dollar. In Japan the high yen is damaging exports, so putting a brake on growth there. The opportunites for an expansion of Japanese demand seem limited and the successful implementation of Japanese proposals to recycle its external surpluses to boost demand in the high-debt countries (eg. in Latin America) is by no means assured.

Overhanging the world economy is the 'worst case' scenario of a retreat into full protectionism: but this occurence will not be neccessary to keep world inflation low.

Commodity Prices

It was a boom in world activity and in commodity prices in the early 1970s which heralded the high inflation of that decade. Just as the level of world activity is going to be subdued, so there is not going to be an upsurge in commodity prices in the next few years. Oil prices present a somewhat different picture. The December OPEC meetings in Geneva led to a production quota agreement which has been operated more successfully than was initially expected in the West. However, the turn-around in the balance between supply and demand in the international oil markets will be slow one, barring an escalation of the Iran-Iraq war. A gradual but not marked rise in the real price of oil is the most likely prospect for the next five years.

Conclusion

The two views presented above are intended to leave the reader free to make his own choice. There are major difference in assumptions involved – most notably over the likely reaction of the U.K. and U.S. governments to any renewed inflationary pressure and over whether monetary policies pursued in both of those countries during the past three years have already 'cast the dye' for future inflation or merely been appropriate responses to permanently changed circumstances.

RESPECT ECONOMISTS – BUT TEMPER POLICY MAKING WITH PRAGMATISM

By Sydney Shenton

The past six years have been marred by high unemployment taking virtually the whole of the vast proceeds of North Sea oil in unemployment relief; by rates of economic growth which when taken to include the drastic fall of 4% of G.N.P. in 1981, have been lower than our competitors; and by investment which has been notably skewed towards the financial and services sector. The notable fall in inflation which has been seen as the prize for which these sacrifices have been made, has however been experienced by our more fortunate competitors as well.

During this period government patronage and influence has brought economists associated with the New Classical school into a predominant role. Their hand and authority has been portrayed as the intellectual justification for economic policies but, at the same time, the majority of leading economists have been scorned and John Maynard Keynes assumed to be so stupid and mistaken that his ideas and name can be used only for the purposes of abuse in the corridors of power. Economics, which can provide an impartial and objective antidote to the extremes of the free market and socialism alike is now treated with less respect than the hollow slogans of politicians. Whilst economists have been providing solutions to Britain's problems, politicians have convinced the electorate that 'there is no alternative'. Now, it seems that the New Classical school, or 'Monetarists', may be, in their turn, discarded. Surely, to encourage disrespect for those who have once been honoured for their efforts in mastering the complexities of economic policy problems, is to invite policy making on the basis only of prejudice and self-interest?

Economists of necessity however, deal in generalities and their suggestions must be supplemented by specific actions designed to promote jobs and foster industrial regeneration. The House of Lords Select Committee report on Industrial Strategy has portrayed ample evidence of this need and shown ways in which this can be achieved. This, and other publications allow me to cite a great many possibilities to assist building up our manufacturing industry. For example, teeth could be put into the 'Buy British' campaign, marginal preference could be allowed on all government contracts before they are placed abroad, and simple vetting systems could assist many valuable contracts to be awarded at home. In stark contrast to such obvious self-interest our Transport Ministry never even informed the Ministry of Trade and Industry what was implied in bus deregulation and as a result, all small busses are now imported.

During the lifetime of the new Parliament a much more pragmatic and realistic policy for industry is going to be essential, the falls in the rate of inflation must be recognised as being more a result of sharp falls in commodity prices than the result of damaging monetarism, and our manufacturing base must be allowed to prosper.

THE CONSERVATIVE EUROPEAN REFORM GROUP – AND JAPAN

Concerned by the increasingly strident calls for action against Japan, the European Reform Group of Conservative M.P.s have written to the Rt. Hon. Margaret Thatcher as follows.

Dear Prime Minister,

Following a meeting of the Office Bearers of our Conservative European Reform Group, I was asked to write and advise you of our concern about the implications for the U.K of any precipitate action on trade sanctions against Japan.

Of course we have been greatly heartened by the clear impression that both you and the Government are considering the issues in a most careful and constructive manner. However, in view of the strong representations which you had from the Leader of the Opposition to plunge into immediate action, we thought it right to advise you that at least some of your loyal supporters believed that the patient course was the more sensible one and that we should provide a reasonable period of time for the Japanese Government to respond to the proposals advanced by our Consumer Minister during his visit to Japan.

Here is a brief note of the considerations which we had in mind and which we know that you will consider carefully along with the other representations which will be made to you on this vital matter.

Yours,

Teddy Taylor M.P.

Hon. Secretary, Conservative European Reform Group.

We would urge to Government to think most seriously before embarking on a policy of sanctions and not to take action until at least the issues have been thoroughly debated in Parliament. Our reasons are as follows:-

(1) So far as financial institutions are concerned, the recent public refusal of the Governments of France and Germany to deny a safe haven to any Japanese financial institutions expelled from London demonstrate the real danger that action by the UK would simply result in significant resources and employment being transferred from London, to Paris and Frankfurt.

(2) Experience has shown that when complaints of a specific nature have been put to Japan, action has followed within a time scale which is reasonable without being immediate. In a letter to the Group's Secretary dated 29th Nov, 1986 Alan Clark stated that Japanese tariffs were low, that quotas were virtually non-existent, and that two of the three outstanding complaints (ski-equipment and rally seat belts) had been acted upon by the Japanese Government. The remaining issue was whisky duty.

Our own enquiries have revealed that Japanese liquor tax and import duty are a very small part of the retail price and that an infinitely greater part of the high retail price stems from massive importers margins stemming from the European exporters having set up sole Japanese import agencies.

(3) There is ample evidence that enterprising British firms which have taken the trouble to establish themselves in Japan and to develop the market, particuarly in upmarket goods, have found the market to be substantial and profitable.

(4) On the specific issue of the trade balance, we are mindful of Britain's deficit in manufactured goods with the West German Government is double that with Japan and our group has provded evidence of what we regard as indefensible non-tariff barriers and trade abuses by that country.

(5) There are already substantial trade restrictions on Japan, unique to that country, imposed by the EEC. Voluntary restraint agreements and car quotas are obvious examples.

(6) Britain is gaining substantially in jobs and development from closer links with Japan. The activities of the highly enterprising Amstrad Company, which is beating both Far East and European competition, is a good example.

(7) We should not disregard the massive and costly constant lobbying in Brussels of some Eropean manufacturers who seek to persuade the EEC to curb Japanese imports on no real grounds other than that they find difficulty in competiting with them.

Of course we recognise that the issue is complex and difficult, but we would urge H.M. Government to bear these points in mind before rushing into trade sanctions which could become a trade war.

Teddy Taylor MP., will address the E.R.C. on the subject "Japan, The E.E.C. and Reform" on June 30th. Ed.

"BILL"

A Salute from John Biggs-Davison

Edward Holloway was unassuming, almost self-effacing, though his myriad speeches and lectures and his copious writings were vibrant with simple conviction. His zeal for monetary reforms went back to the pre-war deflation and "poverty in the midst of plenty". He never gave up. He campaigned through post-war years of inflation to those of Mrs Thatcher's "monetarist" revolution. He walked with national leaders, but never lost the common touch.

"Bill", as intimates knew him, made one attempt to enter the House of Commons, as a Liberal. Yet his ideas had much in common with the High Toryism of the squires who opposed the Bank of England Act of 1694, arguing for a Land Bank instead, or of the late Bob Boothby who voted with Labour for its nationalisation. Bob was a co-signatory of our letter to *The Times* calling in 1958 for enquiry into the "workings of our financial system in its internal, Commonwealth and international aspects". Her Majesty's Government in the United Kingdom was urged to follow the example of Her Majesty's Governments in New Zealand and Canada.

"Bill" was a good Commonwealth man. Born in 1906 in Russia, where his father was employed by the Indo-European Telegraph Company, he joined the Indo in 1922 "with the youthful expectation of spending much of this time overseas". But in 1925 Indo was taken over by Imperial and International Communications (later Cable and Wireless).

When "Bill" stood for Parliament in Ilford South, the Liberal candidate in Ilford North was Lady Rhys Williams, the brilliant economist and enthusiast for child welfare and tax reforms (she anticipated negative income tax by years). Neither candidate was elected. Thereafter both drew closer to Conservatives of whom I was one of the less important.

The three of us worked in the United Europe Movement and Duncan Sandys's *European Review* which drew up plans that, if pushed by Britain, then acclaimed pre-eminent in free Europe, might have united it without that "surrender of sovereignty" and weakening of "our close and valuable" sterling area and Commonwealth associations. Witness the Strasbourg Plan for the linking of the overseas Commonwealth and Sterling Area and the French Union and other overseas extensions of Europe by means of first and second trade preferences and long term contracts for primary producers. The plan, with which both Leo and Julian Amery had much to do, was passed by a unanimous Consultative Assembly of the Council of Europe. It was then recommended to the Committee of Ministers and pigeon-holed by the British and other Governments. Years later the United Kingdom joined a Community set in its ways and accepted alien terms and unwelcome requirements.

I did not agree with Bill's advocacy of an Atlantic Free Trade Area, but no disagreements ever marred a friendship begun with joint editorships undertaken, at Juliet Rhys Williams's invitation, of *Economic Digest* (afterwards *Commonwealth Digest and World Economic Review*). We were together too in the cause of Rural Reconstruction, writing regularly for *Rural Economy*. Much then advocated was derided as "muck and mysticism". Today organic agriculture and horticulture are accepted and fashionable. Who knows what other of "Bill"'s ideas may not in time find favour? He sowed well, though the harvest was uncertain.

Modest, down to earth (in a literal sense too!), considerate, generous, Edward Holloway was a gentle gentleman. His valedictory book, *Money Matters**, is sub-titled "A Modern Pilgrim's Ecnomic Progress".

Bunyan's earlier Pilgrim said: "My sword, I give to him that shall succeed me in my pilgrimage, and my courage and skill to him that can get it". "Bill" wielded a pen "mightier than the sword"; for ideas are stronger than force. But he gives also to his successors, fired by his quiet and patient example, a sword that shines with sincerity and honour.

*Sherwood Press, 1986, £6.95. ISBN 0 907671 21 F.

THE GREAT DEPRESSION OF 1990
By Ravi Batra

This book is a spoof – I hope. And to be honest, I would not have bothered to purchase a copy had I not been interested by it having a foreword by Lester C. Thurow, a name well known to me as an MIT Professor, an author of very sane economic work and a leading advisor to the Democratic party. Writing in March 1985, Thorow claimed Batra had made a 'brilliant exposition of cyclical regularities'.

The basis of Batra's understanding is that life contains natural cyclical patterns within long run social changes with names such as 'the age of aquisitors' and 'the age of warriors'. He analyses the last 300 years of U.S. economic history and shows rather convincingly that regular patterns have emerged in four important variables, – money supply, the extent of government regulation of the economy, the concentration of wealth in society, and economic activity. He claims (page 139) "The message of cycles must now be crystal clear. Since the 1960s escaped a great depression, the 1990s will experience another cumulative effect – the worst economic crisis in history".

I have a great deal of sympathy with a writer who can bring into his thinking such diverse factors and there surely must be consequences to the fact that (as Batra puts it) "The inequality of wealth is now climbing at an unprecedented pace". Furthermore, his statistical picture of past events and his understanding of the practical effect of economic theorists lend credibility to his prophecies.

So this book is most thought provoking and certainly is an excellent read for a long train journey. But it was written in 1984 and by now the reader is already in a position to judge his predictions against actual events. Was there a 'serious recession' in Europe in 1986? Is it really good advice to the reader that he should invest in gold on those occasions "when the price dips below $200"? And one suspects that things ARE a little different now – the pace of technological change is providing a great variety of new investment opportunities and the banking system is more likely to condone a long period of 'stagflation' than an old fashioned price falling depression as a means of writing down excess wealth holdings.

Published by Venus Books, Dallas, Texas and available from The Economist's Bookshop, London. Price £9.90.

J.B.

LOBBYING GOVERNMENT
By Charles Miller

Subtitled "Understanding and Influencing the Corridors of Power" this is the insider's handbook for that growing army of activists employed by political pressure groups. Published in April 1987, much of the material will quickly date, but for the moment, as a reference work, it is invaluable.

The important point however is that this work fills a gap in the literature. General works on the 'British Constitution' describe pressure groups and their role, – but only in a few pages. The Guardian 'Directory of Pressure Groups' is an excellent reference work of the many established groups which currently exist, a sort of 'Who's Who? ranging from the T.U.C. to the Monday Club. But little has been published which describes the day to day work, the techniques and skills used, the appropriate stance to take when approaching civil servants, news editors or ministers etc. And it is not easy to go beyond the H.M.S.O.s 'Britain, An Official Handbook' when searching for a simple run down of the functions and role of the various government departments and 'Quangos'.

To indicate the subject matter addressed one can list a few chaper headings at random: – "Whitehall : its mentality and its dealings with outsiders", "Techniques of advocacy", "The courts and the Ombudsman: action against executive and administrative decisions" and "The need to understand and work the system". This work is a most valuable reference manual, and for those with just a little patience and determination, a not uninteresting text.

Published by Basil Blackwell, Price £25.

J.B.

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