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BRITAIN & OVERSEAS

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

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WHY PEOPLE AREN'T SAVING ANY MORE

Summary of a talk by Professor K Alec Chrystal, National Westminster Bank Professor of Banking and Finance at the City University Business School, to members of the Economic Research Council on 1st December 1988.

Britain is running a public sector surplus at the same time as a balance-of-payments deficit. This implies that the private sector as a whole is in deficit. Partly this is caused by company borrowing associated with an investment boom. However, there has also been a deterioration of the financial balance of the personal sector. The personal savings ratio, that is the ratio of personal savings to disposable incomes, peaked in 1979 at 16 per cent. Since 1979, when Mrs Thatcher came to power, the ratio has fallen to around 3 per cent. This situation poses two questions – is there a problem, and is there cause for concern?

Cause for Concern?........

There are supposed to be three causes for concern. First, it is generally supposed that high personal savings and high economic growth go together. Japan's experience is cited as evidence. But the supposition is wrong. Investment in the UK does not have to be paid for out of personal savings. The UK is not a closed economy, and investment can be paid for out of inflows from abroad. The second alleged caused for concern stems from the general belief that savings are virtuous and improve a person's standing, while credit booms and concomitantly high levels of personal debt are bad things and cause excessive consumption. The third cause is the general belief that the market-orientated philosophy of the Thatcher Government and the lower direct taxes this Government exacts should have encouraged people to save – so why haven't they?

...... Not for These Reasons

The experiences of the USA and West Germany are enough to dispel the myth that there is a causal link between the personal savings ratio and economic growth. The UK was not alone in experiencing a declining savings ratio, albeit the rate of decline in the UK was very rapid. The classic theory of saving is that people save what they have left over after spending. It is based on the twin concepts of permanent but variable income, and life-cycle spending. This means that consumption is likely to be smoother than income. Savings should therefore rise in booms and fall in slumps. But the economic boom since 1979 has not apparently resulted in more savings, and the theory does not seem to hold water.

Wealth Effect

The theory of saving implies that savings are a function of income. But not all increases in personal resources are measured as income. Consider the role of houses and changes in house prices. House prices have risen steeply particularly in the south-east, and owners may ask themselves why save out of income when rising property values does the saving for them – painlessly? Moreover, the propensity to save out of capital gains is typically 100 per cent – and capital gains are not counted in income and savings statistics.

Innovations in Finance

The financial system has undergone great changes in recent times. What are the implications for personal saving of changes such as deregulation of building societies, banks, and other financial institutions, and equity-release mortgages? Gordon Pepper's analysis of net savings into gross savings and borrowing reveals a large increase in borrowing, two-thirds of which are accounted for by mortgages for house-purchase. Hence the suggestion has come from some quarters to introduce credit control to curb borrowing and push up net savings.

Confidence

Confidence affects savings, as the Chancellor may have had in mind when referring to the low net savings ratio in his autumn statement. High inflation induces lack of confidence in the value of money and in the economy generally: and people are supposed, by some at least, to want to save more when inflation is high in order to maintain their personal wealth. This may not be possible, given that they have less residual income to save, and it is clear that the ratio of wealth to income falls with inflation. It is not until the rate of inflation comes down that people can afford to restore their personal wealth. Stephen Bell, of Morgan Grenfell, argues that there is a ratio of wealth to income at which people feel comfortable, and that this level effectively determines their propensity to save.

So Are People Saving or Aren't They?

With so much of the theory indicating that people ought to be saving more in the present state of the economy than the figures purport to show, perhaps the time has come to question whether the figures are correct. The official measure of savings is taken from the National Income Statistics, and is not a measure at all, but a residual. It is the balancing item. Bell, arguing that we do not have to accept the residual as the 'measure' of savings, has suggested that actual savings may be measured by looking at flow of funds. These show that the savings ratio was 13 to 14 percent in 1987, not 6 per cent as derived from the National Income Statistics!

Conclusion

The conclusion is that the evidence as to whether people are or are not saving any more is inconclusive. The statistics appear to show that the savings ratio is low, but as the figure of personal savings is a residual, it may be false. The classic theory of saving suggests that personal savings should be high. Perhaps they are, and a person's wealth being made up of more than accumulated surplus income, a person may achieve what a person feels is a comfortable personal savings ratio in other ways than saving out of income.

ECONOMIC GOLF – THE STATE OF PLAY

By Jim Bourlet

Professional golf tournaments are characterised by the individual skill of the participants and their use of the very latest technical equipment. Golfing fans however have an additional pleasure – the chance to watch familiar players lead the field for many years and compare them with, and recall the triumphs of, the great players of yesteryear.

In the ebb and flow of public interest in economic policy making, the 'shots' are more serious and the equipment is becoming confusingly sophisticated. But, like golf, one can hold, it seems, to the sure feel of familiar names participating faithfully in each new round.

During the past year there has been a major revival in interest in economic policy making – and the well known names are still there – Sam Brittan, Frank Blackaby, Tim Congdon, Wynne Godley, Brian Reading, Patrick Minford, Aubrey Jones ..... and around them the new players sparkle briefly or perhaps will join the ranks in time to become familiar also.

What has recently been said in the columns of the Financial Times, The Times and The Sunday Times follows the play style of former rounds – especially of the debate during the early 1970s. The latest score is very important indeed.

The Players

A good sports commentator is always ready to fill in the background and give historical information – and to categorise generally whenever this can assist comprehension. Your commentator today will do his best and start by suggesting three important groups of economists in historical context. These are:

i) The 'monetarist observers' – who focus sharply on dispassionate observation and prediction but who fight shy of or become discredited when they are pressed to advocate policy decisions.

ii) The 'monetarist practitioners' – who focus on the *use* of monetary mechanisms in public policy and who, to retain credibility, have constantly to alter their formulations in the service of relative price stability. Solutions to problems in the 'real' economy lie, for them, in *micro-economic* adjustments.

iii) The mainstream 'Macro-economists' who focus on the overall economic performance and who are disturbed by (but not necessarily in disagreement with) the findings of the 'monetarist observers'. They are openly scornful of the 'monetarist practitioners', and see micro-economic adjustments as a separate though desirable activity.

The 'Monetarist Observers'

We can begin with the 'monetarist observers'. The most spectacularly successful current player is surely Tim Congdon. Writing in the *Financial Times* (13.1.89) Martin Wolf in the 'Lombard' column declared "For economic forecasters, 1988 will go down as the *annus horrendus*. It was the year they all (except one) got it wrong." "The exception was the monetarist Tim Congdon ... who ... in February 1988 forecast GDP growth of 3½–4%; retail price inflation at 6½% in the year to the fourth quarter and short term interest rates at 12% in the fourth quarter." "The forecast was clearly spectacularly right." Recent rises in broad money growth of around 20% p.a. led Tim Congdon to these forecasts and he explained his reasoning in more detail in a letter to the F.T. (24.1.89) when he explained that after taking account of output growth, velocity of circulation, changes and asset price rises, the well defined acceleration in broad money growth during 1986 and 1987 would be followed by rising inflation and/or deteriorating external payments. He added "The forecasts were not mechanical extrapolations from recent M3 figures. They involved considerable judgement and analysis, as well as much attention to non-monetary variables".

Tim Congdon's reasoning is a faithful echo of the work of the 'monetarist observers' over a very long period. One could go back at least as far as the 18th century philosopher David Hume, but in more recent times both Milton Friedman and Sir Alan Walters have been especially noteworthy for their ability to articulate the relationship between monetary aggregates and inflation. That was their main contribution – for which we can be grateful. But when it has come to policy advice they either show wise reticence – or slip on their own banana skins. The current City game is to try and guess what Sir Alan Walters thinks and, apart from his opposition to Britain's EMS membership, the answers may never be known.

The 'Monetarist Practitioners'

The second group – the 'monetarist practitioners' are ably led in the academic field by Patrick Minford and in the journalistic field by Sam Brittan. Use monetary tools alone to create relative price stability – and leave it to deregulated markets – especially labour

markets – to generate prosperity they say. Patrick Minford spelt out his views succinctly in the Spring Quarter 1988 edition of *First* magazine.

To understand Sam Brittan's position we need to read his work in the F.T. over a lengthy period. Basically it was the work of Professor Phillips in the 1960s that led Sam Brittan to doubt the prevailing orthodoxy. Phillips found an empirical if not logical trade-off between inflation and unemployment on a short term basis but it was not too long before it seemed clear that as well as having a short term choice between inflation and unemployment, we had a long term choice between more of both or less of both. Thus the 1970s practical doctrine of the need to accept short term high unemployment for the sake of long term lasting reductions in both inflation and unemployment, was born. Since this policy arose at a moment when the *'monetarist observers' happened to be prominent* in explaining inflation, it is easy to see how this policy operation was at first dubbed 'monetarist', then developed into 'new monetarist' and is now described by Sam Brittan is 'Punk monetarist'. Whatever next?

The pace of play has speeded up considerably of late. The F.T. on February 4th 1988 saw Sam Brittan declare his 'instinctive' priority for the control of inflation and arguing that we should keep interest rates high – and not worry about our balance of international trade deficit as this is merely the counter-flow to an inflow of foreign investment. "The private sector has run down its savings below its investment and is filling the gap by overseas borrowing" he concluded. Returning to the subject (F.T. 9.6.88) in an article in which he distinguished between 'monetarists' (citing Tim Congdon) and 'New Monetarists' (citing Kent Matthews and Patrick Minford) on the grounds of their respective disinterest/interest in exchange rate stability he then concluded "The only way to restore credibility (in government policies) is now nothing short of full EMS membership".

So we have moved a long way from seeing 'monetarism' as a forecasting tool to seeing it as a reason for EMS membership! What happened was that the 'monetarist practitioners' have always needed a money related anchor for policy making. At first it was simply growth of M3, but that soon changed to a variety of money growth measures before changing to overall money GNP growth and then, despairing of the possibilities of ever measuring such things accurately and quickly enough, taking the indirect route of using everyone's guesses (as indicated by the changing market evaluation of sterling) by using a target level for sterling as a guide for interest rate policy – so now we have the idea of a virtually fixed exchange rate through EMS membership thus *ensuring* the use of interest rates as the main anti inflationary policy tool. And added to all this has been, almost as a mere appendage, the idea that unemployment should find its own level to fit low inflation – in Sam Brittan's phrase the NAIRU – the non-accelerating inflation rate of unemployment.

There has been considerable support *for these views. According to Sam Brittan*, both Nigel Lawson and the Bank of England are of this mind. Professors Forest Capie and Geoffrey Wood of the City University Business School (F.T. 17.1.89) argue that "There is no evidence that any other policy (than restricting monetary growth) can reduce inflation and keep it down". Miss DeAnne Julius (F.T. 12.1.89) argued also for a 'steady exchange rate'. Meanwhile, modifying his position yet again Sam Brittan (F.T. 19.1.89) has stated "The general conclusion that emerges is the need for a nominal framework rather than strict adherence to particular monetary relationships, which are likely to break down. There can be a framework that gives some weight to the exchange rate and some to nominal GDP". Lastly one is fascinated to read Sam Brittan (F.T. 6.2.89) in answer to an article by Terry O' Shaughnessy (see below) arguing that any suggestion of there being a trade-off between unemployment and a balance of trade deficit is merely a return to the original Phillips proposition because it is an indirect version of the inflation/ unemployment trade-off. We are thus back to the Phillips dilemma – accept high inflation as the price of low unemployment (and/or suffer high versions of both) or find some method OTHER than high interest rates with which to combat inflation. Today's 'new' or 'punk' monetarists do not believe that an alternative can be found. But the mainstream macro-economists do.

The 'Mainstream Macro-Economists'

Sky-high interest rates, an uncompetitive exchange rate, faltering business confidence, inflation rising through 7%, the prospect of a single European currency destroying even the chance to measure Britain's international monetary flows and unemployment still around 3 million if measured by the methods used ten years ago (though only 2 million as measured today) have all combined to kick-start the mainstream macro-economists back into active and prominent public debate. There is nothing quite like the prospect of falling house values to stimulate public interest in economics!

This mainstream macro-economist contribution has a long and familiar history. In the 19th century, prominent writers described high unemployment as a consequence of the 'Capitalist' system itself – a result simply of the tensions inherent in the bargaining interests of labour and capital. Socialist thinkers took this further so that G.D.H. Cole, writing in 1931, claimed "For the inherent tendency of Capitalism, to bring slump out of boom, owing to the maldistribution of current income between spending and investment, will be in no way affected by any of the measures which can be taken in order to set Capitalism again on its feet. Even if prosperity is restored, there will be a constant threat of further slumps."*

To correct this thoroughly gloomy viewpoint, J.M. Keynes wrote his *General Theory* claiming that it was eminently possible to preserve the Capitalist system providing the government took measures to stimulate demand in order to make viable sufficient *investment* projects to make use of the level of savings which would be made when the economy runs at 'full employment'. To those who framed the 1944 White Paper which committed all three political parties to the policies Keynes advocated, the danger of inflation occurred only *after* the point of full employment and would take the form of labour shortages leading to wage rises – demand-pull inflation via a cost-push route. For about 15 years the policy seemed to work giving around 2% inflation and 2% unemployment.

* G.D.H. Cole *The Intelligent Man's Guide Through World Chaos* Page 349

The rest, as they say, is history. This same 15 years witnessed very poor economic growth due, we can now see with the benefit of hindsight, to the poor *use* of investment resources, primarily in the public sector. But Keynes' policies, designed essentially to generate full employment, were advocated by his followers – or rather by those political interests which claimed to be his followers, as a means to raise economic growth via both higher government spending and higher investment. Inflation began to rise and Britain suffered alternate bouts of incomes controls and credit squeezes as attempts were made to control it. There was a 'wages pause' in 1957, a 'Prices and Incomes Board' in 1965 and a strong administrative squeeze on public sector wages under the Heath administration in 1972–73. Each of these attempts was somewhat half-hearted and they were in any case undermined by concurrent programs of fiscal or monetary expansion (depending upon whether the government was Labour or Conservative, respectively). The National Institute with notable economists such as Frank Blackaby, and the Cambridge School with Wynne Godley and his colleagues, struggled to explain policies and maintain the 'Keynesian' tradition but suffered the frustration of blame for the high inflation rates of the 1970s. By 1979 both politicians and the public were ready to abandon mainstream macro-economics. But now things seem to be changing once again.

Of course there have been many articles by William Keagan in *The Observer* over the years reminding us that the 1970s were a period of relative *prosperity* as well as high inflation, but the latest round in the debate seems to have been hit off by a major piece by Frank Blackaby in the F.T. on 11th January entitled "Three Telling Questions about Inflation". Blackaby considers all monetarist practitioners to be ultimately 'doctrinal' and pointed out that "The effect of high interest rates is to deflate the economy in a relatively inefficient and unpredictable way, while at the same time hindering any improvement in the balance of payments", and went on to suggest a far better course of action is to use fiscal policy (ie increased taxation) as a means of holding down demand to a low inflationary level whilst allowing lower interest rates to stimulate investment and lower the exchange rates in order to regain international competitiveness. He argued that such a policy mix would lead to both lower inflation and lower unemployment and then hinted that, if beyond this we wished to increase the rate of economic growth further, well, then, some sort of incomes policy will again have to be considered. Blackaby was quickly supported by a letter in the F.T. from Aubrey Jones who is still prepared to argue for an incomes policy. Even more interesting though, was a letter (F.T. 14.1.89) from Owen Darbishire pointing out that the aim of monetary discipline is to act upon *expectations* so that wage rises are limited but that this cannot work because such external discipline "is aggregative, whilst wage settlements are not". He then concluded "Any inherent inflationary characteristics the U.K. economy might have had in the early Thatcher years, it still has today. Indeed, as Mr Samuel Brittan continually refuses to recognise, the policy is having to be re-tried only because it has previously failed. The sooner we recognise that this expectations-based policy is fundamentally flawed, the sooner we can avoid those very damaging policies which are undermining our manufacturing base and future prosperity." Wynne Godley followed this with an article claiming that a balance of trade deficit necessitating borrowing abroad at a rate equal to 3% of GNP is "catastrophic" taking a medium to long range view. Such money is transient and leaves us hostage to an exchange rate crisis at any time.

The scene was then set for a major article by Wynne Godley's associate at Cambridge, Terry O'Shaughnessy – in the FT on 1st February. O'Shaughnessy linked past periods of deteriorating unemployment and international trade balances with periods of falling industrial capacity thus showing that the way towards an economy displaying the desirable combination of low inflation, low unemployment and external balance *has* to be via increasing investment. We need greater investment, industrial capacity, productivity and output. The key to this lies in having a competitive exchange rate and lower industrial borrowing costs. Replying to this, a further article by Sam Brittan attempted to pour cold water on this thesis (F.T. 6.2.89) and suggested (again) fixing the exchange rate to the EMS. In letters that followed (9.2.89) both Terry O'Shaughnessy and Graham Hallett pointed towards the futility of regarding EMS as any kind of 'cure-all' for Britain's economic problems. A week later Sam Brittan wrote in 'Don't Count on a Soft Landing' that he accepts the frailty of the EMS prescription and the need for capacity expansion. But he declined to comment on the role of lower interest rates in that expansion.

Further Debate

Thus the new debate is back in full swing – the new round is well into the course and it seems that Brian Reading's ERC monograph published in December was particularly apposite. Brian Reading hardly fits any of my three categories – and indeed his sympathy for the idea of lower interest rates coupled with stronger guidance on the allocation of scarce credit resources is a notion strangely absent from the current debate so far.

MICROELECTRONICS IN JAPAN'S NEW INDUSTRIAL REVOLUTION*

By Takashi Kiuchi

The current expansion of the Japanese economy thus far can be divided into two phases. The first was a construction boom that began in 1986 and lasted until the autumn of 1987.

The second phase, which is still continuing, is a boom in consumer spending. This consumption binge can be credited partly to the strong yen, which has made imports cheaper, and to the 5.3% average wage increase, the highest in many years, won during the 1988 spring round of labor-management negotiations, but more than that has been involved.

One of the biggest growth areas has been consumer durables. Recent sales of new home appliances, such as big-screen television sets, word processors, compact disc players, and automatic bread bakers, have been booming. Car sales are also brisk, as exemplified by the unexpectedly strong showing by Nissan's new top-of-the-line sedan Cima, which carried a ¥5 million price tag. This is perhaps the most telling sign that we are entering a new stage of consumption.

There are now indications that the expansion is moving into a third phase in the form of an investment boom. According to a February 1988 survey by the Long-Term Credit Bank of Japan, manufacturers were contemplating a whopping 13.0% increase in their capital outlays in fiscal 1988. Not one of the industries surveyed planned to reduce its investment from the fiscal 1987 level.

Capital outlays are always a valuable indicator of future economic activity, one offering clues to the changes in industrial structure in the offing. What are the signals, then, that the current investment boom is trying to send us? According to the LTCB survey, investment activity is focussed more on diversification into new fields of business than on expansion of existing production lines. This is another indication that the present growth phase is neither just a side product of speculative activity nor a transient phase of overheating.

The fusion of mechanics and electronics

For years now people have been talking about a new industrial revolution, and recent developments seem to indicate that it is finally under way. The core force of the revolution is microelectronics, which is transforming the technological foundations on which nearly all industries rest. The technologies involved are unique in that they can be applied across the entire spectrum of industrial activity.

Microelectronics was first extensively applied in process automation, especially in heavy industry. Then manufacturers of all sorts embarked on factory automation, and

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not long thereafter they started work on office automation. At that point service industries joined the revolution, recognizing that computers and related equipment could enhance efficiency in areas once considered to be incapable of rationalization. Now even farmers are installing computers for such purposes as controlling greenhouse environments.

Microelectronics is also playing a key role in the development of new materials and biotechnology, two other theaters of the new industrial revolution. Both fields make extensive use of instruments incorporating semiconductors and other electronic devices, and both use "micro-technology" to create new substances.

One of the salient features of the revolution has been the fusion of mechanics and electronics, formerly largely unrelated fields, into what is known in Japan as the *mechatronics* sector, of which the robot industry is a representative example. The rapid formation of this sector is easy to overlook when one thinks in terms of traditional industrial categories; from this perspective all that seems to be happening is that the electric machinery industry and a few service industries are enjoying spectacular growth. In fact, however, what we are witnessing is the reformation of a broad group of industries around a mechatronics axis. Centering on data-processing, telecommunications, and software companies, the new sector embraces a wide variety of related companies, all of which have been expanding dynamically.

Perhaps a few specific examples can clarify the mechatronics concept. It covers, for example, the incorporation of microchips in consumer goods. Today a wide variety of products from microwave ovens to cars are being fitted with chips to improve performance and supply new functions. Mechatronics also covers the automation of assembly lines using computers, robots, and related devices, as exemplified by the workerless factories now coming into being. Defined broadly, mechatronics encompasses even distribution innovations like point-of-sales systems, medical equipment like CAT (computerized axial tomography) scanners, and educational tools for computer-aided instruction.

Throwing off constraints

Where will this new industrial revolution lead? The basic outcome will be the emergence of more dynamic systems of production and distribution. Examples are already seen in the so-called flexible-manufacturing systems that have been developed and are being used in Japan, the United States, and other countries. Japanese companies, with their excellent application skills, may well take the lead in further developing these systems.

The new systems can free production from a number of inherent constraints. First, they dramatically improve the economic viability of manufacturing a wide range of products in short production runs. One of their main benefits is a sharp reduction of the inefficiencies in inventory management. Thanks to computers and other tools, the ratio of inventories to Japan's gross national product has already dropped by 19% over the past five years. The shift to small-scale, diversified production has had a hand in the consumption boom, since manufacturers are now able to fine-tune their output to

accommodate diversified demand.

For industries subject to sudden shifts in tastes, the ability to modify production flexibility and control inventories efficiently is the main key to success. In the apparel industry, for instance, coming up with the right product at the right time is all important. And since computer-aided manufacturing obviates the need for mass production to cut costs, it enables small companies to level the playing field with big companies.

Second, the new production and distribution systems reduce the consumption of energy and other resources. This means that the growth of Japanese industry will no longer be as closely tied to the import of resources as in the past. Japan's materials industries are being transformed from mass suppliers of structural materials and energy into quality sources of a wide range of sophisticated materials and high grade power supplies. Consider, for example, the electric power industry, which is working to eliminate outages and voltage fluctuations. The importance of improvements in such areas is obvious to anyone who has experienced the chaos that occurs when the banking industry's on-line computer systems are crippled by power failures.

Third, the new systems save labor, freeing industry from the constraints imposed by the increasing difficulty of finding skilled blue-collar workers. One graphic illustration of this trend can be found in the factories of small businesses, which are switching to production systems employing robots and other advanced equipment.

Fourth, infrastructure constraints are being alleviated. Unlike in the past, when heavy industry required the creation of mammoth industrial complexes with port and railroad facilities, siting can be handled flexibly. Since the products of many high-tech industries are small and light, often the best sites are near airports and along expressways, where speedy shipment can be assured. It is possible, in other words, to set up new production and distribution systems even in the absence of new infrastructure. This is why the new industrial revolution led by the private sector is progressing smoothly even though the government, citing inadequate financial resources, has cut sharply back on large-scale public works projects.

Revolutionary conditions gel

Why has this promise-filled revolution been so long in coming? Or to turn the question around, why has it arrived just now? The reason is that only over the past several years has the microelectronics foundation of the revolution gained sufficient "critical mass" to set off a chain reaction in the diffusion of new technologies throughout industry.

Of special significance here is the emergence of densely packed semiconductors and personal computers. Dramatic increases in chip memory capacity have continued to slash costs per unit of capacity. With the arrival of very large-scale integrated circuits in the 1 megabit class, the prices of the electronics products incorporating them have become especially attractive. And in this VLSI age, sales of personal computers have taken off.

Personal computers have made big and expensive mainframe computers largely redundant. Even the smallest company or office can now reap the benefits of microelectronics technology by installing one of these devices. And as is evident from the spread of personal computers into homes, the technology involved has become much more user-friendly. Microprocessors for plants have also become cheaper and easier to use, accelerating the tempo of factory automation.

The software industry's role in promoting the incorporation of microelectronics in production and distribution systems cannot be overlooked. At one time software development was dominated by computer manufacturers, including giants like International Business Machines, and large-scale computer users. Participation by smaller companies was negligible. But then specialist software firms began to proliferate, especially in the United States, and they soon evolved into an independent industry.

Today a growing share of the off-the-shelf software packages in personal computer shops are for commercial, not recreational, applications, and the diversity of the choices is nothing short of amazing. By supplying software packages to companies that lack the ability to write their own programs, the software industry is permitting even small businesses to make use of microelectronics technology.

Japan's shift to growth powered by domestic demand instead of exports has also had a positive impact on the application of microelectronics technology. Consider the semiconductor industry, which suddenly found itself with idle capacity when exports tapered off in the wake of the Japan-U.S. semiconductor agreement. At first Japanese chip makers doubtless experienced a sense of impending disaster, but soon they launched an aggressive campaign to develop the domestic market and expand the range of potential users. The present shortage of semiconductors can be attributed to these efforts. The unending stream of new word processors and personal computers that have been appearing on the market is merely the most obvious aspect of this change. Large quantities of microprocessors and other chips are also being installed in conventional consumer products.

Another impetus for change has come from the recent import boom. When consumer products from Asia's newly industrialized countries began flooding in, the Japanese companies making the same products found themselves in trouble. The only way they could survive was by coming up with new models that consumers would choose over inexpensive imports. Flexible manufacturing systems were a boon to these companies, allowing them to tailor their products more closely to the needs of individual market segments.

Several developments facilitated Japanese firms' restructuring strategies. One was that consumer tastes were just then shifting away from standardized products towards items with unusual and distinctive features, and many consumers were willing to pay the higher price tags on these items. Another was that labor costs could be held down thanks to the labor-saving technologies that had become available. Yet another was the emergence of new materials. Without these materials and the introduction of improved techniques for precision machining, some of the new products could not have been manufactured.

A final feature of the environment that has triggered the industrial revolution is a profusion of new service firms. Many do not rely on microelectronics as much as they do on fast, efficient manual labor. Often they take the form of franchised chains linked

to suppliers through computerized information networks. In the process, the border between the manufacturing and service sectors is being torn down.

The companies investing in these new areas of activity owe much of their success to the surplus liquidity that has been a feature of the Japanese economy in recent years. Capital gains generated by increases in the value of assets have been channeled in huge amounts into new ventures. Just when the revolution began, we might say, the Japanese economy had abundant risk capital to fund it.

Unprecedented investment levels

How can the investment activity of the new industrial revolution be characterized? Much as in the high-growth years of the 1960s, when one round of investment generated demand for another round, it seems that a medium-term expansionary swing in capital spending is in progress. The present investment boom can be interpreted as a widespread and multifaceted restructuring process in which the fruits of microelectronics are being incorporated in every industry at once.

This process is rendering some production and distribution systems obsolete, forcing many machines to be replaced long before they wear out. The ratio of capital to output is on the rise as a result, and the ratio of investment outlays to GNP has reached an astonishing 20%. When we recall that this latter ratio never hit that level even in the high-growth era, when the economy was zipping along at a double-digit growth rate compared with less than 5% today, we can appreciate the stunning proportions of the capital-spending boom.

There are naturally major differences between the present pattern of investment and that during the former period of growth led by heavy industry. To simplify, civil engineering and construction outlays are down, while purchases of electric machinery are up. An extreme example would be the establishment of a software firm. Assuming that it already has office space, all it needs to do before it can go into business is buy some personal computers and wire them up. The individual items of computer equipment are not that expensive, and more computers can be added as the need arises. To be sure, some of the equipment will soon become obsolete in the fast changing computer world, but it can easily be traded in for up-to-date models.

Given this nature of microelectronics investment, there is no single industry or type of company leading the investment boom. Countless middle-ranking and smaller companies are all upgrading their equipment at once, and their combined purchases have pushed the capital investment ratio to a high level. Big businesses are also investing briskly, and probably much of their spending is being allocated to strengthen smaller subsidiaries.

Though the new industrial revolution does not require the kind of infrastructure that supported yesterday's smokestack industries, it has its own infrastructure demands. Specifically, it can be enhanced by airports, expressways, telecommunications networks, and other such facilities designed to move people, products, information, and money from one place to another as quickly as possible. "High-mobility" infrastructure of this type will be an important target for public investment from now on.

Such characteristics of the revolution's investment pattern suggest that we will see major changes in corporate organization. Companies do not need mammoth organizations and mass-production systems to succeed; they need small project teams or ventures that can spot business opportunities early and exploit them quickly. They need, in other words, a guerrilla-type approach to business. Accumulating know-how and experience will be high-priority organizational goals, and the organizations best able to meet these goals are likely to be quite small.

A radical restructuring of the traditional pattern of industrial growth led by big business may become necessary. In the years ahead, it is possible that a country's economic vitality will be determined not by the number of large, long-established corporations but by the number of middle-ranking and smaller companies imbued with entrepreneurial spirit.

EUROPE 1992 – A SOCIALIST SUPER STATE?

By Larry Trimby FCA

"In principle, individual ownership should give way to common ownership and national independence should give way to a sharing of national sovereignties"

Origins

Such a socialist concept for a United States of Europe had been formed in Germany before the start of this century. Marx had written about the birth and growth of Communism – the power of the state over the people. Later Lenin and Trotsky and their associates planned the overthrow of capitalism by revolution.

The first chance to realise such ambitions came in the First World War. In the East the German High Command met with success by contriving to build a Communist state through the promotion of an internal revolution. Lenin and his supporters were sent in April 1917 from Switzerland in a sealed train through Germany to Stockholm and thence to Russia.* But in the West, wartime defeat and the survival of the British Empire thwarted such plans.

In 1918 Great Britain came out of the war relatively prosperous – the people were employed with good wages and industry flourished. But this was not to last for long. The government arranged a loan from the United States – which then exercised its power to nominate Mr Montague Norman as Governor of the Bank of England. Mr Norman was

* Israel Helphand, a brilliant journalist, acted as their planner. *See The Merchant of Revolution, The Life of Alexander Israel Helphant* (nom de plume PARVUS) *1867 – 1924* (Oxford University Press, 1965)

a member of the banking house Brown Shipley of New York (its London office incidentally, taking Mr Edward Heath onto its board after the Second World War). In 1920 Mr Norman introduced credit restrictions so that whilst at that time unemployment stood at 3% deflation led to 20% unemployment within 18 months and bankruptcies increased tenfold. The country had been launched into one of its greatest industrial crises and the Bank of England strongly advised the Chancellor, Mr Churchill, to return to the gold standard. The deep depression of the 1930s followed – until rearmament brought about increased economic activity.

During the 1930s, Germany, through another form of socialism (National Socialism or Nazism), under Hitler, sought again to conquer Europe. Germany was again defeated and the great objective of a United States of Europe, strongly advocated during the war as *Federal Union* again failed to be achieved.

But in Britain, after this war, the cards were stacked in favour of Socialism. Mr Atlee, as Prime Minister, drove through the bulk of the foundations of a Socialist State in a few years – with an absolute intolerance of argument. The Beveridge Plan of the Welfare State, conceived and drafted whilst the armed forces were still fighting, was set up regardless of whether or not funds were available to finance so gigantic a scheme. In fact, largely owing to the misinterpretation of Keynesian theory, the plan was launched and funded by deficit spending, while the country, desperately poor as a result of its mighty exertions, was scarcely able to feed itself.* At the same time Atlee rapidly went about the dismantling of the British Empire.

New Foundations – Dangers and Opportunities

The next step towards creating the United States of Europe was to form a Consortium of European countries headed by Germany and France labelled the Common Market, which was to be self-contained. Initially Britain refused membership; later France under de Gaulle blocked it. Then as Prime Minister, Mr Heath succeeded in his application. Indeed, at the Conservative Women's Conference in May 1971 pending Britain's entry, he proudly announced:

"We shall achieve, by other means, what Napoleon and Hitler failed to achieve."

Mr. Heath as Prime Minister had caused a glowing prospectus to be issued promising an open but self contained market of millions of consumers; no mention was made of the changes – which were to be made in our Constitution and powers of the Judiciary. The prospectus was put to a National Referendum and approved, as presented, by a majority vote of a minority of the population. A European Parliament with its attendant bureacracy in Brussels was formed. This has been followed by the Single European Act of 1987, rushed through Parliament on the nod – a major step towards Federal Union, which introduced majority voting.

In quick succession we are invited to join the European Monetary System and a

* *See* Correlli Barnett *The Audit of War*. MacMillan Papermac 1987

European Central Bank. By so doing we lose control over our £, which is already linked to the German Deutschmark. By doing so we shall be giving control of our credit to European powers. We give our lifeblood to the care of our former enemies now our trading competitors. Germany will have won her war without a shot being fired. For it is the power to control credit, which in destructive power is worth more than armed forces, but which in creative power can build immense riches not only for ourselves but also for the impoverished Third World of Nations.

Britain's Role Towards an Alternative European Concept

Instead of allowing Britain to drift into a Bureacratic Socialist, and Closed European Super State, our aim must be to retain the independent use of our own credit facilities, to foster trade with countries outside Europe, especially those with which we have traditional trading links and to aim at deregulation rather than state planning. This is a huge program – but let me refer to just three points in particular – the need for an independent U.K. banking system, the value of developing transport systems towards North America and the opportunities for assistance to Commonwealth territories.

The first matter to consider is the banking system which can support and develop the British Isles with its considerable needs for capital investment, starved since the war by the concentration of resources on the Beveridge Plan, and other socialist state nationalisation schemes. Money and credit, which lubricate trading must be freely available. Within the British Isles, the laws of liquidation for companies and bankruptcy for individuals control overspending by the private sector. At present there is no direct control over the public sector other than Parliament, which is not at present being provided with the necessary control information. The Treasury is staffed by economists, who, by definition, are experts on political economy or the efficient use of resources; but they are not accountants who account for the use of resources and are experts at producing performance facts and results. There is an Accountancy Adviser to the Treasury and a Head of the Government Accountancy Service. As a non-profit making establishment, Parliament should be presented quarterly with Departmental Income and Expenditure Accounts and Balance Sheets in the form of consolidated Departmental Accounts. To this end it might be a solution to split the Treasury itself into an Economics Department manned by economists, dealing with estimates and forecasts; and giving the Accountancy service the duty of compiling and reporting upon performance against budget. This would provide the machinery for Parliamentary financial control against budget figures running each year from 6 April.

These controls must be linked to our own British banking system. If we lose control of our exchange mechanism, we lose control of our destiny. We should have no part in any Central Bank or European Monetary System, which is part of the concept of Federal Union: the forerunner of the United States of Europe.

Next, we should remember that, because of our geographical position, Europe needs Britain more than we need Britain. We should make the fullest possible use of the fact that the British Isles possess the nearest point of contact to the United States. At present, our main lines of communication run from North to South but now, with the Channel

Tunnel under construction we should develop them to run from the South East to the Western Approaches. On the North West coast we have Liverpool, feeding into the Midlands and London; to the south, Bristol doing likewise for the South West.

Ireland, still in a state of turmoil, geographically offers considerable potential. It should be possible to encourage Ireland to become the Euro-American funnel of trade into Europe. Under the Anglo-Irish Agreement, why not with the agreement of North and South drive a wide waterway through from Donegal Bay to the east coast, using the loughs and avoiding the uplands so that at Donegal Bay a commercial port and defence base could be built, and likewise at the east end of the waterway a similar commercial and defence port constructed with immediate access to Liverpool and other sea ports on the west coast of Britain. In this way container traffic would have a direct passage from the American eastern seaboard through the British Isles to Europe.

A third suggested move on the European chessboard could be to regenerate the commercial links with the former Imperial territories, which short-sightedly the Socialists threw away in their fervour for state power in the British Isles. We could offer considerable links to the outside world, insisting that European boundaries and barriers are open to world trade rather than a small sector of the world, the European bloc. The inducement to our former territories would be to take them out of debt by arranging through a series of trade treaties to exchange loans and accumulated debt charges for equity and technical help; giving them the option after their recovery to run their own territories, by then a prosperous group of countries.

By such means we remain independent as the United Kingdom, and a partner in the EC, which itself will be creating an immense contribution to world peace and prosperity.

REACTIONS TO THE EDWARD HOLLOWAY COLLECTION REVIEW OF 'DOUGLAS FALLACIES'

Sir

I am intrigued to see that you can find room (Winter 1988 issue) for a 53-year old denunciation of C.H. Douglas and Social Credit which is little more than socialist propaganda. It is not surprising that Dr John Lewis's book showed no grasp at all of what Social Credit was about, since, in so far as Douglas dealt with economics he started at the other end from the money system, that is with the *real* economics of production, distribution and consumption, of which he, as an engineer, and most of his followers as practical men, but few economists or financiers, have experience.

From this viewpoint, everything is very properly seen upside down, and money comes into it only as an essential, but secondary, accountancy device for *enabling* what can be done, and what people as consumers want done, to be realised. This is the opposite of the accepted view of money as a means of control and manipulation of the economy, and the lives of most people with it. In the same way accepted economics seeks maximum employment of men, energy and resources with maximum growth of the economy and maximum export surplus, while Social Credit seeks to minimise all these to the full extent compatible with the efficient delivery of the required product to the satisfaction of all in their primary function as consumers, without which any 'economic' action is pointless.

From the 'orthodox' viewpoint, as quoted from Lewis (p. 27) "The difference between the total output and what is consumed is of course the nation's saving." In *real* economics that amounts to saying that the vast mountains of wasted and unwanted products constitute 'savings', which as usual is the reverse of the truth as seen by social crediters. But facts in the real world are seldom allowed to penetrate into the economics of debt-control.

Over sixty years old ago Douglas pointed out that "a continuous rise in the cost of living absolutely *must* take place" (roars of ridicule from the 'orthodox'); that debt must rise progressively and that economic war to 'capture' markets and impose unemployment on other nations *must* result in military war. (Nonsense! Rubbish! from all the pundits). That was in 1934. It is evident that he will never be forgiven for being right.

As for his crime in pointing out the obvious truism that there is a growing time-lag between incomes and prices which can be met only by debt, inflation, export surpluses, or bankruptcies, under present arrangements – all of which are socially traumatic – the only answer seems to be louder and more pejorative noises and the spreading of the idea that he wanted to 'stimulate demand', which would be 'inflationary' at a time like this when we are suffering from excess of consumer debt.

This in fact completely proves his point about the deficiency in *today's* (not tomorrow's mortgaged) purchasing power; though when he made the point 'consumer credit' was virtually unknown. And just look at who is accusing Douglas of 'inflationism' – the economists under whose advice the £ and $ and most other currencies have degenerated to about a fortieth of their value, and are devalued every year with the rate

now being merely slightly varied by manipulating the rates of borrowing. And just how could it be inflationary for people to be able to buy what is produced out of income rather than mortgaging their future incomes at the current usurious rates of interest? Dare anyone now deny that, as Douglas said, price-inflation is a *built-in* property of the money system?

Ah well! I know after long experience that these arguments seldom make any impact on those who see economics in terms of money as the limiting and controlling factor. There is simply no contact, and their criticisms are like denunciations of the helicopter as an absurd motor car. The only critics who are on record as seeing Social Credit as what it really was were the Webbs, who said bluntly: "We don't like your objectives, Mr. Douglas!" But as an ecologist (long before the 'Greens') I keep hoping that some day reality will somehow break in before we have made this planet uninhabitable by a species that lives in a monetary world of the Never Never.

Geoffrey Dobbs
Bodifyr
Lonpobty
Bangor
Gwynedd

Sir

Just what were Douglas's ideas? asks your contributor in your winter issue. He does not say. How then can one be convinced that Social Credit is fallacious? If we are to debate important issues to any purpose we must surely retain the old medieval procedure of stating our opponent's case correctly before opposing it. Could he not have referred to one of Douglas's own works such as "The Monopoly of Credit" if he hoped to refute the Douglas arguments? Or why not attack a contemporary exposition such as "A Matter of Life or Debt" written by myself which supports Douglas in the light of history and of the Third Industrial Revolution that is now upon us?

Douglas's ideas should at least be treated with the respect they deserve and with some attempt to apply intellectual clarity and honesty to their dissection.

Keynes showed his respect, for when told by an admirer that he was the greatest living economist he replied that C.H. Douglas was a greater one than he. In the end Keynes came to accept the validity of the A plus B Theorem on which the whole Social Credit analysis stands or falls. That validity could now be tested once and for all by computers, those mechanisms that have no moral or political bias and which, when fed with correct facts and figures, do not tell lies. They would reveal the precise and prevailing extent of the gap between the aggregate of prices and available purchasing power. That gap is, in any case, blatantly self-evident. If it does not exist, why mortgages, hire purchase, mass advertising (our biggest industry). butter mountains and wine lakes, export struggles (seeds of war), universal indebtedness, built-in obsolescence, inflation, credit cards and all the other ills produced by a monetary mechanism which treats money as a commodity instead of as a ticket, and acts as though it were a measuring tape made of elastic.

Lewis tried to associate Social Credit with fascism and anti-Semitism. Douglas was not, I believe, a particularly astute politician and he should have realized that his anti-Zionist views would immediately be misinterpreted as being anti-Semitic. In any case, those views do not invalidate the objective Social Credit analysis and proposals. Social Credit is the policy of a philosophy which holds that (i) the purpose of existence lies in personal self-development, (ii) the individual human being is more important than any organisation or institution, (iii) civilisation can develop only through the self-chosen activities that a leisured life allows, (iv) since modern processes of production are rapidly displacing human muscles and brains in the production of wealth, incomes will have to depend less and less on wages salaries and dividends from monetary investments, and more and more on scientific price adjustments and the issue of national dividends to all, (both of which the community's control of its own credit system would allow), (v) modern labour-saving machines and processes are the product of all past economic developments going back to the first engineer who lifted a stone to hurl at his prey, and they therefore form part of the cultural heritage of humanity in whose fruits we all have a right to share whether we earn money by working or not, (vi) what is physically possible to achieve must be financially possible.

How can such a philosophy support the tyrannies of either Right or Left, either Fascism or Communism whether under a corporate state or under a so-called "democracy" that serves as a falsefront to a world-wide, hidden oligarchy of credit monopolists? As a Social Credit advocate of over fifty years' standing, I hereby declare that I for one am not anti-Semitic and have no racial prejudice.

Social Credit supports neither Left nor Right nor Muddled Middle, and has been named the Third Resolvent Factor to an impossible duality. Economics has been well-called "a branch of moral philosophy", and it is clear that the usual objections to Social Credit are not technical but moral. For example, when the Webbs could find no fault in Douglas's arguments they declared, "We do not like your objective". That issue at least is clear enough. *If we continue to believe that the first purpose of any economic system* is the moral one of providing everyone with imposed "work" we shall be digging the grave of civilisation.

In any case, no one can now reasonably claim that we live under a monetary system that is stable and viable in the long term. No one can go on borrowing themselves out of debt for ever.

Eric de Maré
The Old Chapel
Tunley
Nr. Sapperton
Cirencester
Gloucestershire

LETTERS

A response to The ECU as Shield: History and Outlook by Malise L. Graham from Mr C.R. Havergal.

Sir,

Although Malise Graham's article, entitled the ECU As Shield; History and Outlook, which appeared in the Winter edition of Britain and Overseas (Vol 18 No. 4) scintillated with interesting thought and information, the underlying thesis suggested that, as we in Britain are incapable of controlling the purchasing power of our Pound Sterling, we must ask the European Community to do the job for us. That would surely be a most unpalatable confession of monetary incompetence by the Mother of Parliaments and Industrial Economies. It would also be the antithesis of leadership. I cannot therefore support that thesis.

So I attempt hereunder to show briefly that, although there are indeed some strands of monetary feebleness in our affairs, I believe they can be readily and certainly eliminated.

The British Economy is strong –

but we need to match that strength with a strong and stable currency; and then – but not until then – will Great Britain be worthy to join and perhaps to guide the European Monetary System, as a reputable contributor of steady value to the ECU, a value which is at least equal to that contributed by other members of the Community. To be worthy to join, we should if anything have margin enough to carry them, not them us. But how is this happy state of affairs to be realised?

Monetary purchasing power is determined by the arithmetic ratio that the rate and volume of money supply bears to the rate and volume of goods and services supply, at every instant when these two dynamic 'rivers' of economic energy meet at the supply/demand threshold in each and every Economy, be that Economy national, small, or even personal.

A national Economy is merely the summation of maybe millions of minute by minute personal or corporate price-fixing deals, in each of which the price for the job or service demanded is fixed by negotiation. Seen from the supplier's viewpoint that price is the value of the goods or services he wants to sell. And as seen from the buyer's viewpoint the goods or services he wishes to demand and acquire are collectively the value of the relevant dollop of his money. When more than average amounts of money are thrown at such deals it has an inflationary effect on the national currency as a whole; and vice versa, when more than average amounts of goods or services are supplied cheaply or charitably for free. When greed triumphs over generosity the situation can be redeemed monetarily only by taking money supply out of the system.

Why is it then that no British Chancellor of the Exchequer has ever, to my knowledge, taken the obvious route to currency stability, namely the route by which surplus currency can positively be taken out of an Economy, by applying appropriate taxation and then channelling the surplus element of the resultant revenue into a national amortisation account, whose sole purpose is to act as a 'money sink', for the jettisoning and destruction of the surplus demand.

It would seem to be patent beyond question that if the flow rate of goods and services is kept rigidly in step with the flow rate of units of demand (£'s per unit of time in Britain), the stability of the purchasing power of units of demand can positively be guaranteed.

If surplus demand is not to be thus amortised intelligently and humanely, it is a matter of mathematical inevitably that the surplus demand will be amortised automatically and inhumanely by the un-planned across-the-board 'Value Subtracted Tax' of ongoing inflation – the all too familiar genie who haunts virtually every industrialised Economy.

As a somewhat dismal example of our present plight I cite the fact that as a 1989 Pound Sterling could buy only about 0.03 of a 1930 Pound Sterling, some 97% of the 1930 £'s purchasing power has been spirited out of savers' funds during the fifty-eight year interim, at an ever-increasing tempo, until our civilisation has been turned into an exceedingly uncivilised trap for unwary capital-generating savers; without whose savings and investments there can be no free industrialised economy anywhere.

But I am no professional Economist –
but I am however a professional citizen who would like his Country's great qualities to be complemented by a great currency capable of holding its value through thick and thin.

If what I have written above can be faulted by economic theory I challenge any professional Economist to 'throw the first stone'.

C.R. Havergal
Tower House
Woolton Hill
Newbury
Berkshire

NOT TO BE TAKEN TOO SERIOUSLY!

An after-dinner contribution from Mr Frank Thackray.

"Recently the government has taken to running the country like a fringe bank again and is offering grotesquely high interest rates to sportsmen round the world who fancy a game of chicken with sterling.

Fatty Lawson comes on the wireless twice a day saying that he will keep on raising interest rates no matter what. If high interest rates increase the value of sterling, stimulate imports, and cause even more disastrous trade figures, if such are possible, then he will counter all this by raising interest rates.

This interest rate fixation is a natural disaster to anyone trying to take a rational view of the prospects for sterling (which I had thought were terrible). It is like the outbreak of war, or the end of a war, I mean a real big war, one that gets into the papers and everything. But you can't legislate for lunacy.

Sterling is now $1.87 heading in the direction of $5.00, but I cannot bring myself to buy any, which is wrong I suppose.

Ms Thatcher's government is essentially socialist in the sense in which we have always understood that word. They are abolishing *habeas corpus*, the fifth amendment, and trial by jury, introducing identity cards, consolidating state monopoly capitalism under the guide of 'privatisation', increasing the money supply to an extent that Barber and Wilson never dreamed of, and manipulating the news like never before.

Anyway, I thought that Brian Reading's 'Mr Lawson's Boom' was good stuff. But I noticed a piece in the Financial Times by Samuel Brittan in which he dismissed it as Economic Research Council propaganda, and rather suggested that it was unpatriotic to publish such items in case they were read and believed by foreigners.

Oh, yes please – another glass of port would go down very well, old chap."

NEW MEMBERS

The Council, as always, needs new members so that it can continue to serve the purposes for which it was formed; meet its obligations to existing members; and extend the benefits of members to others.

Members may propose persons for membership at any time. The only requirement is that applicants should be sympathetic with the objects of the Council.

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i) To promote education in the science of economics with particular reference to monetary practice.

ii) To devote sympathetic and detailed study to presentations on monetary and economic subjects submitted by members and others, reporting thereon in the light of knowledge and experience.

iii) To explore with other bodies the fields of monetary and economic thought in order progressively to secure a maximum of common ground for purposes of public enlightenment.

iv) To take all necessary steps to increase the interest of the general public in the objects of the Council, by making known the results of study and research.

v) To publish reports and other documents embodying the results of study and research.

vi) To encourage the establishment by other countries of bodies having aims similar to those of the Council, and to collaborate with such bodies to the public advantage.

vii) To do such other things as may be incidental or conducive to the attainment of the aforesaid objects.

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Prospective members should send application forms, supported by the proposing member or members to the Honorary Secretary. Applications are considered at each meeting of the Executive Committee.

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The Economic Reseach Council has a new address:

55 St James's Street
London SW1A 1LA

The telephone number is unchanged

APPLICATION FORM

To the Honorary Secretary
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55 St James's Street
LONDON SW1A 1LA.

Date ....

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I am/We are in sympathy with the objects of the Economic Research Council and hereby apply for membership.

This application is for *(delete those non-applicable)*	Individual membership (£12 per year)
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(if corporate)

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....

PROFESSION OR BUSINESS ....

REMITTANCE HEREWITH ....

SIGNATURE OF APPLICANT ....

NAME OF PROPOSER *(in block letters)* ....

AND SIGNATURE OF PROPOSER ....