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WANDSWORTH'S ECONOMIC MIRACLE

Summary of a talk by Fiona Mactaggart, Leader of the Labour Opposition to the Conservative held Wandsworth Council, to members of the Economic Research Council on the 8th November 1989.

Wandsworth Borough Council is known as the jewel in Margaret Thatcher's crown. The main reason is because of its record low rates. The average rate in Wandsworth in 1989/90 is £357, in nearby Greenwich it is £500, the inner London average is £538. Conservatives have claimed this 'economic miracle' is a product of the twin towers of Thatcherism; privatisation and efficiency. Close examination of Wandsworth's record shows that this is not the case. In fact the Wandsworth ratepayers benefit from Council grantsmanship and from a subsidy from Council rentpayers. New Government regulations will prevent Wandsworth from continuing this strategy.

The Failure of Privatisation

Wandsworth Tories claim that privatisation has secured massive savings without a reduction in the level of service. An examination of the record shows that the savings have all been short term; achieved at a time when Wandsworth was the privatising pioneer and firms were using it as a loss leader to help them win contracts in other boroughs. Now that contracts are being retendered, where there is no municipal workforce left to compete, the cost of services has rocketed. Recent renewals have cost between 70% and 82% over budget. Where there is a municipal workforce it has won every contract in the last two years within budgeted costs.

Thus the savings from competitive tendering that arose were only short term and have not continued beyond the initial contract period; as a result they are very small. They have been achieved at the expense of quality service, as is most vividly illustrated by the scandal of private catering in Wandsworth's old people's homes, where elderly people were served mouldy food in inadequate portions from kitchens which were so unhygienic that the environmental health officer closed them down.

So competitive tendering has not made a significant contribution to low rates, and neither has efficiency. If Wandsworth is so efficient, why is the percentage of council homes empty in Wandsworth above the Inner London average and why has the social services budget been overspent every year that I have been on the Council?

High Government Grant

It is not cuts in spending which led to low rates, but increases in income. In its annual report Wandsworth compares itself with Greenwich, which although it has a smaller population has some common features with Wandsworth. Although Wandsworth ratepayers pay £173 less than their Greenwich counterparts, spending per head in the

Borough is only £33 less than in Greenwich. The main difference is where the money comes from.

Only 15p in every £1 spent by Wandsworth is provided by the ratepayer. The Greenwich ratepayer provides three times as much. Wandsworth gets 80% of its income from Government grants, Greenwich only 59%, and the inner London average is even lower at 47%. Ironically one reason for Wandsworth having comparatively generous grant treatment is that the base years for calculation in the late 1970's were years when Labour set Wandsworth's budgets with high rates and expenditure.

High Rents and House Sales ...

Grantsmanship, though, is only half of the story. The most significant method used by Wandsworth to keep rate levels low is the housing revenue account. The ratepayers of Wandsworth are subsidised by council rents and income generated by council house sales. In every other inner London Borough council housing is subsidised by amounts ranging from £46 million in Islington to £2 million in Westminster. In Wandsworth the subsidy works the other way. In the current year Wandsworth plans to transfer £13 million from the housing revenue account to the general rate fund. This represents over 12% of net council expenditure.

The surplus on the housing revenue account arises partly because of Wandsworth's high rents. It is also a consequence of the sale of council homes, including thousands of empty homes, which has raised £223 million since the sales policy began and has led to a reduction of one third in the council owned stock. This is Wandsworth's 'North Sea Oil' and, like it, will run out.

... Some Expenditure on Popular Public Works

Wandsworth's financial strategy of dramatically maximising income from sources other than rates combines with relatively low revenue spending (about 30% below inner London average). However Wandsworth masks the impact of this low revenue spend by compensating with a high capital programme paid for out of the receipts from council house sales. In many areas of council activity the actual level of spending by Wandsworth is the same as or higher than the inner London average, it is merely capitalised. Wandsworth's housing capital programme was the second highest in London in 1987/8, the most recent year for which I can obtain figures.

Changing Government Policies

The Government's new financial regime for local authorities spells the end of Wandsworth's financial game playing. In future new capital controls will prevent more than 25% of receipts from council house sales from being used for capital spending. The rest must be reserved for repayment of debt. One result is that at the start of next year Wandsworth will set aside £100 million for debt repayment, representing over a quarter

of the Council's debt. In addition in future all capital spending must be covered by a Government approval. As a result resources available to finance capital spending are predicted to drop from £121 million this year to £38.1 million next.

In future the housing revenue account will no longer be a match cow for the ratepayer as the Government implements its proposal to ring-fence it. This device which was originally intended to hit Labour Councils who subsidise Council housing, will affect Wandsworth dramatically. In addition Wandsworth faces the rigours of the Poll tax, a mechanism through which central government centralises local spending decisions by setting Standard Spending Assessments and providing grants to local authorities which are supposed to be designed to enable them to meet a national target of £278. If Wandsworth made a budget based on current spending plans, without using balances, its level of poll tax would be £301 next year. This is despite the fact that this council is one of those benefiting from the "safety net" arrangement which will subsidise the charge next year by over £150 per head. That this figure is so hugely over the Government's benchmark for an efficient Council is not surprising, even for this borough, because the Government's estimate of the need to spend in inner London is widely out of line with reality. The Poll tax itself is one of the most inefficient taxes imaginable. At present it costs Wandsworth 2p for every £1.00 it raises in rates. It will cost 10p to raise £1.00 of poll tax.

The government has left local Councils no room to manoeuvre because in future we will not even have access to business rate payers to share the burden. The nationalisation of the business rate could have a devastating effect on our local economy. Businesses in Wandsworth are used to low rates and will face rises of 60% or more. The Council itself will, however, probably get less. The national non-domestic rate in London will raise £1,000 million, yet only around £600 million of that will be returned to London Boroughs.

Why is the Government introducing a financial regime which will make even its favourite Tory Council suffer? The answer is suggested in the White paper on the Community Charge which claimed "charging has benefits in terms of efficiency as well as accountability. Where consumers have a choice whether to pay for a service or not those who provide the service can accurately judge the real level of demand". That upside down economics suggests that the thousands of people who used to go to the Natural History Museum when it was free and who don't go now never wanted to go in the first place; but more ominously it shows the direction Government policy is going.

Abandoning Wandsworth

That direction is that local Government in future will not be genuinely Government which promotes the local economy and redistributes resources within the local community but merely a business which provides services and charges for them. One of the best ways for the Government to hasten the coming of such a day is to stop even the jewel in Tory local Government's crown from being able to look as though it can do the job of Government cheaply.

helped Wandsworth Tories to exploit it for so long. I used to think that this was because they expected the Labour party to win in the Borough elections next year and they wanted to make the going tough for us. Now I think that the Tory leadership doesn't care because they intend the days of local government to be numbered, whoever is in control in this Borough.

EUROPE IN 1992: THREAT OR PROMISE?

Speech by Brian Reading to the National Association of Business Economists. San Francisco, 25th September 1989

Blaise Pascal once wrote,

> "I have only made this letter longer because I have not had time to make it shorter."
> *Lettres Provinciales*

I have had several months in which to prepare my comments on "Europe in 1992: Threat or Promise?", you will therefore be glad to hear that I don't have much to say. This is just as well, because I believe we should be looking 30 or more years ahead, not 30 or fewer months. My main remarks thus concern developments into the next century rather than into the next decade.

Let me make clear at the outset that I take the broadest definition of the concept of 1992 to include, not merely the completion of the single internal market, but also the parallel move to establish a European monetary union. I shall later argue that the blueprint for the single market, which all member governments have agreed, necessarily entails monetary union. Only by retreating from the former can Europe avoid advancing to the latter.

Conventional wisdom suggest that the completion of the single European Internal Market by end-1992, or thereabouts, will be a threat to the United States, if that market becomes an inward-looking protective trade block; and a promise if it becomes an outward-looking freely trading area.

The likelihood that it will become inward-looking will be increased if Britain, at one extreme, opts out of the Community, as it has from the European exchange rate mechanism, or remains in but obstructs its progress. At the other extreme, if Britain joins fully and enthusiastically into the task of creating the kind of market which the original 1985 White Paper envisaged, it will be an open one.

The formation of a protectionist trading block in Europe, from which American and Japanese products and companies are excluded, would be an unmitigated disaster for Europe, which would be less efficient and less prosperous as a result. But it need not be

such a disaster for America, since Europe would then be less capable of competing on world markets. America would be wise to sit back and watch Europe's relative decline, rather than retaliate by raising its own barriers to trade. The greater threat to America is a vibrant and dynamic Europe, whose rapid growth accelerates the relative decline in the US economy.

I think Fortress Europe is unlikely. I suspect that Britain's attitude to Europe will undergo a sea-change well before 1992. Opponents to European monetary union, which the single market entails, are in a minority both in the Government and in the country. As of now this minority monopolise the top jobs. But given the mess they have made of running, as distinct from reforming, the British economy of late, I doubt whether they will continue to do so for much longer. (I was an Adviser to Prime Minister Edward Heath, so I would say that, wouldn't I?)

1992, and all it entails, is to my mind a more powerful threat to the US than the inefficient Communist system ever was. I believe that it will produce in Europe before the middle of the next century, the largest and strongest of the world's rival economic blocks. Moreover it will do so precisely because it will, so far as trade in goods and services is concerned, remain open and outward-looking.

The completion of the single internal market according to the 1985 blueprint represents a change of kind rather than of degree. In the first 30 years of the European Community's existence, producer interests dominated its development. The grotesque Common Agricultural Policy is the best, but not the only, example of this. Others include the cartelisation of European air and road transport, continued national restrictions on competition in financial services and national public sector procurement programmes.

The creation of the single market will tilt the system in favour of the consumer. Although the CAP is not included, most other restraints on intra-area competition are to go. At best, therefore, producer interests are now fighting a rear-guard action to limit their losses by creating Fortress Europe. With reasonable luck they will lose. The European Commission's proposal to open all Europe's markets to Japanese car imports will be an early test case of member countries' free trade credentials.

The consumer is winning on the wider European stage precisely because he has largely lost on the national stage. Continental Europe is typified by weak national governments. Italy, Germany, France, Belgium and Holland all have coalition or minority Governments. (The longevity of the Italian Government is directly proportional to its inactivity.) None has found it easy to face up to producer or sectional interest groups at home. All their economies, and particularly the German economy, remain rigidly over-regulated and inflexible. The result, following the structural changes to the world economy in the 1970s, was miserably slow growth and high unemployment through the first half of the 1980s, dubbed Eurosclerosis. This Eurosclerosis provided the political momentum for a supply-side revolution in the community as a whole. The appeal to the European ideal, now sharply focussed on 1992, is the deus ex machina with the aid of which national politicians hope to defeat national sectional interests.

Britain, by contrast with the rest of Europe and with the 1970s, has had strong Government in the 1980s. Mrs Thatcher has pioneered supply side reform. It is ironic that it should now be obstructing European progress. 1992 is Thatcherism or Reaganomics writ large. But the Thatcher Government fought for a decade first to obtain, then to preserve, its monopoly of power at home. The role of jealous guardianship of national fiscal and monetary sovereignty comes naturally to it, even when that sovereignty is now largely an illusion.

The dominance of consumer over producer interests in the completed single market is enshrined in one simple piece of European law, the requirement that what is permissible in one country must be permitted in all. Thus, for example, if a bank is licensed in Britain to establish a branch network taking retail deposits and also to conduct securities business, it must be allowed to do so in every other member country whatever their own national rules may be.

I call this the American drivers licence system. To drive here one must possess a licence, but each state accepts licences all others issue, regardless of ease with which they may be obtained.

Without this rule, the completion of the single internal market would be an insuperable task. It removes the need to replace all national regulations by European regulations. Instead the Commission in Brussels needs only establish minimum European standards on which a weighted majority of member countries can agree. Even so, the completion of the market requires agreement to some 300 directives.

The single market is, however, a misnomer. In a single market there is no need to make the rules the same in each country. There is no need to harmonise such things as value added tax. All that is required is that every European producer should be able to sell on the same terms as any other in each of the 12 member countries' markets. These terms must be the same for every producer but need not be the same in every market.

The single market being created requires the free movement of goods and services, which satisfies this condition. But it also requires the free movement of capital and of labour. These are the mobile factors of production. In permitting their free movement, Europe will be creating a single production line. This means that producers, wherever they are located, can be expected to compete on equal terms with one another.

Crucial consequences follow from the free movement of factors of production and the American drivers licence rule. There will be competition between Europe's rival regulatory, monetary and fiscal regimes over the location of production. Companies located in countries where regulations are the most liberal, taxation the lowest and money the cheapest (which in effect means currency the most undervalued) will have a competitive advantage which they will be able fully to exploit in their sales into all other countries' markets. Regulatory, fiscal and monetary systems will inevitably converge on the most successful. Only the re-erection of the barriers destined to be torn down by end-1992 can prevent this from happening. Failing that, progress towards monetary union will occur, whether or not the politicians explicitly will it.

We are at a turning point in history. Reaganomics, Thatcherism and for that matter Rogernomics in New Zealand, have educated and harnessed the power of public opinion on the side of the general interest and against the special interest. It is a force which is now unstoppable and it extends far beyond the narrow frontiers of the USA, Britain or New Zealand.

Let us then presume that the true age of the free market has arrived on our two continents. I very much doubt that Japan, with its present political system can readily follow suit. Then it is doubtful whether the spread of this classical liberalism can be confined within our boundaries. Communism is the ultimate in producer dominated economic systems, in which the consumer has neither the market nor the political means of influencing the use of resources. Its failure has become glaringly obvious to all. It is therefore in East Europe and Russia where the potential gains from the supply-side revolution are greatest. It would be remarkable if, by the first half of the next century, these were not being substantially exploited.

The first decade of the European Common Market's existence was spent creating a free trade area, with all its limitations, within the boundaries of the original six members. Owing to its success, the next two decades were largely spent in the enlargement of the six to twelve member countries. The successful completion of the single internal market will similarly be followed by the extension of the area over which it operates. Western European countries, which have remained outside the Community, such as Scandinavia, Austria and Switzerland, will clamour to join. Austria has already applied to do so. But the process will not stop there. As Eastern Europe and Russia embrace capitalism, so they will inevitably be drawn into the European Community's sphere of influence.

German reunification will not occur in the guise of a return to the nation state model of the 19th and 20th Centuries. That possibility has been ruled out already. Nor will the prospect of German reunification hinder progress towards European economic union. Rather it will take place within, and contribute powerfully towards, the creation of the Greater European Economic Community. We are not about to return to rival nationalism but poised to advance to rival continentalism.

I believe that the revolution in travel and in communications, which has already gone far to internationalise the demand and supply of capital in a single global financial market, is the fundamental cause of the consumer-dominated supply side revolution. One episode of "Dallas" seen by Russian TV viewers, is worth to my mind more than one billion dollars spent on political propaganda. Because of it, the days of the small, sovereign national economy are numbered.

It seems likely that in the 21st Century there will emerge three giant Economic power blocks, in the Americas, in Europe and in the Pacific. But I think the danger that each of these will be a fortress within which goods and services move freely, but between which trade is greatly restricted, is much exaggerated. Attention instead will be focussed on the far greater issue of the free movement of capital.

We are already seeing the consequences of the free movement of capital on the relationship between America and Japan. Exchange rates are now dominated by capital movements. The purchasing power parity theory is defunct. Its role has been usurped by lending power parity or, if you like, asset price parity. Capital movements determine exchange rates. Exchange rates drive trade balances. Countries which have the cheapest assets or the highest returns on capital, consequently have the most overvalued currencies and the worst trade deficits.

The theory of comparative advantage can, however, be readily extended to apply to this changed state of affairs. The USA is one of the richest countries in the world in terms of natural resources, and in particular in land, the one factor of production whose free international movement is impossible. America's small population, with its high living standards, thus has a comparative advantage in the price of assets relative to the price of products. Japan, at the other extreme, has a comparative advantage in the production of cheap products. So long as there is both free trade in goods and the free movement of capital, the US will sell its cheap assets to foreigners in exchange for their cheap products.

The US balance of payments problem lies in the fact that it is a capital asset exporting country. It therefore runs a persistent and structural surplus on its long term capital account. So whenever the current account deficit falls too low, because demand in the US is depressed, the dollar comes under intense upward pressure. This can only be relieved by lower interest rates, faster monetary growth and a faster rise in asset prices than in product prices.

Asset price inflation necessarily redistributes wealth towards those who own assets. Since wealth is less evenly distributed than income, it therefore increases the degree of inequality in a community. Product price inflation, by contrast, redistributes income in favour of those who produce. Asset price inflation is thus potentially the more lethal in its divisive political consequences. We can already see this is in Japan.

The three great economic power blocs which I believe will emerge in the 21st Century will differ widely in the comparative cost of assets and of products in each, if only because of their differing natural endowments and populations. The free movement of capital between them will thus ensure large structural trade surpluses and deficits, coupled with major ramifications for the distribution of wealth and of income in each.

I believe that the free movement of trade and of capital are incompatible. But I believe that it will be the ownership of assets which will be protected between each, rather than the movement of goods and services. I see this already happening in the US, with the Treasury's proposal that foreign companies seek US Government approval for American mergers, takeovers and other investment deals. It is not easy to control the movement of goods when the rewards are high, as the drugs problem amply shows. It is even more difficult these days to control the movement of money. But controls over the ownership of immovable assets in the country in which they are located, is essentially simple and it is popular. This therefore is where the barriers will be erected.

Finally, if we examine the potential of each of the great power blocs to expand over the next fifty years, I have to say that I believe the Greater European economic community will have the edge. The Pacific will win the silver medal and the America's the bronze. This is because I believe that it will be easier to integrate Eastern Europe and Russia into the West European system, of which it was always an integral part until 1917, than it will be to integrate Latin and South America into the US system. So whereas it has been said that the 19th Century belonged to Europe, the 20th Century belongs to the USA and the 21st Century will belong to the Pacific, I think that Europe will resume its dominance in the 21st Century, while America will be relegated to third place. This, as I see it, is the threat which 1992 and all it implies must entail.

WHERE ARE THE REAL RISKS FOR JAPAN?

By Mr N.D.P. Carn

The Japanese economy is booming. Corporate profits are growing at high double digit rates, consumer expenditure is strong, huge redevelopments are being undertaken to provide facilities for a new richer and more leisured Japan. Interest rates are low, the currency is strong and monetary policy pragmatic. Moreover, underpinning all this is an entirely cohesive social and political consensus. From a world beating exporter of semi-manufactures, Japan transformed herself after the first oil shock into a world beating exporter of precision engineering, and now after the revaluation of the yen, has successfully made the transition to an economy based on domestic end-consumer demand. The revaluation of domestic assets and, in particular, real estate, is entirely appropriate in this context. The things which have made this continuing economic miracle possible has been the political consensus in Japan where the LDP has ruled the company since the war and which, together with the powerful ministries, has successfully reconciled the interests of the different groups within Japan, within a democratic context. Most of the Japanese working population, enjoying the benefits provided by their employer, are the prime beneficiaries of this social and economic consensus which continues to serve their interests as well. Meanwhile Japan's demographics create a structural savings surplus, which underpins the Japanese financial system. Consequently, the argument goes, the sky high valuations of the Japanese market are more than justified by a unique combination of social, political consensus, high economic growth and financial stability. Far from being frightened by the unparalleled bull market in Japanese assets, investors should recognise that this is a manifestation of the transfer of economic power to Japan and is fully justified, both by fundamentals and by the peculiar characteristics of the Japanese system. The durable nature of these conditions makes Japan the pre-eminent investment opportunity in the world today. In this environment, the fact that the rise in land values last year in Japan was equivalent to the value of all the real estate in the United States of America, should be seen as no more than a reflection of underlying economic realities. So there we have it. The impregnable Japanese social, economic and financial fortress.

So how things change. As the Japanese bull market has roared ahead, western commentators have found ample justification for it after the event, and as Japan's financial power has grown so this has come to be perceived as a profound change in the economic fabric of the developed world. Everything in the paragraph above, with the exception of the observations about land values, has been culled from recent western commentaries on the new Japanese economic miracle. Some of it accurately describes the conditions of the past three years, some of it is misconceived, some of it simply wrong. It is time to take a sharply critical look, for Japan is at the point of momentous change and the beliefs of the old era are most certainly held at the point before the dawning of the new.

There is one question which must be answered in respect of the new Japan. Can she achieve the massive economic upheaval on which she has embarked without accompanying political and social change? Fashionable as it is to regard economics as an independent branch of knowledge, it is a manifestation of the social behaviour of a group and, in this sense, Japan by definition faces changes as profound in her social structure as in her economy. It is in understanding the nature of that social change that one is able to evaluate the prospects for the survival of the old social, political and economic consensus. It is not true to regard her as having already made that transition; although the stock market and domestic land prices already reflect it, the transition has not yet been made and the benefits of the asset revaluation have been extremely unequally shared within Japan. The brokerage houses, the land speculators and the 30% of Japanese who own land, have benefited handsomely. Japan Inc. has been quick to seize the advantage of an economy awash with money and with soaring asset values. The majority of Japanese, most of whom work in the boom/bust small business economy, on which the great Japanese corporations rest, have not yet come forward to claim their share. Wage rises have been very moderate, whilst the benefits of the soaring yen have been, until very recently, absorbed in expanding profit margins for corporate Japan.

To understand why this is so, one needs to look first at the social and economic consensus and, secondly, at how the political processes mitigate against the typical urban Japanese participating in Japan's new found wealth. Firstly, there is the political system itself. Constituency boundaries in Japan are not redrawn to take account of geographical shifts in population. Rural constituencies return as many as three times more politicians per head of population than urban constituencies. This goes a long way towards accounting for the power of the Tokyo farm lobby in Japan and the extremely high price level of food prices for the Japanese consumer. Moreover it places a minority special interest group in a position of great power in the electoral process. The liberalisation of beef and citrus imports is thought already to have lost the LDP 30 seats in the Lower House, whilst liberalisation of rice imports poses a much greater threat. Consequently the food price and land reform issues, which together hold the key to an improvement in living standards for a population faced with poor housing and expensive food, are extremely difficult to resolve in the current political context. A move to reform the tax system and to impose taxation for what is effectively the first time on small business, is similarly intractable politically. Although the LDP hold an overall majority in the Diet, it has been traditional to engage the support of the minority opposition parties to put through important legislation, thereby maintaining an appearance of political unanimity. This principle was recently abandoned over the VAT issue, with the LDP forcing the legislation through parliament, a move which led to violent scuffles in the House, with older observers who saw the near riot in the parliament building, reminded of the violence and factionism which characterised Japanese politics until recently and of the systematic murder of political opponents which was such a mark of Japanese politics between the wars. It is not suggested that Japan will revert to these conditions, but clearly the close identity of special interests which form the LDP's political power base, is increasingly called into question by the economic transition that Japan is now attempting to make. The social implications of this transition will be extremely profound. The post-war consensus in Japan has involved individuals subordinating their own interests to the common or corporate interest and this has remained a constant feature of the industrial

transitions Japan has made since the war. The current environment is quite different. Both consumerism and stock market speculation, increasingly important parts of the Japanese scene, are essentially selfish activities. The American system harnesses these energies, whilst in Japan they ultimately threaten the system as it is presently constituted. Japanese history is marked by long periods of pursuing a particular course, taking it to its extreme and then entering a period of social, political and economic crisis. We are approaching that point now. Japan's period as the great exporting nation is drawing to a close as moves intensify to reduce her huge trade surplus.

It is obvious to even the casual visitor to Japan that the wealth she enjoys on paper is not reflected in the living standards of the population as a whole. Within Japan there is a growing appreciation of this fact. As more Japanese travel overseas, this perception will become more common. Meanwhile, the social manifestations of an extremely loose monetary policy, consequent upon the foreign exchange intervention necessary to keep the American market open for Japanese exports, are becoming increasing conspicuous, whether in the form of the billionaire property speculator's Rolls Royce, or the rampant stock market speculation by such bodies as the recently bankrupted Nihon Land, with its known links to Japan's powerful organised crime interests. This bankruptcy, the third largest in Japan since the war, drew the attention of many people to the extent to which the world of organised crime, corruption and bribery, is involved at the centre of the financial system itself.

Although bribery has long been accepted as part of the political life in Japan, the Recruit Cosmos scandal, which currently occupies centre stage, has deeply shocked many Japanese. The video taped attempt by one of the directors of the company to bribe Yanosuke Narazaki, a parliamentary member of the United Social Democratic Party, and an ardent critic of the government, to encourage him to cease his investigation of the affair, was broadcast on national evening television news, and brought home to many viewers the reality of the situation. The scandal, which involves preferential allotments of shares in unlisted companies to influential politicians and businessmen, and which allowed them to reap huge profits after the flotation, reaches into the highest levels of government and industry, implicating the Finance Minister, Miyazawa, as well as senior members of the NTT management. Japan has weathered such bribery scandals before, including, of course, the Lockheed affair, but this time the implications might be more profound. There exists a growing perception in Japan that the political system, and its links to powerful stock market and real estate interests, increasingly fails to represent the interest of the bulk of the Japanese population, whether this unfairness is seen to manifest itself in the inability of most Japanese to afford a home, in the conspicuous consumption of the new breed of property speculators, or in a stock market system, which in effect allows a limited number of people to earn huge capital gains. In the past these issues have been seen as peripheral, but in the present economic environment, encouraging as it does a greater pursuit of self-interest, it may not be long before ordinary Japanese come forward to claim their share, either through increased wages, or through changes in the political environment.

A divergence in the interests of the groups which make up the LDP's political power base is happening against a background of the extraordinary conditions which have delivered Japan such dramatic and highly visible economic success; the virtuous circle of a sharply rising exchange rate, falling inflation and consequently falling domestic interest rates, combined with double digit monetary growth, created a uniquely favourable environment for domestic financial assets. Sustained foreign exchange intervention in support of the US dollar has increased monetary growth dramatically, whilst the strength of the currency has insulated the economy from the inflationary effects. It is not, however, an environment without its risk. A rise in the US dollar would create the conditions in which the monetary inflation that Japan has undergone, would transfer itself to measured price inflation. In other words, conditions in Japan are highly sensitive to a reversal of the conditions she has enjoyed for the last three years. Were this to coincide with a more aggressive wage bargaining position in the context of the extremely tight labour markets which now exist, financial conditions in Japan could be radically transformed.

Since the war the Japanese have willingly subordinated their private and personal interests to those of corporate and institutional Japan. Long working hours and low pay rises made labour costs highly competitive whilst a very high savings ratio provided the money to finance the capital spending necessary for Japan's export effort. Investors benefited handsomely, whilst the bulk of the Japanese population saw only a modest rise in their living standards. With the death of Emperor Hirohito, Japan literally, as well as metaphorically, enters a new era, one in which Japan's workers and consumers will ask for a bigger share of Japan's wealth. A political system which relies on the support of a number of self-serving lobbies, whose interests in any case are increasingly divergent, will find it increasingly difficult to survive. The public perception that the benefits of the land and stock market boom has been extremely unfairly distributed, will intensify the pressure on the political processes, at the same time the financial consequences of the continued expansion of money supply to ease pressure on the US dollar, so reminiscent of the actions of the Federal Reserve in the late 20's, will require not only great skill, but a continuation of political and economic consensus to be resolved without a crisis. Japan will become a much better place in which to live in the next few years, but whether it will be a better place in which to invest, remains very much in doubt.

EUROPEAN COMMUNITY ECONOMICS

By T. Hitiris, Published by Harvester Wheatsheaf 1988

This is an ambitious book. Some 250 pages cover the following chapter headings:

- The Objectives, Policies and Effects of Regional Economic Associations
- The Objectives and Institutions of the E.C.
- The EC Budget
- Tax Harmonisation
- Monetary Integration
- Agriculture
- Trade Policies
- Regional Policy
- Social Policy
- Transport
- Industrial and Competition Policy

Each chapter lays out the general policy objectives quoting EC documents and spokesmen, traces the historical developments surrounding these objectives and concludes with an up-to-date comment on the current prospects. The material covered is of great importance and interest and has been published at a timely moment when interest in the symbolic date '1992' is intense. The width of material is truly impressive because, with the exception of foreign policy of a strictly political nature, it is really quite hard to think of any aspect of EC activity left unmentioned.

Therein, however, lies an initial confusion because there is really – of necessity – rather little 'economics' in this book. As the author mentions on several occasions, the EC is really about *politics* and not *economics*. The rather superficial economics given in the text must therefore come in for criticism in this review – criticism which might be far less justified had the book been more accurately titled "An account, from the Commission's viewpoint of institutions and policy making in the EC with an introductory chapter on elementary 'trade bloc' economics". That the book contains an inherent bias towards the Commission's viewpoint is clear from the start. The Commission is avowedly interested in enlarging its own – or more generally – the EC institution's power at the expense of national governments, and sees the route towards this end as lying through justifying economic integration within the member states, emphasising the EC's position *as a whole* vis-a-vis other countries, increasing the power and expenditure of the EC executive and downplaying the costs of integration for individual members. There is an essentially *federalist* ambition but one which, unlike the federalism of the USA displays a cavalier disregard for legislative control. Hitiris does at least make brief contrast with the 'Free Trade Area' alternative, but does not dwell at all on the relative characteristics and advantages of such an alternative. The *federalist* viewpoint suggests that there are trade gains for the union from integration and that there are substantial longer term so-called dynamic benefits. Trade adjustments for Britain and her world- wide trading partners have, in fact been near traumatic. As a port Liverpool has been made largely redundant, the British motor industry has been drastically diminished with 60% of U.K. sales now imports (of which only some 11% are Japanese), huge increases in land values have resulted from the application of the Common Agricultural Policy and horticulture has suffered from subsidised competition from Holland. Such things are mere 'adjustments' for Hitiris. As for the longer term 'dynamic effects' which, it was once claimed, would add 1% each year to U.K. economic growth, the reverse seems more to have occurred with 15 years of exceptionally high unemployment following EC entry. In practice, a country's ability to benefit from such a radical change in its business circumstances depends on its relative advantages, adaptability and flexibility. At least one notable economist, Lord Peston, who once relied on this argument to support U.K. membership, has now acknowledged that his view was unrealistic.

But the *federalist* viewpoint is that if prosperity is uneven then people will move. Hitiris comments (p. 85) "Capital will .. gravitate to the relatively faster growing areas ... sooner or later, labour will follow the same way." Maybe in theory or to a very limited extent this holds true. But what of the pain involved? And what if very large numbers of Europeans with native English or with English as their main second language prefer migration to the new worlds of North America and Australia?

The European *federalist* can usually be identified by his mercantalist perceptions and his focus on power. Hitiris displays these points admirably. From the beginning (p4) he gives the "saving of foreign exchange" as an advantage for protectionism and on taxation (p14) suggests that "A tariff as an instrument of policy is considered inflexible ... because the government has to ask the legislature for the changes" whilst quotas are more adaptable and more flexible". I once lived in Franco's Spain and know something of the adaptability of quotas as an effective means of rewarding one's political friends. Throughout the book, there is an assumed benefit in bilateralist trade thinking. Deficits with particular countries – provided they are outside the EC – are simply burdens. Anyway, there is no real secret in the book's bias: the final sentence speaks of governments being "forced progressively ... to cooperate on the building of the union of peoples".

The very scope of the book makes for shallow analysis and the greatest possible opportunity to omit inconvenient thoughts. A useful chapter on tax harmonisation is followed by a chapter on monetary integration which suggests that the benefits of *seignorage* should accrue to the EC as a whole. This may look attractive (at least to the *federalist*) but it ignores the fact that today's governments have already handed such benefits in large measure to private banks. Credit rather than cash is the main component of 'broad money' creation. Banking interests have already, in general, supported 'The European Ideal'.

Chapter 6 on Agriculture is a masterful defence of the indefensible whilst the author writes off Britain's old agricultural support system of 'deficiency payments' as involving too high administrative costs. The chapter makes no account of the transfer of

economic risk to non-member countries, the loss in revenue to (often very poor, as in the case of cane sugar suppliers) non-member suppliers, the unjustifiable rise in EC agricultural land values, the anti-social rise of agricultural specialisation (the demise of traditional mixed farming) and excessive use of chemicals, the loss of countryside amenities etc. Here is a great opportunity missed to point to the (in most cases) lunacy of the doctrine of self sufficiency and to point out that agricultural subsidy via artificially maintained high prices represents a form of subsidy far harder to measure than are tax based deficiency payments. The greatest need from a chapter on the economics of the CAP is an estimation of how much higher consumer prices are as a result of its application and what are the total costs to the EC and to non-members. This is not attempted and the only table given (p 133) to compare EC and world prices is reproduced from an EC document of 1980. The author presumably knows that the Commission decided, after that, not to publish such figures any more on the grounds that they were embarrassing.

Chapter 7 looks at trade policies – without even a mention of 'Fortress Europe' – but perhaps this is a measure of the speed of change, as is his reference to the EC requiring Japanese assembly plants in the EC to have a 60% local content ratio. The talk is now of 80%. In fact, the paragraph – the only paragraph in the book regarding Japan – on page 165, is totally inadequate. Again, no attempt is made to note the differential impact of protectionism on member states and the influence of lobbying by EC national companies in Brussels. Hitiris concludes the chapter by simply saying that the future is "a matter for conjecture" which is not very helpful for the outside observer.

Chapter 8 on regional policies presents a reasonable description of events to date but the key concept in regional economics is the application of macro-economic concepts at a regional level – including the notion of currency devaluation. A proxy to this was once used in Britain in the form of the REP (Regional Employment Premium). If the EC ever becomes a single currency union, countries will become regions and regional subsidies will need to balance trade deficits. Such levels of subsidy would be politically impossible but the regional analysis chapter ends cheerfully claiming that regional policy needs call for yet greater EC executive expenditure. Indeed they do, but there will never be enough cash on this basis and the problem should not be created in the first place.

Chapter 9 looks at social policies and chooses to branch into the whole subject of industrial democracy – and, in the EC's case – the proposals of the "Vredeling Directive". Here again one feels disappointed because everything about industrial democracy is given in terms of participation in decision making rather than in terms of participation in ownership. Where are the concepts of 'wider share ownership', of 'employee share ownership schemes' and of co-operative ventures?

The chapter on transport recognises that little has been done to date but places great hope on '1992' whilst the chapter on EC competition policies gives no mention of the need to introduce a USA style system whereby individuals can bring cases to a court against a company or companies for acting collusively or charging excessively. Ralph Nader is not to be encouraged in Europe: There is little or no mention of the recent spate of EC-based company mergers which are giving rise to real fears of monopolistic behaviour.

And this last point leads to more general considerations. The book probably set itself an impossible task and ended up achieving something less than the official EC brochures have made publicly available (mostly free, of course) in any case. The book is essentially 'normative' but uncritically so and lacks credible empirical data. It assumes so many problems away – even the most elementary one of many different languages, so that a comparison of uniting Europe with the 19th century 'achievements' of uniting Italy and Germany where single languages existed is meaningless. At a mega level the author calmly tells us that "most existing federations of states have been formed after war". Rather than 'most' he should perhaps have said 'all' and then gone on to recommend his readers to read Peter Jay and Michael Stewart's book *Apocalypse 2000*. And this is just one example of the many important references which could have been given. Apart from the fact that the references given at the end of each chapter are NOT specifically referred to in the text making them virtually useless, there is a paucity and bias here from a rich, rich field to choose from. Most of the references are to EC official publications and the vast majority of the rest are *federalist* supporting. But it is almost as if one reference for each chapter is from a critical writer just "for good measure".

The reference to Harry Johnson almost implies his support for trade bloc economies – a total travesty to anyone who knew his views. But no specific point is made so why give him as a reference? The publications of the Trade Policy Research Centre – an organisation standing for open market policies are ignored – except for one reference to a paper by Corden (p 106) which is in any case unrelated to the text. Agriculture inevitably refers to a few more critical studies – but not to the most telling ones available though C.N. Morris of the Institute for Fiscal Studies is given a passing nod. The only author who is given several references, and in detail, is Dennis Swann who in return has commented favourably on the book (see book cover notes). But why not refer to Sir Alan Walters regarding monetary union, or Sir Richard Body on agriculture or Nicholas Kaldor on dynamic effects?

To a reader with an initial wide and balanced view this book can provide a handy compendium of the situation in 1987. To balance other literature it could be used as a teaching text for critical appraisal. But students would at least have to be provided with evidence of recent changes – with perhaps a dossier on the 'Nissan' case, some copies of the journal 'New European' and the text of Mrs Thatcher's 'Bruges' speech.

Perhaps some harsh points have been made in this review. The opposition to the seemingly inexorable and apparently undemocratic rise of Brussels is one of witness against power. The author is surely aware of this and in writing a book which is selectively factual, blandly boring and slavishly uncritical, can serve only to mislead those who innocently enquire. It would have been better for this to have been published as an acknowledged EC 'official' propaganda support publication.

J.B.

THE EDWARD HOLLOWAY COLLECTION REVIEW

The next five years, an Essay in Political Agreement
by 'The Next Five Years Group'
Published by Macmillan, London in 1935.

No single hand executed this truly amazing book. It is a compilation by a few volunteers from a group of over 160 of the most distinguished signatories in the land, expressing in detail how, in their view, the United Kingdom should set about the task of increasing general welfare through economic growth, the abolition of poverty, the maintenance of security and the furtherance of political liberty and social justice.

It is stimulating simply to read some of the names who signed and motivated this quite noble endeavour, Julian Huxley, H.A.L. Fisher, Gilbert Murray, Ernest Barker, G.P. Gooch, A.D. Lindsay, and Lord Rutherford; eminent politicians from Isaac Foot to Harold Macmillan, the latter one of the dozen or so who put the work together. Signatories from the Arts included Siegfried Sassoon, Sybil Thorndike and H.G. Wells. That such sensible, sound humanitarian ideas and policies should come so quickly to nothing must make us extremely sad and tell us a useful lesson.

The lesson seems to be that political events can be influenced by but not negated by the intellectual debate. Bismarck, in a famous phrase, put it this way "All powers are travelling on the stream of time which can neither create nor direct, but a stream upon which it is imperative that we steer with every possible degree of skill and experience of which we are capable". Other examples support the point. Sir Norman Angell, a Next Five Years Group signatory published 'The Great Illusion' before the First Great War in which he argued that destruction would be so awful and widespread that no nation would start such a conflict!

The Next Five Years attracted widespread attention and publicity at the time and was remembered as background to the post-war Macmillan administration. Many issues were covered from industrial organisation, through banking and finance, agriculture and efficient democracy to social justice. In the current climate, it is perhaps most worthwhile to recall the section on social justice.

The authors begin by stating that without equity and fairness all productive efficiency and wealth creation will come to nothing and that this should mean the provision of adequate pensions and good social services paid for from taxation which in turn should be geared towards reducing after tax income difficulties.

Post 1979 Britain seems to have forgotten the spirit behind such sentiments and, under the doctrine of 'market forces to prevail', private affluence alongside public squalor has become a reality. One is tempted to cynicism – as with Karl Popper who referred to the reluctance of once quite intelligent people to abandon a theory even in the face of convincing evidence that it is faulty: and with Bertrand Russell who said 'what a shame the stupid are always so cock sure and the intelligent are so doubtful". The Prime Minister's claim for numerous policies that 'there is no alternative' is an absurd statement of infallibility.

Certainly F.A. Hayek's *The Road to Serfdom* refuting socialism and Adam Smith's *The Wealth of Nations* advocating the use of market forces were necessarily correctives to previous excesses of state intervention and mercantalism. But now these critical texts have themselves become dogma. Public services, health care, television and broadcasting, university administration and practically everything else is coming within the dictates of profit earning. The free market doctrine is being tested to breaking point in a relentless privatisation programme – and where competition is absent or only artificially created there will be dire consequences for the consumer. The doctrine now impacts on social justice as restrictions are placed on health and social security payments and huge tax concessions are made to the rich.

There has to be a balance. On the 'free market' side there is much to be said for supply side theory and the lowest possible level of overall taxation coupled with firm control of public expenditure. Policies designed to reduce income differences must never be such as to retard the accumulation of capital or the readiness to take risks. Making the rich poorer certainly does not mean making the poor richer. But on the other side it must be said that certain standards of welfare subsidence and basic support and maintenance of vital public services can *only* be adequately dealt with from public funds. And the extent to which many leading businessmen recently jacked up their already substantial earnings after being given very generous tax concessions (which were supposed to moderate their demands) shocked many people including, it is said, the Prime Minister herself.

Social justice is therefore a far from empty phrase and the text from *The Next Five Years* remains doubly relevant. War and confusion have intervened but now we have the chance to look again at this subject and perhaps say with Tawney, "With the knowledge at our command we can ensure, if we please, that the whole of the rising generation, irrespective of income or social position, grows up in an environment equally conducive to health, enjoys equal opportunities of developing its powers by education, has equal access according to ability, to all careers, and, is equally secure against being crushed by the contingencies of life".

Contrary to these objectives, the substance of the attitudes and policies of the government has been to widen division (almost to engineer a two-tier society) and practically deny the existence of 'society' as a concept.

Unless therefore we can modify the power of free-for-all, every man for himself attitudes with the broader aims of uniting the nation and creating a fair and equitable society, we are likely to find Philip Larkin's words turning from warning to fact "Our children will not know it is a different country ... All we hope to leave them now, is money ..." As that extraordinary company (The Next Five Years Group) of our brightest and best who illuminated their generation over half a century ago, stated firmly, "However competent and excellent the defence of the realm, however splendid the economic achievements of the nation, without a happy united purposeful people, it will come to nothing".

S.S.

LETTER

A response to letters regarding 'The ECU as Shield and/or Sword' by Malise L. Graham from Mr T.B. Haran.

Sir

In his letter in the Autumn 1989 edition of your magazine, Malise Graham maintains that the proposals in my letter in the Summer 1989 edition are impractical owing to the weak state of the British economy and changes in the international monetary mechanism. That simply will not do, as the matters involved are of national importance and require further investigation.

He has not strengthened his case by setting out the faults in our economy, but instead has highlighted the need for us to deal with them ourselves.

High interest rates are necessary because the demand for borrowing has been rising in relation to savings. This process is taking place within the economy quite independently of anything the Chancellor does. There are not enough funds to meet the demand and the weaker would-be borrowers are priced out of the market.

However, high interest rates are not needed to maintain balances in London. One of the advantages of a nation having its own currency is that the home balances cannot leave the country. Thus, dollar balances remain in New York and sterling ones in London.

In view of this, the fact that eighty per cent of the foreign exchange transactions taking place in London are unrelated to foreign trade is irrelevant. For every party who moves out of sterling another moves in. The quantity of sterling is unaffected. These are simply barter transactions in currencies.

An unstable exchange rate is a reflection of an unstable economy. When sterling is weak in the foreign exchange markets, the Chancellor can make it more attractive to buyers by raising interest rates and take reverse action in the opposite circumstance. This however is equivalent to papering over the cracks and joining the EMS would be just another means of doing this. The truth is that the Chancellor needs a policy for stabilising the economy.

I have examined the subject of monetary theory in depth and have been surprised to find that it is almost entirely comprised of fallacies. My findings are presented in my book entitled – The Monetary Analysis – which is due to be published shortly, and show the economy in a new light.

Perhaps then I may be allowed to demonstrate what is actually wrong with the economy and why it is so important that we retain sterling, reject a common currency and do not join in monetary union.

Malise Graham points out that of all the major free world producers Britain has the largest (relative) manufacturing trade and current account deficits, the highest interest rates, the most volatile currency and yet the lowest wage rates.

Comparisons with other countries are not appropriate. They should be made with what we can afford. At any given time there is a remuneration level which the economy can support. If the actual level is pushed above the supportable level, inflation results, while in the reverse circumstance deflation is the consequence. When the remuneration level is too high the balance of payments becomes adverse and when it is too low excessive reserves build up. The supportable level is in-between and the object of economic policy should be to push the economy towards it. This can only be done at present by reducing the remuneration level.

Credit is the life blood of the developed economies and, contrary to popular opinion, it is quite wrong to reduce it. It gives the nation a higher standard of living than would otherwise be within reach.

Everything we buy is financed by credit and we are not normally asked to make stage or advance payments towards the cost. Growth can therefore only be obtained by extending credit further.

For this purpose money has to be raised from the public by individuals, companies, etc. or borrowed from bank and building society deposits. The funds have therefore to come from savings. Since these are in the main held by people who have no intention of spending them, they are available for borrowing.

Can the present high interest rate policy succeed? Sad to say it can only "succeed" if it puts people out of work, reduces the standard of living and causes fewer goods and services to be financed by borrowing. Thus, it is a primitive way of reducing the demand for borrowing in relation to savings. It will cause a considerable contradiction in the economy, damage and destroy businesses unnecessarily, penalise many people unfairly and cause us to lose further ground to our industrial competitors. Moreover, there is no knowing just how high interest rates will have to go to achieve these undesirable ends.

The correct remedy is to cut all remuneration and insist on the savings in costs being deducted from prices. Less money would then be needed to finance the present standard of living and the surplus thus made available could be used to finance growth. The ratio of borrowing to savings would be brought down, interest rates would fall and both exports and home produced goods would become cheaper than foreign ones, thus improving the balance of payments in two ways.

How can the remedy be applied? A "Wages Pound" could be introduced. This would not be a separate currency, but simply a means for the government to effect increases and reductions, as required, in remuneration levels. Thus, if the government wanted to cut the remuneration level by five per cent, it would announce that the wages pound was 95p.

Employers would then pay only ninety-five percent of wages and salaries. As the PAYE system is already in place, administration would not be difficult. The employers would be obliged to take the savings in costs from prices and, as the public would be watching, woe betide any who did not so do.

In recent times, management has been taking greater percentage increases than the workers. Consequently, it would be right at present for the government to introduce a graded scale of cuts. Thus, for remuneration up to £5,000 per annum the wages pound could be 100p, the next higher band 95p and so on so that the greediest lose the most. This scheme should be used to push the actual wage level into the area of tolerance around the supportable level.

When the balance of payments swings back into credit, the remuneration level can be

allowed to rise again in keeping with the improvements. There is nothing to stop us financing any rate of growth the economy can produce.

In contrast, what would happen if we gave up our currency and accepted the ECU in a monetary union? Britain is sited geographically on the fringe of the Common Market and, given the weakness of our economy, the result would be that our balances in ECUs in London would begin to move to Frankfurt and they would be followed by a movement of people and jobs from this country to the Continent. We would become a minor province in a German financial empire.

The interests of all the countries in the Community are not the same and those on the fringe need to preserve their own currencies to ensure that they can keep a share of the available business. It should be remembered too that, unlike many of the other countries in the Community, Britain has many more commitments to the outside world.

The ECU is not a shield; it is a trap.

T.B. Haran
'Grianan'
23 Orchard Road
Bromley
Kent

DEFINITIONS

By Mr Bill Allen *

I am looking forward to looking back on the past few weeks. The role played by creative language will stand out.

Panic. The sensible response to official requests not to.

Interest rate policy. The syntax is identical with another vogue term: "safe sex". Just remember that the adjectives – "interest rate" and "safe" – simply mean that you don't have the nouns. With interest rate policy you don't actually have any policy and with ... Well, you see what I am getting at.

"Interest rate policy" makes your desperate, last ditch, pure knee-jerk, response to a run on sterling sound like something you always meant to do after you had spent a few billions in intervention trying to avoid it.

General Election. The only difficulty faced by the Government that is too far away for interest rate policy to have any effect on.

Party Conference. A party political broadcast that lasts for a week instead of the usual 10 minutes.

Alternative. A word we scarcely need any more. It is used to refer to all the other policies that have either been tried and failed, or which are much too closely associated with someone very unpopular. In this sense, interest rate policy is itself looking strongly alternative.

Underlying. Humpty Dumpty's favourite word, it means "what isn't, but certainly should be, and would be, if it wasn't for the parts that aren't". We are currently at one of those awkward points, which usually occur midway between general elections, when all the good news is underlying.

Trend. There are a lot of these around at the moment. They are what you have whenever two values of an economic statistic can be joined with a straight line. If this can't be done, you have an "underlying trend".

Turning point. Strictly speaking, this is whenever three values of an economic statistic can't be joined by a straight line; but is normally used to refer to whatever the current state of the economy is, as viewed by the Government's opponents.

Sterling crisis. Something that Keats called the season of mists and mellow fruitfulness, and the Americans, with a much clearer sense of direction, call the fall. Probably as a result of CFCs and the greenhouse effect, these days it can also occur in winter, spring and summer.

Strength of the economy. As applied to the UK, and it frequently is by the Government, this is clearly very underlying, to say the least. Worse, it may even be a trend. If we have it at all, it is surely the one problem that current interest rate policy will soon cure.

Trade Deficit. What the City is quick to criticise the manufacturing industry for having. It needs to be very quick, too, because the way the invisible surplus is dwindling, means it will soon have to shut up.

Mortgage rate rise. This means that the vast majority of the customers of building societies enjoy an immediate, but taxable, rise in the interest on their building society savings. A tiny minority of customers, those with mortgages, are told that their – mostly tax deductible – mortgage interest will be increased sometime in the next year or so. In many cases the increase will be met by their employers as part of the perks of their job.

The boost to spending power is substantial: the total of building society savings is about £160bn. It is usually described as a savage attack on living standards, and so is followed by big wage rises.

And lastly: Estate Agents. People who are being thrown out of work in droves at present, but who surely have much to offer in enriching our financial vocabulary.

* These rascalian thoughts first appeared in 'Financial Weekly'.

ADVERTISING IN 'BRITAIN AND OVERSEAS'

'Britain and Overseas' will in future publish advertising material of a type in keeping with the general character of the journal. Members and others able to place such advertisements should contact the Hon. Secretary for further details. Acceptance of advertisements will in no way imply any association between the advertiser and the policy aims of the Economic Research Council.

REFLECTIONS ON MONEY

Arising from the highly successful series of study lectures on 'Money' recently organised by the Economic Research Council, *Reflections on Money*, edited by Professor David T. Llewellyn and published by Macmillan in association with the E.R.C., will be available on January 14th 1990.

The book contains a series of, sometimes controversial, reflections on money and the conduct of monetary policy by eight distinguished economic analysts and practitioners. It is available, price £14.99 in paperback and £35 in hardback from:

Nicola Clark, Marketing Department,
The Macmillan Press
Houndmills
Basingstoke
Hants
RG12 2XS

Tel: (0256) 29242

FUTURE PROGRAMME

The speakers for the new year programme of Economic Research Council meetings are as follows:

Wednesday January 10th Professor David Llewellyn
Wednesday February 7th Mr Peter Rodgers of 'The Guardian'
Thursday March 8th Mr Corelli Barnett

Readers should note that in the notice already circulated regarding these meetings March 8th was incorrectly described as 'Wednesday'.

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.

OBJECTS

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.

BENEFITS

Members are entitled to attend, with guests, normally 6 to 8 talks and discussions a year in London, at no additional cost, with the option of dining beforehand (for which a charge is made). Members receive the journal 'Britain and Overseas' and Occasional Papers. Members may submit papers for consideration with a view to issue as Occasional Papers. The Council runs study-lectures and publishes pamphlets, for both of which a small charge is made. From time to time the Council carries out research projects.

SUBSCRIPTION RATES

Individual members	£18 per year
Corporate members	£50 per year (for which they may send up to six nominees to meetings, and receive six copies of publications).
Associate members	£10 per year (Associate members do not receive Occasional Papers or the journal 'Britain and Overseas').
Student members	£8 per year
Educational Institutions	£35 per year (For which they may send up to six nominees to meetings and receive six copies of puplications).

APPLICATION

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.

CHANGE OF ADDRESS

The Economic Research Council has a new address

Benchmark House
86 Newman Street
LONDON
W1P 3LD

The telephone number is unchanged.

CORRECTION

With apologies to readers and to Sir Maurice Hodgson, the following corrections should be made to the Autumn 1989 edition of 'Britain and Overseas':

- page 4, line 8, 'R.G. Carbon' to read 'I.G. Farben'.
- page 4, line 9, 'celebrate' to read 'accelerate'.
- page 5, line 18, 'and more' to read 'and move'.

APPLICATION FORM

To the Honorary Secretary
Economic Research Council
Benchmark House, 86 Newman Street
LONDON W1P 3LD.

Date ....

APPLICATION FOR MEMBERSHIP

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 (£18 per year)
Corporate membership (£50 per year)
Associate membership (£10 per year)
Student membership (£8 per year)
Educational Institutions (£35 per year)

NAME ....
(If Corporate membership, give name of individual to whom correspondence should be addressed)

NAME OF ORGANISATION ....
(if corporate)

ADDRESS ....

....

....

PROFESSION OR BUSINESS ....

REMITTANCE HEREWITH ....

SIGNATURE OF APPLICANT ....

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

AND SIGNATURE OF PROPOSER ....