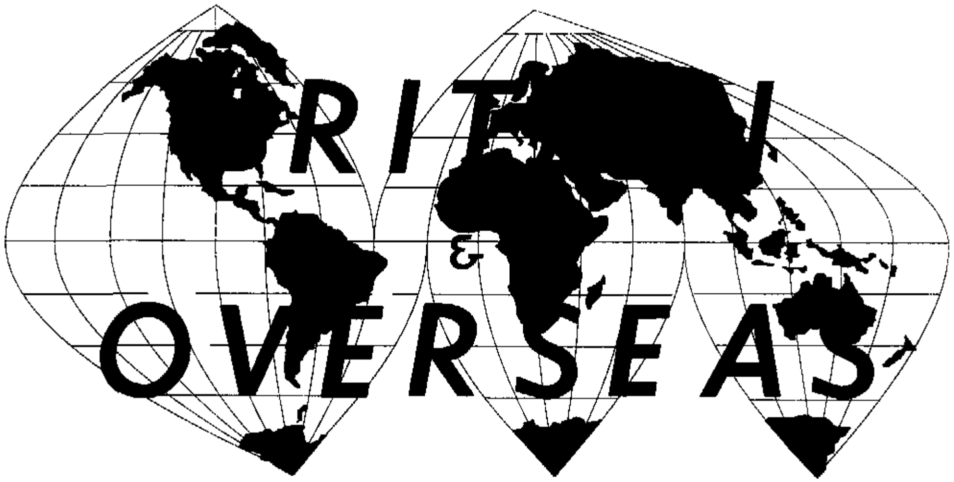

A DIGEST OF NEWS AND VIEWS ON BRITAIN'S ECONOMY
AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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EUROPE'S MONEY: WHERE NOW?

Summary of a talk by Mr Christopher Huhne, Business Editor of the Independent to members of the Economic Research Council on 24th September 1992.

This is indeed a moment that can be described as both exciting and fluid – a time for a basic re-think of policy direction, to reassess the conventional wisdom that existed prior to last Wednesday's events.

The previous conventional wisdom was that Britain was on a glidepath to monetary union. The assumptions of the markets were that along this glidepath the government would seek various exemptions but that eventually and always too late, there would be the customary capitulations so that the odds were that by 1999 the UK would be part of the 'core group' of EC members forming a close monetary union.

In my view this would have enormous advantages for the UK First it would enable us to have at least some influence over German monetary policy. Secondly it would be enormously convenient. EC members now 'take in so much of each other's washing' – UK imports are equal to one third of GDP and a half of those imports are from the EC By comparison imports for the USA only equal 10% of GDP and for Japan 7½%. Thus we are particularly interdependent. Thirdly, looking back over the longer term one can say that a move towards some sort of fixed exchange rate is a move towards the historical norm rather than the exception. We used to have the Gold Standard and then for many years we operated under the Bretton Woods system. The short periods of 'floating', both 'clean' and 'dirty', were short exceptions to the general practice. And so I foresee the UK moving back to a fixed exchange rate system.

Meanwhile, it is interesting to compare the position of France, currently under speculative attack, and the position of Britain last week. Basically, to fight off a speculative attack the British government had just three weapons – reserves of £44bn, the possibility of raising interest rates – and talk. Now even allowing for the fact that it is only dealings at the margin which set the rate, Britain's £44bn reserves were small compared to the £300bn involved in each day's dealing. The interest rate weapon is more painful for Britain to use than it is for other countries because the UK debt to income ratio is particularly high. By last week even the British government's credibility was wearing thin so that the situation had become vulnerable. Into that picture we must realise that, for the speculator, there is an enormous difference between the likelihood of a change taking place on a particular day and the chance that it might happen at any time over a period of weeks, months or years. The French referendum provided just such a catalyst. And on top of that we should remember that the Bundesbank had been unhappy with the sterling ERM entry rate in the first place and, in the event, was unprepared to extend full support for sterling at that rate.

In contrast to Britain, the French, as at this moment, appear to have successfully beaten off the speculators. The key difference is that the Bundesbank is backing France. What we should realise is that whereas the government with the currency under attack has only limited reserves of other people's currencies with which to buy its own money, the government of the currency into which speculators are buying *can* make as much of it as it wants. Germany has 'printed' new money to support France to a sum equal to around 4% of German money supply (thus raising this year's total increase to around 15%). No doubt some politicians in Germany will call this outrageous but my guess is that the Bundesbank nerve will not crack and the exchange rate will hold.

In any case, underlying the situation are some fundamental differences between the UK and French positions. John Major evaded interest rate rises in 1990 and failed to raise taxes so that DM2.95 was always too high. But the French 'real' exchange rate has, during the past few years, actually been declining against the DM through productivity gains and low inflation.

Now, as a result of this experience, I expect the French and Germans – with the Benelux countries – to move more rapidly to a fixed system, and to go on to a fully fledged "Franco-Mark".

Britain meanwhile will probably have a sort of semi-detached relationship. We will be obliged to stick fairly closely because a big fall in interest rates here would inevitably be followed by an exchange rate fall to DM 2.20 and thus, after a year or two, to renewed inflation. Thus, on this track, 1993 would present us with a false dawn and 1994 with inflation at 6 or 7% – and rising.

Over the next year one can expect a big debate between those who wish to move to a fixed rate as soon as possible and those who prefer floating and the risk of inflation. And most of the arguments used by both sides won't be very honest! My own feeling is that we should come down in favour of fixed rates -for the reasons I initially outlined and for two further reasons of particular importance to the UK It so happens that London is a major world financial centre – a position which is far harder to sustain in the face of currency uncertainties. And lastly, we must remember that Britain receives about half of all Japanese inward investment to the EC – partly, it is true, because of such factors as language, past relationships, the openness of Britain to Japanese imports, the welcome they have received here, our golf courses, our relatively low wage rates, our availability of surplus skilled manpower, the fact that goods and plans prepared for America can be used here without translation delays etc – but mainly because the Japanese are convinced that we are locked into Europe.

QUACK DOCTORS LOSE AS COMMON SENSE WINS

On Wednesday 27th May 1992 Mr Anatole Kaletsky, economics editor of The Times addressed members of the Economic Research Council. Events since then have certainly vindicated the views he expressed at that time. The following article, reprinted with kind permission of The Times suitably updates his position.

With one bound we are free. After two years of pointless self-destruction, common sense has finally prevailed. A million people have lost their jobs. Hundreds of thousands have been made homeless and bankrupt. The spirit of British enterprise, so agonizingly reborn in the 1980s after two generations of catatonic slumber, has been all but crushed

by high interest rates designed to punish initiative and risk and to reward idleness and caution. But finally the Pound is out of the European exchange-rate mechanism and Britain is free to fashion its economic destiny.

For two dismal years this very notion – that Britain might be able to determine its own economic policies – has been derided by the political and business establishment, by the prime minister, the captains of industry, the City bankers and, above all, the Treasury knights. Shell-shocked when Nigel Lawson's economic miracle was revealed as a cheap conjuring trick, these people sank into black despair. Britain had seemingly tried everything, from socialism to Thatcherism, from monetarism to Keynesianism, and always they had delivered the same result: a sterling crisis, an explosion in interest rates, sudden inflation and finally industrial collapse. Surely it was time to give up, wailed the Treasury's siren voices. Surely, they told John Major when he was still Chancellor, it was time to approach quack doctors for the miracle cure.

The quack doctors were unanimous. There was only one cure for Britain's economic malaise.

Britain had to accept that it was an utter failure. Even the supposed achievements of the 1980s, the sense of self-confidence and prosperity built upon flourishing small businesses and homeownership, were declared a total delusion, just another of Mr Lawson's cruel practical jokes. After 100 years of coming to terms with the loss of world domination, the British had to recognise that they were not even intelligent enough to run their own affairs. They had to acknowledge that no British government would ever know how to create prosperity or even defend the value of money. They had to accept that years of stagnation and millions of jobless was a "price well worth paying" to allow ministers and top Treasury officials the luxury of shrugging their shoulders, and redirecting all enquiries to Frankfurt, whenever the economic and social consequences of their actions came in for criticism or under attack.

The British people and the politicians of all parties gratefully accepted the quack doctors' prescription. They took their medicine and duly bowed their heads in shame. But there were things wrong with the Treasury's potion.

The Bundesbank, which was charged with the task of nannying Britain out of its nasty economic habits, believed that the whole idea was crazy. The foreign investors who were supposed to monitor Britain's economic rehabilitation realised from the first day after ERM entry that the country's economic condition was degenerating as a result of the miracle cure. And the whole point of ERM membership was to prepare for submergence in a united Europe, in which Britain as a monetary economy would cease to exist.

Now that the nannying is over, the government will feel uncertain when it comes out to face the world. The Treasury's first impulse may be to try to push decision-making back into the hands of the Bundesbank and the financial markets. There was even talk among investors that Britain might rejoin the ERM as soon as next week.

But the chances are that the mandarins will be resisted. The ERM has done so much damage that industrialists and the Tories may not allow Mr Major to try the experiment again. But more important are the benefits of economic independence. There has been so much scaremongering and lying about "devaluation", that the public and business community have forgotten the opportunities a floating exchange rate can afford.

A floating exchange rate will allow the government to set interest rates in accordance with the needs of the economy. In the depths of recession, that should mean slashing interest rates. The target should be a rate comparable to those in other economies with floating exchange rates and inflation around the British level. Of course, the government will want to begin cautiously, so a base rate of about 7 per cent might be a reasonable target for a new Chancellor to aim for by Christmas.

The Treasury, the City analysts and perhaps the captains of industry will say that figure is impossible, despite enormous benefits. But these are the people who wanted to destroy the economy to ensure that the pound would never be worth less than DM2.7780.

CHINA – TAIWAN, HONG KONG AND THE PRC A CANADIAN PERSPECTIVE

Extracts from a talk recently given in Vancouver by ERC member Mr Bob Fairweather

When I was recently in Taipei, a friend remarked that the National bird of Taiwan was the crane – the building crane. Everywhere I looked there were construction sites. Taiwan it seems has not been hit by the economic downturns, like those of Japan and Korea. But this does not mean it is not without its problems. Pollution, traffic congestion, potential power shortages are all threats to the boom times Taiwan is experiencing. Yet the country is in reasonably good shape. Its foreign reserves, including gold, exceed $100 billion making it among the richest nations in the world. Ties with the Mainland are proceeding at a burgeoning pace. In fact, some say half the people passing through Kai Tak airport these days are from Taiwan on their way to China, ostensibly to visit families but more likely with the intention to investigate business opportunities.

Our relations with Taiwan are not the greatest but more through our own fault rather than anything on the part of the Taiwanese. Through the Chamber of Commerce we maintain a trade promotion and visa office in Taipei. While the federal Government seeks to broaden our trade and economic links, obstacles are constantly put in place to achieving this end. Provincial government delegations are discouraged from visiting Taiwan, or government and quasi government officials from Taipei are denied visas to enter Canada. While we have been the beneficiary of some investment from Taiwan, it will never approach the potential possible as long as our Government is constantly on tenterhooks about offending the PRC. Other governments, like Japan and the USA, are reaping the benefits from their pragmatic approach to their relations with Taipei. If we did more or were a little more flexible and forthcoming I think we would see greater levels of trade with and investment from Taiwan.

Hong Kong and China

I've lumped these two areas together as they are not my area of expertise but I can state that the economy of Hong Kong and the stock market there are doing very nicely. Much of this renewed growth and prosperity is coming from a great degree of confidence about post 1997 and the booming economic growth in Southern China. In the past people expressed anxiousness about China taking over Hong Kong later this decade. In fact, through "creeping capitalism", Hong Kong appears to be turning the tables and slowly taking over Guangdong province and other regions of Southern China. Besides the Hong Kong money that is pouring into China, lots of money is flowing in indirectly through Hong Kong from Taiwan. This is having two effects. (1) There is far less money available for investment into Canada and (2) with a greater degree of certainty emerging about Hong Kong's future then perhaps fewer emigrants will seek to leave.

We, as Canadians, are benefiting in a different way from the growth in Southern China. Let me explain. Throughout much of the "eighties" the strong surge in the demand for commodities came from, more than any other region, Japan and the newly industrializing countries around the Pacific Rim like Korea and Taiwan.

The Pacific Rim boom was largely responsible for mopping up excess inventories of aluminium, copper, nickel, zinc, pulp and lumber and for the marvellous boom in the prices of these commodities. While we are emerging from a recession, unlike similar periods in the past, the strength of the rebound is anaemic. However, in recent months, global consumption of the base metals and other commodities has been strong. Where is the demand coming from? Certainly not Japan or Korea whose economies are still stagnating, nor is it from the countries of Europe. The big buyer of raw materials has been China. While trade statistics are difficult to come by, it seems that imports are up about 30% so far this year over the same period last year and the growth in 1991 was double that of 1990.

The strongest growth in China is occurring in Guangdong Province which includes Canton. That area, according to a Globe and Mail article, is becoming Asia's "fifth dragon". Growth could hit 20% this year after 14% growth last year. Trade with the rest of the world is estimated to have reached $22 billion in 1991 and is expected to significantly exceed this figure this year.

This bodes well for Canada as we can supply many of the products that China requires to fuel its growth and of course B.C. will be the major beneficiary of this development.

INDEX OF RETAIL PRICES OR OF THE COST OF LIVING?

By Professor David Bell

Until recently everyone has assumed that the RPI gave an indication of both inflation and the cost of living. Hence it has been used as a reference figure for indexed pensions, indexed government securities, inflation and trade-union wage negotiations. Until, that is, the RPI was so distorted by the inclusion of mortgage interest and the community charge that when it is used for inflation we now have the 'headline' rate given by the RPI as a whole and the 'underlying' rate given by the retail prices of commodities.

The UK government has always had this problem of combining *retail prices* and *cost of living* in the RPI From 1935 to 1949 the RPI was preceded by the "Working Class Cost of Living Index". Presumably the phrase "working class" was no longer acceptable in 1950, but the RPI retained the cost of living element in the guise of housing cost, although rent and rates are not items of retail trade. Instead of 'working class' the RPI is said by the Central Statistical Office to be applicable to all wage earners and also to small and medium salary earners. But this cost-of-living application has been invalidated by the inclusion of mortgage interest since only half the households in the country have a mortgage. (A government spokesman recently said 68%, but this is the total of owner-occupiers. In very round figures the numbers are: with a mortgage, a half; in rented accommodation, one third; and the remaining one sixth are owner-occupiers *without* a mortgage.) But when rates were replaced by Community Charge it was natural to include this in the RPI Since January 1987 the RPI heading 'Housing' has been replaced by 'Housing and household expenditure' which has absorbed fuel and light, services, miscellaneous goods, so that it now constitutes nearly 35% of the RPI Fortunately there is an entry for all except housing and by subtracting this from the total of all items one can obtain a figure (at present 18%) for housing without the extra items of household expenditure.

Do we need a separate index of inflation? There already exists an independent index, the 'implicit price level' which is published monthly by the OECD in *Main Economic Indicators*, for all member countries. In the decade 1970-80 this tracked our RPI very consistently and at the present time is quite close to our RPI excluding housing, i.e. close to our 'underlying inflation'. The conclusion, therefore, is that we do not need a separate index, but for internal use we should take the figure from RPI excluding housing, and for external comparisons we should use the OECD's 'implicit price level'. This would mean the end of "inflation is down to 4%" etc., but let us face the truth.

THE GREAT RECESSION 1971–199?

By Donald M. Ferguson, Published by Wake Green Publications 1992

Congratulations to the author of this book for making such an eminently understandable and readable text – for the intelligent layman. It is not easy, but it *is* very important, to succinctly put over the key concepts of economists from Kondratieff to Keynes, from Marx to Marshall all the way to Friedman, Thatcher and the ERM. And to link these effectively and draw convincing conclusions. And this is only a short book – only 110 pages of decent sized print.

Briefly, the message is that Britain and the world have been suffering the effects of a long term downturn ever since 1971 or thereabouts. This is not a new thesis – Ravi Batra, author of the best-selling "The Great Depression of 1990" and many others have now said much the same thing. But Ferguson makes a sane attempt to show the way out of our difficulties – to show the role that might be played by a downward floating currency, a carefully constructed industrial investment policy, some form of prices and income restraint policy at least in the public sector. Importantly he underscores the need for extreme caution in the use of high 'real' interest rates.

At the core of our problems however lies the paradox that whilst many an investment project could be profitable if wages were at truly free market low levels, prevailing union negotiated wages and indeed a 'decent living wage' precludes implementation. I am reluctant to think, as Ferguson apparently does, that the way out of this is to hold down incomes and ask the government to assist investment. Surely a better way ought to be found in which workers can become shareholders and thus obtain their 'decent living income' only partly in 'low' wages but supplemented by a dividend? Perhaps that is 'another story'!

J.B.

THE RAPE OF BRITANNIA

By Jack Obdam, Published by the Pentland Press 1992, price £4.95

There will come a time when this book will be regarded as quite unexceptional, hardly controversial, and in any case simply a collection of views commonly expressed in every kind of journal and newspaper; that will be after the collapse of the Euro-illusions. Thus this book is a "post glasnost" read.

The charges Obdam makes are – or will be – as obvious then as they are convincing to the careful reader today – that the public have, through subtle censorship, been, in important respects and to a significant degree, kept in ignorance of the course of Western European federalism, that the meaning of the term "loss of sovereignty" has yet to dawn on a people so long accustomed to freedom that it can almost be taken from them without being noticed, that the economic cost of membership amounts to near plunder for ambitions elsewhere, and much else.

To those who have followed the debate over a lifetime the value of this book lies not so much in the points made – which are familiar enough – but in the quotations used, the experiences recounted and the promises recalled. For this is a full blooded account and an account which many have felt too timid, too tired, or too depressed to write.

It follows that, for the moment at least, the true use for this publication must be as an advance glimpse, a preview text, for the young today who will one day find that public attitudes will swing against a central authority, an imposter of no recognisable nationality and still less democratic legitimacy. Just as we wonder now who really were the "Soviet" authorities so the questions about the EC will be asked – and this succinct and interesting little book will be there to yield its part towards the answers to these vital questions.

J.B.

THE EDWARD HOLLOWAY COLLECTION REVIEW

The Origin of the World Crisis and Britain's Task **by Sir Tracy Gavin Jones**
Published by The Economic Reform Club, 1941

The Economic Reform Club was soon to be re-named The Economic Research Council and this book, cheaply printed in paperback, was produced during the darkest hours of the war. It was a remarkable effort.

Jones' task was to relate the objects of the Economic Reform Club to his perception of events both in Britain and abroad, and to draw together the various strands of reform suggested into a coherent set of proposals. The quotations are legion and familiar to ERC members: Keynes, Irving Fisher, Frederick Soddy, Sir Reginald Rowe and many others.

No other book in the Edward Holloway collection comes as close as this one to identifying the ideas and ideals of the early days of our Council. This *is* the reference for those who wish to understand Edward Holloway's passionate belief in the need to end the Banker's monopoly over the mobilisation of the nation's credit. No other book so succinctly identifies the shortcomings of 19th century Liberalism and the forces for change in that system. No other book, to my knowledge, goes so far in insisting that the Repeal of the Corn Laws in 1845 proved, on balance, to be a disaster.

Jones' perception of events on the continent is as remarkable as it is well informed. His grasp of events is truly impressive -and should be a school history text for students today. In particular, his grasp of events and movements in Russia, Germany and Italy stands out. In reading his almost sympathetic account of developments in Italy one is reminded of present day Japan. In reading his damning account of the rise and power of Hitler one realises how closely it correlates with leading contemporary works such as "Insanity Fair" by Douglas Reed. In reading his short account of Soviet Russia – a totalitarian state at odds with its Communist jargon, one heartily agrees even today with his conclusion that "anything may come out of Russia".

I regard this book as a pleasurable and significant discovery. It was important in its time, it is important to historians today, it contains a wealth of ideas consistently pursued and succinctly explained and it represents a rich treasure in the history of the Economic Research Council.

J.B.

LETTERS

A response to *The plight of the small business* by Mr G.W. Gardiner, from Dr Bernard Juby of the Federation of Small Businesses

Sir,

Notwithstanding the fact that G W Gardiner's "The Plight of the Small Business" contained some blatant free advertising for one of several small business lobby groups (incidentally the largest has over 50,000 members representing over 70,000 such small businesses) one should not assume that lobbying the Chancellor of the Exchequer is/was a piece of cake.

Mr Gardiner should well know from his own experience that weeks, months and even years of patient lobbying the Chancellor's colleagues at cabinet level (as well as their Civil Servants) culminating in a pre-Budget meeting with the chairman of the Financial Affairs Committee of the National Federation of Self-Employed & Small Businesses – trading as the Federation of Small Business (F.S.B.) were largely responsible for bringing about the measures that he sought.

For the record 65% of UK businesses employ only 1 or 2 people. 90% employ 0-9, while a staggering amount of 97% employed less than 20. 78% have an annual turn-over of < £100,000 with only 2% having a turnover in excess of £1M of which half have a turnover exceeding £10M.

Yet laws are enacted from above down, based on the "trickle down" theory that some good will reach the lower levels. Whoever built a house starting from the chimney pots and working down to the foundations? Unless and until politicians and bureaucrats both at home and, increasingly, in Brussels start from the foundations up we shall continue to smother small businesses in a welter of inappropriate laws and the likes of the F.S.B. and the Forum will continue to be needed.

Dr Bernard Juby
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A response to *The worst option: The comfortable* by Mr Sydney Shenton from Mr Frank Selby

The most valuable article by Sydney Shenton in the summer issue of "Britain and Overseas" propels to the front of my mind some key issues, and questions.

ISSUE 1: In its long life, our Government has often been called "monetarist". To some, though not to me, that term in itself is vituperative. How can it be applied to a

Government which has presided over the most violent inflation experienced by any of the leading economies during the second half of our century? Of course, "inflation" is here used in its literal sense of "blowing-up-money" as it commonly was until recently. In case readers are not aware of them, I quote a few illustrative figures taken from the Annual Abstracts by the British Bankers' Association (and predecessor) which are universally accepted as impeccable.

Year to end of	1979	1985	1991
Main Bank Lending to UK Residents (£billion)	28.3	83.4	254.4
Money (M4)Supply (£billion)	97.4	225.6	501.0

So, in 12 years, Main Bank lending (reliably measuring the whole) rose ninefold and Money Supply fivefold! Removing almost all, internal and external, controls from lending and making it immensely profitable – borrowing being one of the least price-sensitive areas – brought about those dramatic rises as should have been blatantly obvious.

QUESTION: Was that unforeseen by a loudly professed anti-inflation Government? How can that be called "monetarist"?

ISSUE 2: We are told many times a day that the Economy must be "stimulated" by a reduction of interest rates. Certainly, a reduction of 2% or 3% (let alone 5% to 8% as would be needed to bring the retail rates down to German levels) would induce borrowings, useful to the nation, which are now prevented by the current ones. But: the highest long-term rates of this century produced the highest lending as the figures show. They brought in lots of money, much from abroad, which forces our banks to lend, lend, lend – what else can you do with other people's money? -and if sensible borrowers do not want to pay what is asked, then to the Third World, Polly Peck, B&C, Coloroll, O&Y, and so on. Highly "stimulating" no doubt but in the wrong direction!

QUESTION: If lending is again controlled and made much less profitable, imposing sense, rationality, responsibility on handling other people's money – undoubtedly good economics and most desirable – would that be "stimulating"?

ISSUE 3: The house I had built for me in 1957 cost £5000; when the children had left for their own homes and gardening became a bit hard, I sold it, in 1977, for £29,000. The buyer sold it, a few months ago, for £169,000. That kind of sequence, brought about by credit inflation, occurred millions of times during those 34 years. The Wholly Unearned Untaxed Profits ("WHUUPS") have recently caused deep wounds to some with whom we all feel much sympathy. It is now prominently proposed that the taxpayer put some ointment on those wounds, helping, it seems to me, primarily those who, in legitimate and well rewarded pursuit of profits, gave so much puff to mortgage inflation. I wonder whether their shareholders and investors, innocent though they be, do not owe rather more of those ointments than the taxpayer. (Obviously, retro-taxing WHUUPS is inconceivable!) For our grandchildren's sake I wish I knew how to correct all this. Would it be useful and possible to re-impose the mortgage-lending controls removed

during the eighties and perhaps even add those that exist in many other countries?

QUESTION : Would such a policy, hard on some now but good for the generations to come, bring us back to the situation I found when I got my first mortgage, for 3½ times my salary, at 4½% p.a. fixed for its 25-year life?

ISSUE 4: A Stock Exchange exists to give us a market for stocks and shares. The expectations of future price changes, let me label them "odds" for short, must be mirrored and largely are, by buyers and sellers. As distinct from most other markets, the SE has managed to envelop its basic function, the exchange of its "goods" between buyers and sellers, with a vast galaxy where trade in "odds" not in "goods" takes place. In the year to 5.4.91 the SE turnover of £366bn in Domestic Equities produced stamp duty income at the rate of 0.5% of only £416mn. That indicates that the "odds-only" trade freed by the "7-day-relief" of the 1986 Finance Act, not resulting in the effective transfer of the "goods" from seller to buyer, came to nearly three-quarters of the whole. There is also a substantial non-SE trade in those equities, by one finance house selling directly to another for example, which brought in stamp duty of £219mn. Far, far more important is the astronomical turnover in Gilts which was £1164bn in that year! Not liable to stamp duty, it shows that every single £'s worth of Gilts changed hands more than 9 times in the year – there were approximately £125bn in existence. It means to me that far more than three-quarters of the whole Gilts turnover was "odds-only". Is so vast a turnover, profitable to some, necessary? Does it perhaps contribute to the 14% drop in the FT-100 Index over the past 4 months which can hardly be a true measure of the change in value of UK Trade and Industry?

QUESTION: Would the removal of the "7-day-relief" for equities and the imposition of 0.5% stamp duty on Gilts bring more stability (as "odds-only" dealers could not afford it) and more sense to their markets and some useful savings to the nation? Should the removal of equity-stamp-duty, proposed for the next Finance Act, be rejected?

ISSUE 5: We are told from up-high, very often, that we cannot reduce interest rates though that would certainly be a good thing for the nation – as it would lead to unbearable pressure on Sterling. Does this not mean that if we do what is good for the nation, for years and for generations, then foreign confidence falters and we cannot borrow what we want. Hence, as foreign confidence demands that we do *not* do what is right and useful, we must not do it!

QUESTION: Do we not live in a cloud-cuckoo-land where the financial sector – you must remember what economists from Adam Smith to J K Galbraith call it: *The Symbolic Sector* – overrules in its own narrow interest the *"Real"* one? Should it not be rebuked and restricted even if that means curbing its freedom by lending, foreign exchange and other controls – thereby giving more happiness to the majority of our nation?

Frank Selby
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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.

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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.

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Associate members	£15 per year (Associate members do not receive Occasional Papers or the journal 'Britain and Overseas').
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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.

APPLICATION FORM

To the Honorary Secretary   Date ....
Economic Research Council
239 Shaftesbury Avenue
LONDON WC2H 8PJ.

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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	Individual membership (£25 per year)
(delete those non-applicable)	Corporate membership (£55 per year)
	Associate membership (£15 per year)
	Student membership (£10 per year)
	Educational Institutions (£40 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 ....