



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

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WHAT WOULD IT COST TO LEAVE THE EU?¹

A talk by Brian Hindley, Reader in Trade Policy at the London School of Economics, to Members of the Economic Research Council on Tuesday 4th February, 1997

Some commentators say that the economic benefits to Britain of EU membership are so great that withdrawal from the EU would be tantamount to national economic suicide. Hence, they say, Britain has no option but to go along with whatever the French and German governments want – if they want a United States of Europe, British resistance can only harm the true British interests. Indeed, British governments should even avoid advocacy of anything that might be described as a glorified free trading area – it might irritate the French and Germans so much that they go off and form a federalist core that excludes Britain. British governments do have a veto, it is true: but using it to slow down the movement to a United States of Europe would be to risk the collapse of the single market – with unbearable economic consequences for Britain.

It's a sad story. But is it true – would quitting the EU be economic suicide? Stories about the horrific economic consequences of withdrawal are typically accompanied by anecdotes, not by real evidence or hard figures.

Putting the EU into Perspective

Easily observed facts, though, do not favour the suicide proposition. Many of the world's most successful economies, for example, are small and lack favoured access to vast markets. More important, detailed assessment of the costs or benefits of EU membership show that they are small, relative to British GDP.

The Common Agricultural Policy

Those who talk of the horrific costs of leaving the EU rarely mention the CAP. If they mention it, it is to say that its costs can be reduced by reform – as though British governments hadn't been trying for the last twenty years to achieve that. Calculations reported in *Better Off Out?* suggest that the net cost of the CAP to Britain is 1 per cent of GDP per annum.

But while that is a substantial figure, much larger figures must appear on the other side of the balance sheet for national suicide to be at issue. Two costs are always mentioned when the horrific economic consequences of leaving the EU are discussed. The first is that British goods would be excluded from the single market – or at least,

1. This paper draws heavily upon Brian Hindley, "Does British economic policy have a future?", *Economic Affairs*, Vol. 17, No. 1 (March 1997), which in turn draws upon Brian Hindley and Martin Howe, *Better Off Out?*, (Occasional Paper No.99, Institute of Economic Affairs, 1996). All figures are for 1994: the latest year for which all statistics were available when *Better Off Out?* was being written.

would have to pay duties to get into it. The second is that investment in Britain by foreigners would cease if Britain were not a member of the EU.

Visible trade

The 12 per cent of British GDP represented by visible exports to the EU, however, cannot give rise to costs that overshadow the benefit of escaping the CAP. The worst case would appear if Britain left the EU without negotiating any special arrangement for trade, so that the EU imposed its ‘most-favoured-nation’ tariff (the highest allowed under WTO rules) on imports from Britain. That is a relatively low tariff – perhaps an average of 6 per cent. The maximum cost to the British economy would occur if British exporters held their EU prices constant, and paid EU import duties out of their revenues. So the maximum economic loss on this item, in the worst possible case, is $0.12 * 0.06 = 0.0072$ of GDP: three quarters of one per cent of GDP or about £4 billion.

This cost, moreover, would be sharply reduced by switching of sales from EU to non-EU destinations. That might entail declines in wage rates or the exchange rate, which would be disruptive, though far short of suicide. But the disruption would be countered – and possibly eliminated – by the effect on wages of the cheaper food available as a result of escape from the CAP.

This is a very different picture than is sometimes presented. The notion that ‘Britain has no future outside the EU’ gains what force it has largely from the belief that if Britain were outside the EU, and had to surmount the EU tariff wall to sell there, the EU market would be lost, and Britain would be unable to pay its way in the world.

If all or most British exports went to the EU, concern that the British economy was dependent on EU protection, and that exit would be dangerous and costly, would be understandable. But that is not the situation. Many British exports now go outside the EU: almost half of British visible exports in terms of value, and well over half of invisible exports.

Foreign Direct Investment

The idea that the flow of FDI into Britain would dry up if Britain were not a member of the EU is based on an underlying, often implicit, hypothesis that Britain is an attractive location for foreign investors *only* because it offers access to markets in the rest of the EU. But that hypothesis is not tenable.

Other locations in the EU also offer access to EU markets. Access to the EU therefore cannot explain why so many inward investors choose Britain instead of alternative EU locations; nor why companies based in other member states choose to invest in Britain (investments from the rest of the EU account for 31 per cent of the total stock of inward investment). It is nonsense to suggest that FDI comes to Britain merely to gain access to the EU market. The facts suggest that British locations offer

advantages to foreign investors over and above access to the EU.

Two specific advantages of investing in Britain are frequently cited. One is the English language and the second is Britain's relatively de-regulated labour market. Neither will vanish as a consequence of Britain leaving the EU. Indeed, departure from the EU would leave Britain freer to determine its labour market policy.²

Were barriers placed in the way of British exports to the EU, that would be a factor weighing against Britain as a site for foreign direct investors seeking access to the EU market. But there is no reason to suppose that it would *eliminate* Britain as such a site. The relevant question is how potential investors would balance positive factors against the negative.

If inward investors are primarily concerned with economic returns, there seems little reason to suppose that withdrawal from the EU would weigh heavily in the balance. Even if withdrawal was not accompanied by negotiation of a free-trade arrangement, EU tariffs, as already noted, are far from prohibitive – their impact on the choice of Britain as a location can be overcome by quite small reductions in British wage or non-wage costs of hiring labour – reductions which, as also noted, would be facilitated by the gain in real wages permitted by escape from the CAP.

The media in Britain frequently refers to FDI as a 'vote of confidence in the British economy'; and it is indeed difficult to imagine the flow arriving in the strike-ridden economy of the 1970s. But while votes of confidence are pleasant to receive, so is money; and the vote-of-confidence formulation eludes the question of the tangible benefits that inward investment brings to Britain.

A reason for caution in assessing those benefits is that the British government pays inward investors. The amounts paid are not publicly available, but £20-30,000 per job is probably in the right ballpark.

Payments for FDI raise the possibility that the recipient of the FDI is worse off as a result of it. The profits from the investments go to foreign producers. Members of the British economy benefit only to the extent that:

- (a) the profits are taxed by the British government; or
- (b) British-owned factors of production receive higher returns than they otherwise would, either because of an increased demand for their services, or as a consequence of positive externalities generated by the investments.

Receipts from corporation tax amount to about 2 per cent of GDP, and about 10 per cent of corporate capital is owned by foreigners, which suggests tax payments by foreign investors of about 0.2 per cent of GDP or £1.2 billion. To argue that FDI generates net gains of 1 per cent of GDP, it's necessary to find another 0.8 per cent

2. The British opt-out from the Maastricht "social chapter", does not exclude the United Kingdom from the application of the social provisions of the Treaty of Rome, as amended by the Single European Act. These include sex discrimination directives dating from the 1970s whose scope of application has been progressively expanded to require part time workers to enjoy the same benefits and security of employment rights as full time workers, and the recent imposition of the Directive imposing a maximum 48-hour limit on the working week in Britain under the guise of health and safety legislation.

of GDP in other net benefits. It's not easy to see where that can come from. There's no reason to suppose, moreover, that FDI will cease, or even that it will be substantially affected as a result of withdrawal. The cost of withdrawal on this account is therefore likely to be less than 1 per cent of GDP – and possibly much less.

Adding it up

Trade with the rest of the EU; the CAP; and FDI are the big-ticket items in arguments about the economic costs or benefits of staying in the EU or of leaving it. Between them, they cover a high proportion of sources of measurable costs and benefits from EU membership.

What is striking, though, is that the economic gains and losses associated with each individual item are small in relation to GDP. Moreover, they offset one another – a sure gain from leaving the CAP; a likely loss if UK exports to the EU had to surmount EU tariffs; and a possible loss from reductions in FDI. Their net effect, therefore, is very small in relation to GDP. On the analysis provided here, withdrawal would probably give rise to an economic benefit for the British economy, but might give rise to a loss. In either case, the economic gain or loss is small – less than 1 per cent of GDP per annum.

These figures, moreover, are based on a worst case – that defined by an absence of any special arrangement covering trade between the EU and a departed Britain. But arrangements better than the worst case are likely to be available. The entry of Britain into such arrangements (e.g. the Swiss/EFTA type arrangement) would therefore be likely to lead to net economic benefits.

What follows for British policy?

Members of churches sometimes pay tithes, and it would be absurd to suggest that a member abandon his church, merely because the cost of the tithes exceed the pecuniary benefits of belonging. If being in the EU costs Britain something, that does not mean that Britain should withdraw. If membership of the EU yields economic benefits, that does not mean that Britain should stay. Economic costs and benefits are one aspect of EU membership. No sensible decision to stay or to leave can be made without assessing the value of the other elements.

Stories about economic suicide, though, are wrong. The idea that it would be economic suicide to leave the EU should not deter any British government from standing up for British interests in Europe.

The two major political parties in Britain, and most British people, seem to think that the British interest in Europe lies in the direction of what continentals are prone to refer to as 'a glorified free trade area'. But we are not committed to any arrangement with our European partners that amounts to more than a glorified free trade area, and neither the rapid sneer nor their enthusiasm for other arrangements should be allowed to act as a substitute for such an agreement.

In particular, British governments should:

- (a) press strongly for the actual completion of the single market;
- (b) assess all proposals for extensions of EU powers in strictly pragmatic terms, asking, first, whether the end in view is desirable; second, whether the powers proposed are both necessary and sufficient to achieve the end; and, third, whether the authority to use the powers is drawn so that they can be used only to achieve that end;
- (c) reject all proposals that are primarily symbolic; and
- (d) not hesitate to veto proposals that do not satisfy these criteria.

BRITAIN AND THE EUROPEAN UNION

Perhaps we are all tired of serious debate on the EU – there seems little point in it. At another point in history, when many were overawed by the power of the Third Reich, Charlie Chaplin saw the need to enable us to laugh and he made his great lasting contribution to political debate, the film ‘The Great Dictator’. So today (and there is no shortage of resources for this) we need to laugh.

Dr Alan Sked, leader of the United Kingdom Independence Party, gave a talk to members of the Economic Research Council on Tuesday 3rd December 1996 and chose to put it this way ...

On the Conservative Government’s Approach to Europe

I occasionally meet people who still support John Major and as I was going in a train the other day to a meeting someone said to me ‘Are you that Doctor Sked chappie of the UK Independence Party? Well, I’ll have you know I support John Major, Doctor, and I support a Federal Europe, Doctor’. And I said ‘I’m terribly sorry, I’m not a medical man, I can’t do anything for you’.

I’m an historian by profession and as I was having this sumptuous Economic Research Council dinner I was thinking of another dinner in the Eighth century which is related in a medieval chronicle; the tale of Notcar the stammerer. Charlemagne decided to send an envoy to the court of what he called the King of the Greeks i.e. the Byzantine Emperor. This envoy was actually a top diplomatic agent and he got on very well with the Imperial family in Byzantium, until one night they were having a dinner and they were all sitting cosily around the Imperial table when a great sort of intake of breath occurred and a great brouhaha followed. The Emperor tapped the envoy on the arm and said ‘Terribly sorry old man but it appears that you have turned over your meat in my august and imperial presence and according to the customs and usage’s of Byzantium this means you must immediately be put to death. I can’t do anything about this, it’s just one of our customs. Dreadfully sorry and all that. But I

can offer you one last wish'. And the envoy said 'No, I quite understand your august and imperial majesty, it's one of those things. I didn't mean to offend you and transgress the customs and usage's of Byzantium. However, I will take up your offer of one last wish'. And he said 'Speak – it will be granted'. Notcar said 'All I ask is that those who saw me turn over my meat should immediately have their eyes gouged out'. And the Emperor went round the table and said to the Empress 'Did you see this man turn over his meat?' and she said 'No, no I didn't see anything', and he went round the entire table and they all said 'No they'd seen nothing, and the Emperor said 'Oh well – a most dreadful mistake seems to have taken place. Nobody saw you turning over your meat. I have to tell you your life is spared'.

I only tell you this story because I have the feeling that if Douglas Hurd or Malcolm Rifkind became that man going to Byzantium they'd come back minus their heads. Because they don't seem to do quite the same kind of job these days.

In fact I think they are all totally incompetent in the Foreign Office (as you'd expect me to say). I happen to know this from reality because in 1990 in my office at the LSE I had a telephone call. The 'phone rang and I picked up the 'phone and a voice said 'Foreign Office here' and I said 'How flattering. What can I do for you?' and they said 'Can you come along to Whitehall and give us a lecture?' and I said 'What on?' and they said 'The German problem' and I said 'Are the Germans being a problem again?' and they said 'Yes, they're getting reunited' and I said 'Oh! – you've heard about that' ...

So I went along to Whitehall and gave them a lecture, but I said 'Why do you need me to give you a lecture on the German problem?' and they said 'We have a competency gap. I said 'I understand – I've met Douglas Hurd'. The Foreign Office under Douglas Hurd ruined our Diplomats entirely. I mean they all became like the girl in the Dorothy Parker Story, fluent in fourteen languages but unable to say 'no' in any of them. And if Mrs Thatcher was occasionally like one of those lions in Trafalgar Square, Mr Hurd was more like one of the pigeons, occasionally capable of puffing himself up but for the most part quite content to walk around in circles nodding his head. Apparently the Foreign Office used to have a plaque up in the main entrance which said that ALL DECISIONS HAVE CONSEQUENCES. ALL CONSEQUENCES ARE PREDICTABLE. ERGO – TAKE NO DECISIONS. And that seems to be the policy as far as I can see of the Tory Government as it floats along never saying no and sort of falling into line with whatever happens.

On the Arguments for Britain Being in the EU ...

1) Trade

The argument I hear most is the one which says, that in order to trade with Europe you have to be part of it. Some people think this is an extremely important piece of marketing but all of you economists know it is sheer bunkum. In order to trade with the United States of America nobody says that you have to become the 53rd State and have political union and adopt the dollar as our single currency. Nobody says because

the city trades in dollars and because it's boomed on the Euro dollar market for the last twenty or thirty years we have to have President Clinton as our supreme political executive. The fastest and largest growing market in the world today is Communist China. It's growing at ten to fifteen percent per year and has done for the last ten years. Even John Major in his wildest moments doesn't say the future of this country must lie in the heart of China, or that we have to be at the top table in Peking in order to sort of influence the Chinese when they are making up regulations about the size of footwear for Liverpool or the wattage of light bulbs when they import them to China. Nobody said that in order to trade with Japan we have to have the Yen as a common currency or have a political union with Japan. I do want to trade, as my party does, as a free trading, global free trade party. Nobody says that in order to trade around the world the world needs a single currency or we have to have a world government and a single government in order to help this process. So this argument that you hear which seems so fundamental to people like Douglas Hurd and Ken Clarke is of course not logical.

2) Peace

The second argument I sometimes hear is that Europe brings peace. The European Union process and integration they say, has kept the peace in Europe since the last world war. To someone who's writing a history of post war Europe this comes as a great historical surprise to me, since the only threat to European peace since 1945 has come from the Soviet Union and that wasn't met by the Europeans at all. That was met by what we used to call the Anglo Saxons and only really by the Anglo Saxons; the Americans in particular aided by the Brits and the Canadians. The French were fighting outside Europe. From 1945 to 1954 their army was in Vietnam and even that was largely paid for by the Americans. From 1954 to 1962 the French army was in Algeria. After that de Gaulle took them out of NATO altogether, kicked the American allies out of France and took the French military forces out of NATO. Germany wasn't rearmed until 1955, and didn't have a function in the Bundesvern until the 1960s. So it didn't really participate in European defence until after the height of the cold war was over. So Germany didn't really contribute to the defence of Europe and in fact the French and Germans held up the defence of Europe for five years because they had the silly idea of a European army in the first half of the 1950s and then they changed their minds. It was the British of course who came in then and established the British Army of the Rhine in 1955 that helped the Americans defend the peace of Europe. Most of the European countries didn't have very much to do with this process and four, five, or six of them remained neutral. The Low Countries and the Scandinavians provided very few troops and wouldn't allow the Americans to station nuclear weapons on various parts of the continent or in various parts of Scandinavia. So peace in Europe has had nothing to do with the process of European integration. People say sometimes 'Oh well the Germans might have wanted revenge and it was nice to get the French and the Germans working together' (which I suppose it was). The Germans never wanted to be re-militarised, it was imposed on them by Konrad

Adenauer and the Americans and others. They were against remilitarisation. But even if every German had wanted to start a war and had a tank and a machine gun each, with five hundred thousand American troops in West Germany, and five hundred thousand Warsaw Pact troops in East Germany I don't think they'd have got very far. So this idea is really a slur on the Germans who have thankfully been terribly nice and respectable and democratic, law abiding, and pacifistic – really rather boring by the standards of German history – since 1949. European peace has not been serviced or even influenced by European integration. What has kept the peace in Europe has been the influence of the Americans, NATO, and the Anglo Saxons as a whole. So this argument doesn't bear inspection.

3) Democracy

The third argument we sometimes hear is that European Union enhances democracy. Now I don't know why anyone should think this is the case because (as we all know) the European Union has nothing to do with democracy. It's to do with bureaucracy. Of course they've got a Parliament and the European Parliament is a wonderful institution to behold. I once invited the principal administrator as he was called, an Englishman actually, of the European Parliament to come to my seminar at the LSE when I used to run the largest research seminar on European Union of any UK university. He came along to talk to me in my chambers and he began his speech with the words 'The only people that listen to the European Parliament are the interpreters'. Actually it's true, it's true!

I was talking to Caroline Jackson, a Tory MEP from Wiltshire, before the last elections to the European Parliament. She had put forward an official motion to the European Parliament that simply read 'Mr Speaker could you please tell us how many of our colleagues are still alive?' Nobody knew how many members of the European Parliament were alive or dead. Nobody cares very much. Actually one of them died in Britain this year but we don't know who. Nobody knew somebody had died, the papers didn't report it, and there was no obituary in *The Times*. So there was a Euro by-election in Merseyside but the European Parliament got it wrong and announced that actually it was the member for Suffolk that had died originally! She also said, referring to an MEP from Sicily who had died but who was still being paid, (and one could not but agree with her) 'I object to dead MEP's being paid their salary. I think that people who are dead should stop being paid'. 'This was really a breakthrough for a Tory MEP and she was quite right to go along this path. I mean after all she was probably the one who should be sitting next to him in Strasbourg. It turns out that the Mafia had shot him. They had elected him to the European Parliament and discovered he'd no power to get any money for the Mafia, so they shot him. But nobody knew and so after this official investigation went on the Speaker of the Parliament discovered how many of them were dead. But they didn't tell anybody; we still don't know, and it's impossible to tell as you can gather. And what difference does it make?

We know the European Parliament is undemocratic because the British Parliament

goes through about forty acts of Parliament a year and accepts about four thousand pieces of delegated statutory legislation. Two thousand of them involve rubber-stamping the European Union's work (nobody knows what they say). All sorts of funny regulations are coming out. I was reading in the Sunday Times a few weeks ago that the Commission (God bless it) had decided that it was going to create employment in Europe by creating a new measurement called the 'ORF'. The Orf is the standard amount of body odour given off by any human being in Europe in an hour. It has now become an official European directive 'that so many Orfs and only so many Orfs can be given out in any office in one given day or indeed in a given week'. They are going to set up teams of olfactrometists (sniffers) (you don't believe this do you?) to decide whether in fact your Orf measurement is humane enough and if not probably you'll be fined. In the old days you just opened a window, but now you have all these bureaucrats who will fine the offending people and buy them soap or whatever it is. You think this is mad and you don't really want to believe this but it is true (it was on the front page of the Sunday Times). I certainly know this is true because it came up when I was fighting Chris Patten in Bath when I had all the details of which DG had passed it and who was in charge of it.

In 1992 they passed a Directive which said that the dung and slurry of all farm animals in Europe had to smell exactly the same. I thought, well suppose an animal gets it wrong, what does it do? Off to the abattoir immediately! In fact they set up teams of olfactrometists, who had to smell these airtight sachets of dung and slurry from farm animals all over Europe and determine whether they smelled the same! I used to say to my student group 'If you can't get a summer job, you should go to Brussels, apply to the DG in charge of Agriculture and he'll give you this job. But you can only have it for six weeks, because after six weeks you are taken away in case you get nose cancer. But for six weeks you can get a job as a European approved olfactrometist to make sure that all the dung and slurry of farm animals all over Europe smells exactly the same'. So this is the only system of Government in the history of the World that has actually legislated for the harmonisation of bullshit.

They don't even obey their own rules. After all, look what happened in Denmark and the Treaty of Rome, article 236 thereof. If an amendment is passed to the Treaty and one country votes against, that's the end of the amendment. Now the Maastricht Treaty was actually an official amendment to the Treaty of Rome. What happened was that the Danes were the first to consider it and the Danes said 'We are having a Referendum'. This was very upsetting. The French Foreign Minister said 'Sacré bleu, it's supposed to be a secret treaty, how can they have a referendum?'. But Denmark *was* having a referendum, and the treaty couldn't be secret if the Danes had a referendum because of course they published the Maastricht Treaty in Danish. So we had the opportunity of translating it into English. The Danes of course in their wisdom said 'No' they were not in favour of the Maastricht Treaty. That should have been the end of the Maastricht Treaty. But what happened? – Chancellor Kohl said 'You can't do this, you are just the little people: You can't prevent the Maastricht Treaty. You'll have to vote again. If you don't vote again we'll throw you out of the Common Market'. He never said that to us, I mean I wish he would say it to us. He

said it to the Danes. He said 'You're a little people, you can't do this, so you'll have vote again' and they actually did vote again. He made some concessions to the Danes under huge diplomatic pressure. The Danes had another referendum and this time they got a small 'yes', which means that the Danes are the only people in European history who have had a second referendum on an issue because the Chancellor of Germany didn't like the results of the first democratic outcome. The point of this is that the actual Treaty of Maastricht was not changed. Whatever they said to the Danes was not incorporated into the Treaty. The original text is exactly the same despite the fact that one country said 'No'. Strictly under European law the Treaty is illegal. But they go ahead and pretend it is totally legal despite the fact that they have broken European Law. But we can't do anything about it because there's no point in going to the European Court and saying that the Commission or these people have broken European Law because the whole purpose of the European Court is political in order to enhance European federalism. They don't obey their own rules.

The more serious thing about the European Union and democracy is the sheer lack of it among our political partners. Look at the political systems of each of the members of this European club. After all if you are joining a club, you look at the people in it, you inspect their credentials and you want to know if they are respectable. In the case of the European Union you'd want to know how democratic they are. Look at them. Take Belgium. We've already seen in the last few weeks that one ex-minister is up on trial for shooting the Deputy Prime Minister. The latest deputy prime minister, his successor, has had his parliamentary immunity removed for procuring twelve year old boys for his sexual gratification. The ex-minister who became the Secretary General of NATO had to resign because of corruption charges and that was after the Foreign Minister of Belgium had to resign after two suicides and one murder! Take Italy. Look at the person who signed the Maastricht Treaty. The Prime Minister is under arrest for being head of the Cosa Nostra and on trial for attempting to murder an Italian journalist who was stupid enough to try and point this out. Meanwhile his predecessor is languishing in exile in North Africa. When they said to him 'Why don't you go back and face the twelve corruption charges, eight of which have already gone against you? Why don't you go and face the music?' he said 'It's unfair, why are you picking on me? Everybody was at it, it's enormous'. The Italians weren't too thrilled when they found two hundred and fifty gold ingots under the bed of the founder head of the Italian Health Service and his five Swiss bank accounts. They said to him 'How do you explain this?' and he said 'I was saving up for my old age'.

But it's not just one country or the other. If you go to Spain what do you find? The Governor of the Bank of Spain had to resign for trying to steal funds, and the head of internal security was caught trying to leave the country with twenty billion pesetas in a suitcase. The Interior Minister is up for mindless things, like running death squads in the Basque country. The ex-Prime Minister is accused of the same thing. According to the Sunday Times the corruption in Spain is now worse than it is in Italy (I wouldn't have believed that, but there you are). The Economist four weeks ago had a whole page with tiny print, single spacing print, giving name after name after name

(about fifty of them) of all the leading politicians and industrialists in France who were already in jail or about to go into jail on corruption charges. Then look at Mitterand's regime. Two Prime Ministers committed suicide because of corruption and manslaughter charges. Look at Germany. According to the Financial Times there have been 1,400 serious fraud cases this year among company directors. Willy Brandt, the icon of West German democracy was found coming out of the Bick building with two hundred thousand Dm in his briefcase. It goes on and on and on.

We are not perfect in this country. We have some very odd MPs, especially some very odd Tory MPs as it seems. They are not very ambitious, they will do something for a thousand pounds or fifty quid in the pocket. The thing is, much as we have to reform our own system, and we do, we are not perfect, the fact remains that compared to the endemic political corruption which is the order of the day in nearly all the political systems of her so-called partners, Britain is relatively unblemished. Every year the EU Court of Auditors has a bigger and bigger party where you can get the best champagne, and the best paté de foi gras. What are they celebrating? That they have discovered another ten or twenty billion ways of fraud! Or that it was only ten percent of the budget that had gone to the Mafia last year! This year they can prove it was fifteen percent, next year it will be twenty percent. But nobody pays the blindest bit of attention to them. If any public company showed that twenty percent of its money went to the Mafia each year it would be closed down. Which is exactly of course what I would want to do with the European Union. It's not democratic and there is no reason to suppose that it enhances democracy.

4) We are too Small

Then people say 'We are too small; how can we survive in this big bad world all by ourselves – little tiny Britain'. Paddy Ashdown says this. He goes over to Bosnia and says we should all die in order to preserve the independence of Bosnia and then he comes back and says you can't have an independent Britain in an interdependent world. So it's all right for Bosnia to be independent, it's all right for South Africa, it's all right for Nigeria, it's all right for anybody in the world to be independent except the British. He wouldn't mind the Scots being independent, or the Welsh. If the Shetlands wanted independence the Liberal Party would vote for it. It's just Britain they object to being independent. This is part of a curious mind set (mind is the wrong word for it but I can't think of another four letter word that would be appropriate).

David Steel, who was the Liberal Party Leader not so long ago, decided in 1987 that he would become the Euro MP for Tuscany and they said to David Steel. Why do you want to become the Euro MP for Tuscany? You don't speak Italian, you don't live there'. He said, 'I like Italian restaurants and I go there for my holidays.' I suppose we're lucky he didn't like Chinese restaurants or whatever, it's good enough for the Liberal Party, it's not exactly an intellectual power house, so he stood to be MEP for Tuscany. The BBC followed David Steel going round the Tuscan farms and households. He would knock on the door and say 'Heo, David Steelio, would like to be your representario in your Parliamenterio Europeo' and they all said something

that sounded like ‘pissy offio’. This is the Liberal Party. The most antediluvian knee-jerk European Party that exists.

But Britain isn’t really that small. If you follow Bill Jameson you’ll read regularly in his wonderful column in the Sunday Telegraph and elsewhere, that Britain is in fact the fifth largest economy in the world. We have 1.63 trillion pounds invested around the globe. We are the largest foreign investors in the United States, the second largest foreign investing country in the world. We get £90 billion back every year. We make huge profits by being able to trade internationally and globally and about seventy percent of our overseas investments goes outside Europe entirely. Europe has got huge unemployment rates, double what we have in France and Germany and 22-25% officially unemployed in Spain. 56% of the youth are unemployed – and that’s becoming standard. Things have become more centralised and more bureaucratised all over Europe and people are fleeing with their money whilst Britain is becoming a world economic player of great significance. So to say that we can’t run our own affairs when we’re the fifth largest economy in the world; have all this money invested around the globe; have the most professional fighting forces in Europe; and have the most advanced nuclear weapons in Europe – what hope is there for anybody else? How can Japan, Canada, Australia, or New Zealand even hope to run their own affairs? They’re tiny compared to us.

Look at Norway. Norway is outside the European Union. Norway said ‘No’ twice when we were silly enough to say ‘Yes’ – she stayed outside, and has 5% annual growth, 1% inflation, and no budget deficit whatsoever. She’s in control of her own oil, her own fish, her own Parliament, her own destiny. Is she isolated? Is she shunned? Are foreign investors keeping away? No – seventy percent of her trade is with Europe. And who brokered the Peace deal in the Middle East? Was it the European Union? No it was little, isolated Norway, in Oslo of course.

5) For Economic Management

Look at the subscription we have paid net – 30 billion pounds. Supposing we had spent that 30 billion pounds in Britain on the Health Service and infrastructure or something or other. How much better off we’d be. Instead we pour it down this sort of black hole, to these unaccountable faceless bureaucrats in Brussels (to pass on to the Mafia or whatever) or to spend on completely silly schemes. We get some money back. But look at the way we get it back. Nobody would actually dream up the ways in which the money comes back from the European Union through the Common Agricultural Policy. The Common Agricultural Policy was described in a government document in the House of Lords Committee in 1995 as being unworkable in every possible way; leading to fraud in every possible way; and certainly illegal in every possible way; because it apparently contradicts all the Chapters of the Treaty of Rome which supposedly set it up. Of course there is nothing we can do about it because all our fraudulent democratic partners would simply refuse, so we are stuck with this thing. What is the result? The really big farmers at the very top do well out of it, very well indeed. But 25% of British farmers are on incomes of (and it’s

amazing) five thousand quid a year, and 53% are on incomes of twenty thousand a year or less. Small farmers have been done to death by this extraordinarily profligate policy which has been intensifying farming, and ruining the countryside all over the place. It's leading to phosphates, organic phosphates and intensive farming. Farmers are finding now that whereas they used to subsist on a farm of about 40 acres, they now need 400 acres and it's the big 'barley barons' who are making the money out of it.

And can you believe how evil 'set aside' is? People are getting paid to do nothing. I don't believe in that, I think it's immoral. Whereas people with one parent families or old age pensioners are called scroungers for maybe getting a small twenty or thirty pound help from the state, there are fifteen people in this country today who are 'set aside' millionaires.

According to the Sunday Times, the leader of the House of Lords, Lord Cranborne, gets four hundred thousand pounds a year for not planting conifers in his Dorset estates. There are fifteen people getting over a million pounds a year for not planting anything anywhere.

I wrote to the Ministry of Agriculture and said 'I promise I won't plant a single seed in the whole of the United Kingdom, will you give me fifty million pounds?' They said 'You're mad'. I said 'You do it for everybody else, so why are you discriminating against me?'.

The fishermen of course find that their industry has been totally undercut because Edward Heath as a small boy sat on the coast of Kent and on a fine day saw the coast of France and thought he had to give away our fish resources and everything else in future to be a good European. I think he'd a nervous breakdown but there you are. I don't know about Edward Heath. He always seems so strange. I was reading the British X Files. You may not have had a chance to read them. Apparently in 1972 a spacecraft landed outside Chequers and a little green man came out and said 'Take me to your leader' and so they took him to see Sir Edward Heath and he had a conversation for half an hour and after that they decided there was no intelligent life on earth and so they've never been back!

6) For Monetary Management

We need to be free to say 'yes' to EMU they say, but the record is appalling. Look at ERM. Two years' membership of the ERM with brilliant Nigel Lawson shadowing the Dm for a year or so before that. What happened? We got the greatest recession since 1930; the highest unemployment rate; the highest interest rates; the highest rates of bankruptcy; the highest rates of home re-possession; the highest public sector borrowing requirement; and the highest tax increases in British history in order to pay for them. All of this under a Tory Government which now thinks its economic policy is a great success because we got kicked out of the ERM on black Wednesday, so called, (Golden Wednesday?) in 1992. That cost us between 6 and 15 billion in one day just to get kicked out and now of course they say we should go into the European

Monetary Union which after all will make what happened under ERM look like a Sunday School picnic. It will be a much, much more rigid version of the same. But Ken Clarke is still prepared to go in.

If we look at our democratic parties what do they say? They all say it's too technical, we can't possibly discuss this during a General Election. It's the greatest issue facing the country under the Maastricht Treaty! The technicalities are already all spelled out. Article 105 of the Maastricht Treaty says that every ounce of our gold reserves in the Bank of England (all twenty-eight billion) will be put into vans and trundled off to Frankfurt. 'A mere technicality' says the Chancellor! Twenty-eight billion, everything that's in the Bank of England goes to Frankfurt and they can't make up their minds about it! It's not a matter of principle, it's not a matter of basics. John Major is quite happy to contemplate the country's gold reserves being emptied and sent across to Frankfurt. And this is a 'technicality', it is not even one of the technicalities that still has to be decided. This has already been agreed on, it's in print there in Article 105 of the Maastricht Treaty.

On the UK Independence Party

We in the UK Independence Party are not willing to give up our gold reserves; we are not willing to give up our independence and we are not willing, once the technical regulations are made to surrender our economy, and thereafter to surrender our armed forces, and thereafter to surrender our monarchy, to enrich the public in the United States of Europe. We don't think this is illiberal; and we don't think it's undemocratic; and we don't think it's extreme because in the UK Independence Party we believe in Parliamentary democracy. We don't believe it's old fashioned; we don't believe our particular version is perfect, we think it would have to be reformed. But we don't think there would be a cost because we believe if we came out we would actually have about fifteen billion extra to spend once you got rid of the regulations; once you got rid of the mad bureaucrats; once you got rid of the costs, the subscriptions, and once food prices fell and money that's spent on high food prices could then bridge the general economy and start to make jobs. And it is our view that the British people over the next few months and certainly over the next few years, at the eleventh hour perhaps (but they've got this habit of waking up at the eleventh hour), will wake up. And they will say 'No we actually believe in the right to self determination for us. We've given it to half the world and we can exercise it ourselves. We want to run our own affairs. We are not xenophobic; we're not nationalistic; it's not about nationalism, it's about democracy'. It's about having a government accountable to you the British people. It's about having a government that says that we'll do this, we've got the power to do this and if you don't like it you can kick us out and replace us. And it's above all having a government that is accountable and responsible through Parliament to the British people and the British people alone.

There is no point in every party in the House of Commons lining up behind the British fishermen and then all of them being over-ruled by a majority (apart from us) of our so-called European partners but in fact our European competitors. What is the

point of having a Parliament ready to be consigned or emasculate itself and go into the historical museum? If what is about to happen in monetary union occurs, then the British Parliament will lose the power of the purse and therefore will lose its *raison d'être*, because that is what the British Parliament is all about. So I represent, though I can't believe it, and I find it almost incredible, I represent and lead the only democratic, mainstream party in this country which is committed to the preservation of British Parliamentary democracy so that the same birthright that we were born with as British subjects of Her Majesty the Queen can be passed on and transmitted to future generations. Will the UK Independence Party somehow achieve power? You may think it would require a miracle for this to happen, but miracles do sometimes happen and faith can move mountains. I think the faith of the British people eventually in their own democracy will move the mountain of the European Union and our independence will be retained.

TRADE DEVELOPMENT AND FOREIGN DEBT

by Professor Michael Hudson

Pluto Press, 1992, (Vol I, £13.99, Vol II £13.99)

Trade Development and Foreign Debt is a history of economic analysis covering the period before, during, and after the Industrial Revolution. It is not therefore as comprehensive as Schumpeter's enormous but incomplete book, but it is written from a viewpoint which is shrewder, more accurate, more widely knowledgeable, and more penetrating. For any student of the history of economics and of economic thought this book is essential reading.

The author, Michael Hudson, is an American polymath; his undergraduate studies were in philology, yet he became a balance-of-payments economist for Chase Manhattan Bank and other prestigious institutions. He has a doctorate from Harvard University in Bronze Age Archeology, and has taught that subject at the New York Institute of Fine Arts. He has also taught economics. The two subjects come together in his main present activity, the study of Bronze Age Finance, upon which he is a leading world authority. Financial records in great detail survive from Mesopotamia for a period of 2,000 years because they are recorded on virtually indestructible baked clay tablets. Consequently we can study the accountancy of the Bronze and Iron Ages in Mesopotamia more readily than that of any period in English history prior to 1826. Until that date our government records were kept on wooden tally sticks, and in 1834 they all went up in flames, along with the Houses of Parliament. Agriculture, organised industrial production, and sophisticated financial instruments all began in Bronze Age Mesopotamia, and modern commercial law is based on Babylonian principles.

Michael Hudson therefore has a timescale of 4,400 years as the basis for his

understanding of economics, and in particular the subject most dear to Edward Holloway and the other founding fathers of the Economic Research Council, that is Debt/Credit. He has prepared but not yet published a history of debt in four volumes under the general title of 'The Tyranny of Debt'. Such a history would have delighted Holloway. Hudson's original contribution to economic thought is to advocate what he calls 'Balance Sheet Economics'. That is virtually the same as what we in Britain had originated, unaware of Hudson's work, and had called 'Creditary Economics'. Together they are the replacement for monetarism which creditary economists regard as primitive, incomplete and damaging.

In his preface Michael writes,

This history of theories of international debt originated as the lectures for my graduate course in international economics at the New School for Social Research during 1969–72. Teaching the subject was an exercise in irony: how was I to present a modern trade theory that ignores the widening international disparities in productivity and incomes, and a financial theory that endorses the IMF/Chicago School philosophy of economic austerity and chronic currency depreciation for debtor countries? Was it worthwhile wasting the time of students, many from Third World countries, on theories which deny in principle the existence of structural payments deficits by assuming that all such problems are self-curing.

Michael's analysis of the development of world trade is an enlightenment. His superior technical understanding enables him, for instance, to debunk Adam Smith's understanding of the purpose of mercantilism. The mercantilists wanted a trade surplus so that they could increase the country's holding of gold, but that did not mean that they thought that gold was real wealth; they wanted the gold because it was then the foundation of the credit creation system. The amount of credit which could be created by banks was a function of the amount of gold they held. An increase in the gold supply therefore led to an increase in the credit supply, which in turn led to increased investment in production. The result was not idle gold, as Smith implied, but an increase in real wealth through increased production of goods and services.¹ This situation continued until paper currencies, secured either on land or on the state's promises, eliminated the need for gold. Adam Smith with remarkable inconsistency opposed the use of paper currencies with no gold backing, and in *The Wealth of Nations* justified the suppression of the paper-based currencies in use in the American Colonies. The consequent destruction of the Colonies' credit system caused the War of Independence, which, by coincidence, started in the same year as Smith's *The Wealth of Nations* was published.

Michael Hudson challenges the received analysis of the effects of free trade. He shows that the British conversion to free trade happened at a time which made it very opportune for Britain, but not so for many of the countries with whom Britain traded;

1. T. G. Haran will want to correct me by pointing out that the production of goods is also a service, so I could just write 'services' alone. He is right, of course, but the old phrase is common currency.

he argues that free trade, far from benefiting all, as standard theory proposes, became an instrument of British economic imperialism. It led to a differentiation of economic activity with Britain becoming the manufacturer for the world, and other countries being restricted to the role of primary producers, which turned out to be much less profitable than manufacturing.

Students of economics who are used to the simplistic doctrines commonly taught today as mainstream economics will find Michael Hudson's 480 pages invaluable in advancing their understanding to a higher level. His scholarship and analytical powers far exceed those of the writers with whom they will be more familiar. My only criticism of the book is that there is some repetition, arising perhaps because it is based on lecture notes. I do recognise that repetition can be useful, so the criticism is not a serious one. Otherwise it is remarkably easy reading considering the depth of the economic analysis it contains. It is strongly recommended.

G.W.G

TACKLING BRITAIN'S FALSE ECONOMY

by John Mills

Macmillan, 1997 (£19.99 hardback, £9.99 in soft covers)

Like Michael Hudson's volumes this new book is essential reading. Indeed the two books mesh together beautifully even though the two authors were unknown to one-another. John Mill's account of the free trade arguments would indeed have been even stronger if he had seen Michael's work. I saw a draft of John Mills' book and was able to offer comments and suggestions, but unfortunately I had not at that time made contact with Michael Hudson and seen his economic analysis.

The main theme of the book is that an overvalued currency will destroy a successful economy. I noticed long ago that all the successful post World War Two economies have had, at the crucial stage, currencies which were undervalued compared with sterling; indeed I tried to sell the notion to Nobel Laureate Professor James Meade back in the 1960s when we were regular lunch-time companions. But I never researched the hypothesis with anything like the diligence which John Mills has brought to it. He fleshes out arguments which are not entirely new, but have not previously been supported with such telling empirical evidence and analysis. His book is one I would like to have written myself had I the capability; one can give no higher praise than that.

John Mills is a businessman. He is also a local government councillor in Camden, and secretary of the Labour Economic Policy Group. This group is not a mainstream Labour policy group; it used to centre around Brian Gould until his return to New Zealand, but the moving force from 1974 onwards was Shaun Stewart, a retired Department of Trade executive. John Mills includes a very sincere appreciation of

Shaun, who is not only a great campaigner on economics, but is a hero of the War in the American sector of North Africa. He holds the highest military decorations that the United States can give to a non-citizen. Presently the Group's outstanding parliamentary figure is Austin Mitchell, who is somewhat Eurosceptic and anti-monetarist. Although it is politically Labour, the Group has policies which very many Conservatives would strongly support.

John Mills' analysis of the reasons for the economic decline of Britain is comprehensive, empirically supported, argued with clear logic, and with a correct understanding of the principles of economics. When one sees a book of this intellectual quality one is led to wonder why the works of Keynes, and many others, are still studied with such enthusiasm. Keynes' writings contain many gems of great wisdom, and some fine writing, but they also contain many obscure passages, grave mistakes, inconsistencies and contradictions. None of those faults occur in John Mills' book: he is totally consistent and crystal clear; his logic is faultless, and is never distorted to serve party-political ends. He covers ground already made familiar to the public by Will Hutton's best-seller, a book whose analysis many believe suffered somewhat from the political stance of the author. If the reading public is sensible, it will make John's book more popular than Hutton's. It should become a standard textbook.

I found only one error in his analysis, but the effect of correcting the error would be to strengthen his argument, not weaken it. The error is at page 115 where he is calculating the net cost of public sector job creation to reduce unemployment. First, he has not taken into account the multiplier effect of an extra job: one pays one man to clean the streets, and he then buys services from others, who do the same, creating jobs at every stage of the circulation of the money. Secondly he has treated the cost of materials used by the worker as an extra burden. ERC member, T. G. Haran, would quickly point out that money spent on materials is truly also a cost of labour. So if newly created credit is used to buy materials, it increases employment just as effectively as employing a worker directly to perform a service. One new public sector or private sector job automatically creates further employment, provided the first job is financed by newly created credit. On the other hand every retrenchment in expenditure creates a recessionary downward spiral.

I was particularly pleased to see that in John's analysis the raising of interest rates is directly inflationary. He points out that one of the reasons why a devaluation is never as inflationary as economic forecasters expect is because a devaluation allows interest rates, and therefore industry's costs, to be lowered.

It is most significant that books which advance economic thinking are nowadays commonly the work of scholars who are not members of the academic economic establishment. Those who are members of the establishment find it difficult, I fear, to depart from conventional dogma, no doubt because they fear ostracism by their peers, possibly loss of grants, and perhaps even the loss of their jobs. This is very sad. The point which all find particularly difficult to acknowledge is that if interest rates rise, so do costs and prices. The anonymous author of the latest annual economic review in Pears Cyclopaedia has ventured to say that, but the others continue to talk of the

need to raise interest rates to cure inflation. John Mills supports the view which is far older, having been argued forcefully by Sir Thomas Culpeper in 1621, that if Britain is to be competitive internationally, interest rates must be lowered.

G.W.G.

REINVENTING INFLUENCE: HOW TO GET THINGS DONE IN A WORLD WITHOUT AUTHORITY¹

By Mary Bragg

Published by Pitman 1996 Price: £17.99

When Dale Carnegie, in the 1930s, wrote the best-seller 'How to Win Friends and Influence People' he spawned a whole genre of works to occupy a new and unique slot in business studies literature.

The basic proposal is that it is *how you act* rather than *what you know* that matters. Management is a matter of manipulating people rather than learning the traditional skills of accountancy, corporate finance, law and technology. There is an obvious 'short cut' appeal in this. Why slog through all that orthodox study (and especially, why do that if one is failing at it?) when one's personality can win the day? Let others foolishly work at these things whilst *you* can learn the trick of exploiting their abilities! There is indeed the tantalising notion that one can secretly outflank the competition – and many successful businessmen would, in reflective moments, superficially concur and cite the old nostrum that good psychology rather than business knowledge, is the key to success. Except that they have probably been good at both.

One cannot be sure just why, but it does seem to be the case that the market for this genre of books seems to be in the USA rather than in Britain or elsewhere. Perhaps the Americans simply place a greater emphasis on 'getting on with people'. More cynically, one has the feeling when reading these things that somehow they are works to 'tell the little people about the big people' and the worship of titanic-business and other leaders is a feature of the American make-up. Perhaps in a more subtle analysis one might argue that in the course of growing up social skills at an instinctive level can really only be nurtured at a young age – say between 7 and 15 just as 'native ability' with a language can only be gained younger still. Sports facilities and dormitory life at traditional British boarding schools may well be an important factor – a factor which American education can only admire. But there is always the dream of catching up later.

1. Winner of the Management Consultants Association 'Best Management Book of the Year' prize 1996

Mary Bragg's 'Reinventing Influence' is delightfully written, comprehensive as a work-study book and has a system layout to match this computer age. We are reminded that organisations today need fewer hierarchical layers of management, that success more often depends on co-operation than instruction and that, given a higher level of self-containment in managerial tasks, motivation and inspiration count for more than they used to relative to a reliance on command. In this 'new' world the route to success lies in clearly identifying what one needs to achieve, clearly assessing those who need to be involved in that achievement and successfully obtaining their voluntary compliance.

To do all this the manager begins by identifying those around him that need to be influenced. He then ponders the '7 levers of power' (resources, information, expertise, connections, coercion, position and personal), relates these to '6 principles of influence' (contrast, historical commitments and consistency, scarcity value, social proof, liking and integration and emotion), check your own personality (develop a positive self-image, understand the elements involved in impression management) use a '5 stage person-perception process' (look for cues, ask what they mean, develop behavioural stereotypes, ask what triggered the behaviour and make a judgement) to assess your target person to be influenced.

At this point the book seems to change gear and the reader is treated to a gem of a chapter on corporate culture. Here is an analysis of different types of corporate culture divided into types as 'power, role, task and person' depending on attitude priorities. Networks, influence and grapevines are shown to play their parts in working within each type of culture.

And then back to the earlier speed. We are told that there are '8 tactical weapons of influence' (pressure, upward appeals, exchange, coalitions, ingratiation, rational persuasion, inspiration and consultation) most of which seem directly or indirectly to depend on some sort of authority in terms of position or charisma. But the author may distinguish between power and authority. Sometimes we use multiple influence tactics and vary these depending on whether one is seeking to influence someone of a higher status or a lower one. Managers who manage to use all of these tactics are complemented as 'polymaths', those who habitually use only one are 'robots' whilst those who exercise none are denigrated as the organisation's 'hermits'.

Held high as exemplars of success in these skills the author cites famous names indeed – Rupert Murdoch, Bill Clinton, Alan Sugar, Richard Branson, Anita Roddick, Bill Gates, Tiny Rowland, Henry Kissinger and James Hanson are among the 25 listed with biographical notes.

An extensive reference list of 310 works is an indication of both the splendid diligence of this author and the extensive range of material now available on this subject. In truth, this book is all too easy to treat light-heartedly but for those who are prepared to complete the exercises, and the diligent self-improvement studies and who can go on to emulate those who through some secret of their own already manage the skills described, a rewarding and enlightening experience lies in store.

J. B.

THE JAPANESE SOCIAL CRISIS

Jon Woronoff

Pub. Macmillan Press 1997, Paperback £16.99

This is an extraordinarily useful book because it addresses an extraordinarily large gap in the range of publications about Japan. There are endless texts on the economy, on earthquakes, on the Japanese equivalent of Kremlinology, on finance and on trade. But down at the family and individual level, in the daily concerns of ordinary Japanese where the most important concerns involve relationships, security, obligations and uncertainties, little truly discerning material is available. Woronoff has set out to reveal today's Japanese society in characteristically engaging, direct and critical style.

The chapter headings, with their subtitles, are a good starting point. They read 'The Company (Fraying At The Edges)', 'The School (Education Runs Amuck)', 'The State (Coming Apart At The Seams)', 'The Family (Splitting Up)', 'The Society (Destructuring And Restructuring)', 'The Nation (Ties That Don't Bind)', 'The Individual (Still The Weak Link)'.

Woronoff has written many other books on Japan – on its trade, investments, politics and economy, but this one is surely on the subject that is closest to both his heart and to his gifts of perception. The other books can be criticised for containing shallow, perhaps journalistic analysis, for failing to compare the reality in Japan with reality elsewhere and for oversimplifying the works of authors he has chosen to contest. In this book one senses a greater mastery of the issues and an impish delight in cracking each nugget of information with a flair that would have done justice to Mark Twain.

Chapter 8, 'The Individual', begins with an historical account and then tells us that 'Japanese youngsters start off their lives in the freest, warmest and most pleasurable atmosphere ... allowed to run about and play as they like ... they would be regarded as spoiled and rude in most other places'. But, after kindergarten, 'school becomes a drag, and worse ... schooling gradually overwhelms every other aspect of the children's existence'. Over indulged with pocket money but weighed down by school demands, they 'spend most of their free time watching TV, reading comics, playing video games and shopping. The boys and girls create a personal dream world, for the boys with a lot more action and violence, for the girls with cute cuddly toys that they keep to an amazingly late age. They seem to be lost in time as they cling to the remnants of childhood and mature at a much older age than their peers abroad'.

After children and the changing patterns of upbringing, the author turns to 'Men: No Longer What They Were'. With absentee salariman fathers, sons lack family role models and young men have become 'softer, weaker, more effeminate ... and ... quite simply confused as to what their behaviour should be'. This leads on to a discussion of fashion, sex, marriage relationships, stress at work and the lack of appreciation at home for the sacrifices men make for the company.

And then come seven pages which would be worth reprinting in full – if only for the benefit of those of us who still imagine that men cannot understand women: ‘Women: The Weaker Sex Wins’. After a general discussion of changing attitudes and trends we meet the OLs (‘Office Ladies’). OLs most often continue to live with their parents, paying little for their keep, save much of their earnings and spend lavishly on cosmetics, clothing, the beauty parlour and leisure ... the biggest spenders of all Japanese aside from the very rich. These ‘bachelor aristocrats’ lead the good life – and do not want to give it up. Why should they seek marriage, wish to raise children and revert back to the lowly station of a more traditional married woman?¹ Nonetheless, Woronoff concedes that most women eventually do get married and have a small family. After a few hectic years of child rearing, women spend much of their time in their 30s and 40s on leisure and by the time they reach their 50s women have nearly all their time to themselves. Woronoff comments ‘Most have forgotten about their husband as a companion and found friends and hobbies they would rather devote themselves to. They do not quite form an aristocracy, but it is certainly a better life than that of the ageing worker or salariman.’ He finally adds, ‘During the past half-century the relationship between men and women, and their respective statuses, have both changed and remained amazingly static. The men have been feminized somewhat; the women have adopted some coarser habits. But the man is still, by and large, the breadwinner who goes out and works while the woman stays at home. While more women than before work, they have not gotten very far and by now many do not even mind. This side is quite different from the West where not only do more women have real jobs, more of them make it to the top, and there is more equality in every respect. However, while holding on to their bastions, Japanese men have played a trick on themselves. For the women no longer care and have adjusted as best they could, often in ways that give them a superior lifestyle. The women no longer walk several paces behind, nor do they walk side-by-side, they are off at an angle somewhere, but definitely out front.’

Each of the other chapters deserves as much space, Chapter 4 in particular, providing a summary of Woronoff’s recent book on *Politics The Japanese Way* and chapter 7 providing an account of old religions, new religions and the strange, apparently inoffensive development of cultural nationalism.

Those who know Japan will find much in this book to agree with and much more that will challenge existing assumptions. And if the social conditions Woronoff identifies contain overtones of great instability and tension, then a crisis it surely is and, instead of complacent mild interest, we had better wonder whether such things could affect us all.

J. B.

1. A recent survey reported in the Japan Times showed that 49% of women in their late 20s and 35% in their mid 30s remain single.

LETTERS

Responses to The European Union, a talk by Ray Whitney M.P. and England! The Nation that Gave its Future Away by Ron Read

Dear Sir

I refer to the Winter 1996 issue of Britain & Overseas. What a tremendous difference there is in the two men contributing the bulk of your contents in this issue.

We have Ron Read the Englishman analysing what has happened to Britain since 1914 or thereabouts although not giving the reasons why or the powerful forces which brought these events to pass. His analysis and the summary thereof is beyond dispute and his conclusion that it is only further madness to continue in or go further in to the EEC is logical and also beyond dispute. I am a bit bemused by his suggestion that we would be better off as a state of the USA. Ron Read does not seem to realise that the United States is the greatest enemy Great Britain has ever had and has been since 1766. Mind you he may be led by an 'If you can't beat them join them' intuition. My view is that the way forward to Britain's prosperity and freedom is the same as it always has been, to build ships and sail the seas trading freely with all the world's nations. The first Elizabethans would soon put things right but the second Elizabethans are not even a shadow of these long-gone forefathers.

On the other hand Mr Ray Whitney, OBE, MP advocates more loss of sovereignty, more subservience, more vast sums of money thrown into the Common Market obscenity and as usual, dangles the carrot of greater prosperity. All the rules and evils of the Common Market are not even mentioned, but then they would not be would they? Loss of our shipbuilding, loss of our aircraft industry, virtual loss of our steel industry, loss of our Merchant Navy and for that matter virtual loss of our Navy, loss of our freedom, loss of our sovereignty, loss of the power of Parliament and thus the return of that power to the people at election times, loss of our self-esteem and our prestige in the eyes of the rest of the world. So we could go on – the list is endless.

Mr Whitney obviously knows that there are powerful and almost invincible world forces pushing England further into the EEC and under the rule of the faceless monolith of Brussels. This is evident by the fact that he is able to say 'EMU will happen whether the German people like it or not'. He refrained from saying 'England will be in the EMU whether the English people like it or not' because although England is on her knees she isn't yet prostrate and therefore the pro-Common Market people have to be careful and not say too much too soon.

D Chapman
55 Eastfield Rd
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Lincs LN11 7AL

Dear Sir,

I usually just read the issues of the Economic Research Council. However, I cannot accept the extracts from this talk unchallenged.

The idea of a European Nation State is clearly the central agenda of 'European Politicians'. The world has moved on from the drip drip starting of this superstate, and as Norway's success 'outside' of a European straitjacket has shown, success is not the sole right of those in the EU, so that the Superstate of Europe will be exactly wrong for the 21st World Market century.

It is the irrevocability and cutting off of people from the means of power which is in the manner of dictatorship. This talk by Mr Whitney is mere apologism.

T. J. A. Bishop
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Warblington
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*A response to Dr Alan Sked's talk to the ERC
'Britain and the European Union', reported in this issue*

Dear Sir

Disgusted of Tuscany-'ills writes: (in the aftermath of the December 3 meeting):

It's difficult to put any questions when you're sitting behind the Chair trying not to look Nordic, but could no-one have asked Dr Sked:

- How can you reconcile 'independence' with membership of NATO (which places a European/American command over our military decisions, and even commits *us* to mutual defence of those corrupt continental European members); or the World Trade Organisation, which has draconian powers to impede our commercial practices if it disagrees with our interpretation of free trade?
- If, as you hope, the UK's withdrawal from the EU causes the rest of the Union to collapse, how are we to renegotiate our way into that wonderfully fast-growing – but alas rather closed – Chinese market? One of the miracles wrought by the EU is to have found a useful purpose for Sir Leon Brittain as the single EU voice in GATT/WTO treaty finalisation. Fifteen voices singing different tunes aren't quite as easy to listen to. True, European non-members gained from the EU's work. But if everyone takes a free ride, the bandwagon never moves
- What is it about the UK economy that makes it the strongest in Europe? Surely not our inflation rate which is impressive only if you compare it with the post-OPEC (or post VAT) shocks of the 1970s. Not our productivity, on any serious like-for-like comparison. Not our growth rate, if you correct for the asymmetry in cycles.

(And is 2.5% really so impressive for the first year out of our longest postwar recession?) Not our trade competitiveness. Not our labour skills (excepting, of course, our excellent supply of LSE history graduates). Not even the high rate of inward investment, once you recognise that even more capital is flowing out. Having heard the speaker so eloquently condemn the present government's political and diplomatic record, it was disappointing to hear such uncritical acceptance of its wholly unjustified economic claims.

- By all means condemn corrupt politicians in other European countries. But why not have the courtesy to acknowledge that their names are available because the system eventually caught up with them and put them behind bars?
- How can you criticise other European countries' democratic arrangements, as a citizen of one whose voting arrangements so regularly return a government on 35–40% of the popular vote? (It's lucky we have that ultra-democratic upper house to keep things under control.)
- If it's wrong for farmers to collect public money for setting aside their land, can we take it that you've never been on sabbatical?
- And finally, do you really consider it safe to believe everything you read in the Sunday Telegraph and Sunday Times?

Dr Sked's fundamental deceit is to claim that the UK can survive as a free-trading nation, when in fact it stays afloat only by courtesy of the £1,400bn of overseas assets he so confidently cites. Yes, we're very lucky to own so much of the rest of the world. How else could we finance the perpetual trade deficit and still export more capital? But foreign rentier wealth doesn't generate much employment here, and you would have to be a true Nozickian to take pride in the way we acquired it.

I trust there are not enough Nozickians in the UK to make an Independence Party government a serious prospect any time soon.

Yours sincerely
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*A further response to the subject of Stakeholders in Society
prompted by a letter from Mr Eric de Maré (Winter, 1996 B&O)*

May I be permitted to reply to Eric de Maré's reference in his last letter to my article 'Stakeholders in Society' (Winter 1995).

In his second and third paragraphs he provides an excellent argument for the propriety of the provision of a Basic Income for all, a mechanism for the phased introduction of which was suggested in my article. Perhaps it was not the best possible way of doing it but it is certainly a completely practical way. It may be of interest to your readers to know that my article was written 20 years ago and was a paraphrase of a longer letter sent to Prime Minister James Callaghan in October 1976, which of course he ignored. It had never been published before it appeared in *Britain & Overseas* but it is interesting to speculate what might have happened if his government had followed up my suggestion. Labour might not have lost the 1979 election, the Falklands War might never have taken place, and I might now be enjoying a considerable increase in my State pension along with a lot of other fellow wrinklies, while the lot of Britain's poorest might be almost bearable.

It put forward a very practical way of increasing purchasing power and spreading it mainly to the lower income groups while also giving them what they had never had before – a gradually increasing stake in the ownership of the means of production. And it would have worked while being financed from within the prevailing economic set up, without social disturbance.

Copies of that letter were also sent to David Steele and Margaret Thatcher. The only reply that showed any enthusiasm for the idea was from the lady who promised to get her 'experts' to look at it. She must have been so excited when she won the Election three years later that she forgot about it.

But it is not too late to resurrect it – Mr Clarke! It could still be started up and win you the next Election if it is not over by the time this letter appears.

Eric de Maré confuses me with traditional economists but even twenty years ago I was not at one with them as I produced a workable scheme that none of them would support. Some ten years later I was introduced to the Resource Economics Proposition (REP) which still has not been accepted by most traditional economists.

But his letter provides an excellent justification for one of the fundamental components of the REP, the abolition of taxes on work. If work is becoming obsolete then so should taxes on work. These are the ones which provide seventy per cent of government income which is still, as it always has been, inadequate to fund all government expenditure.

As I have shown before in these pages, in several issues, the answer to the problem this creates is to replace these taxes with a single tax on the primary energy supplies on which modern economies are based. We call it Unitax. This tax could be phased in over a period of perhaps ten years at most, by the end of which time everyone in the country would be receiving an adequate basic income and the hold of the banking system over governments would have become obsolete. Is this not an attractive

prospect for Mr de Maré and the great majority of our countrymen – the abolition of income taxes and VAT? Please, Mr Clarke, do take note! – or whoever succeeds you!

To sum up, some of the main advantages provided by adoption of the REP would be:

Less crime, no recessions, zero inflation, family support, no poverty traps, low interest rates, no unemployment, more employment, balanced budgets, massive cuts in pollution and fully funded health, education and housing. The Perfect Economy!

John P. C. Dunlop C.A.
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The Resource Use Institute Ltd
17 Randolph Crescent
Edinburgh EH3 7TT

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