BRITAIN OVERSEAS

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

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THE WORLD IS OUR MARKET

On 1st January 1973 Britain joined the European Community. The Commonwealth Industries Association had opposed this move in the conviction that joining a European group of nations under the terms of the Treaty of Rome would damage our trade with the Commonwealth and other countries outside Europe and would accentuate the division between Europe and the other continents.

In the context of Britain as a member of the Community of nine our task becomes even more important for it is essential that this Nation should maintain her world-wide trading pattern and in particular that our long-standing relationships with the Commonwealth countries should not be further weakened.

The immediate question is whether the European Community will become an outward-looking trading group, or whether those who advocate a more self-contained economic bloc will win the day. It is encouraging to note that spokesmen for the British government have declared that they favour an open seas policy and will seek to persuade our European partners that this should be adopted by them as well as by Britain.

Much needs to be done if we are to succeed in the maintenance of an open seas policy. The people of Britain must be told about the political and economic significance of Britain's visible and invisible trade overseas and in particular with the Commonwealth and sterling area countries. Close links must be established with those overseas who are concerned with trade with Britain and the Community and all the information on developments in trade made known to as wide a number of people as possible.

It has been proposed that to facilitate these research and educational activities which will be needed, a new Association should be formed called Commonweath & Overseas Research Association (CORA). This idea has commended itself to a number of leading industrialists and others, and we are privileged to publish a message from the Lord Mayor of London, in which he promises full support, both personally and officially for the proposed new Association.

We hope to be able to publish full details about this new Association in the next issue of "Britain and Overseas."

Message from the Rt. Hon. The Lord Mayor of London
The Lord Mais, O.B.E., E.R.D., T.D., D.L., C.Eng.

As Lord Mayor of London I have adopted as my theme for my Mayoral year "The World is our Market". Although I have not been the most enthusiastic supporter of our entering the Common Market I accept the fact that we are now members and that being so there is no purpose in doing other than making it a success.

Nevertheless, my theme still is of the utmost importance to this country for our trade in the past has always been world-wide and our entry into Europe in my view makes no difference at all other than it does open up further opportunities for us.

My principal concern has always been the continuation of our long-standing relationship with the Commonwealth countries and the maintenance of our trade with them. Therefore I most heartily support the proposal of the Commonwealth Industries Association to form another association to be called the Commonwealth and Overseas Research Association which will concentrate on research, education and the publishing of information which will reinforce the activities already carried out by the parent association.

Not only do I fully support this proposal but as I have already assured your Chairman, if there is anything I can actively do to assist in its promotion my services, both personally and officially, will be at his disposal.

THE CANADIAN ECONOMY AND THE EUROPEAN COMMUNITY

Address by Roland Bird to the Canada-United Kingdom Chamber of Commerce Luncheon—31st January, 1973

The first comment that I would make is that Canada's stance towards British entry has been altruistic to a high degree. Canada can be described as one of the warmest supporters of Britain's entry and at the same time the hardest hit. That provides a sharp contrast to the strained state of affairs a decade ago, when Mr. Diefenbaker was emotionally preserving the Commonwealth against the wayward folly of the British, who he thought seemed bent on getting rid of it. Yet the paradox in Canada's assessments, both now and ten years ago, is that on each occasion Canada has been concerned with establishing a more effective countervailing position against its economic dependence on the United States. But after August 15th, 1971, the trauma was complete. Canada had to look for all practical means of strengthening its non-American ties, with the Soviet Union, China, the attenuated Commonwealth, and most important of all, Europe.

NO LOSS OF IDENTITY

This does not mean to say that Anglo-Canadian relations have suddenly become intensely close. Canada seems to have taken up the running in maintaining what remains of the Commonwealth, which Mr. Heath, according to some Canadian opinion, regards as a bore. In the department of External Affairs, Britain has been transferred from the Commonwealth into the North-West Europe Division, treating it (in my view rightly) as a country instead of a concept. Where the two initiatives come together is that just as the United Kingdom is trying to integrate its economy with that of adjacent Europe, so Canada becomes increasingly concerned about the consequence of economic integration in North America. I think it is too early or too extreme to think of this in terms of national survival versus homogenisation. The British will not soon be eating snails as their staple diet or abandoning the sliced loaf. Most Canadians will expect to continue to enjoy a continental culture, and a continental standard of living, without going continentalist in any political sense. I would no sooner try to define Canadian nationalism than I would try to define British nationalism. But I would imagine that both national forces, however diverse they may be, will continue to be very much alive as the pulls towards continental integration continue, for both Canada and the United Kingdom. There is no reason, in my view, to fear any inexorable absorption of Canada into the United States or any loss of British identity in Europe.

CANADA'S EXPORTS

But let us come down from the high-flown to the more practical. Here is Canada with 12 billion out of $17\frac{3}{4}$ billion of total exports going to the United States—nearly 70%. To the U.K., 1.4 billion or $7\frac{3}{4}$%. To the E.E.C., 1.1 billion or $6\frac{1}{4}$%. That was the old E.E.C. in 1971. To the new nine, Canada last year exported 15% of her total exports—half the non-U.S. total, at a figure of 3 billion; by comparison, Canadian exports to Japan at 800 million almost look modest. Canada obviously has an important concern about its trade with the U.K. from January 1st. But her trade into western Europe has already been increasing at a fast rate and (in the nature of things) has been based predominantly on gains in exports of manufactures, and raw materials, and not in agricultural products.

What these figures emphasise is the importance, to Canadian interests, of the principle of a counterweight. It might be said that the preponderant importance of the United States in the scheme of Canadian exports and capital requirements makes any counterweight ineffective if not absurd. But that would be to ignore the fall out from August 15th, 1971. Perhaps its most important result has been the growing feeling among sensible Canadians that *le defi americaine* (as Servan-Schreiber named it in the case of France) involves a more serious prejudice to the long-term interests of Canadian independence and self-husbandry than it yields in the quicker emergence of a broader technical and industrial base. No doubt a sensible economic strategy for Canadians stops well short of anti-Americanism in any crude sense. It is impossible, for example, on the evidence of these trade figures alone, to trade off the United States against Japan (which is even more emphatically a devourer of other people's raw materials than the United States itself) or against the Soviet Union, with which the development of political and economic relations had a bouncy beginning, followed I suspect by a few second thoughts.

AN OUTWARD-LOOKING COMMUNITY?

So the instinct of Canada is to see what trade off can be found in Europe. One might describe this as the working of a triple mother country syndrome, a complicated condition naturally involving the British and the French, but also I suggest the Germans, who are one of Canada's big ethnic groups and certainly the biggest Canadian market in Europe. Obviously the Nine offer the best chance for Canada to develop expanding economic relations without threatening danger to her position vis-a-vis the United States—and a better chance with Nine than with Six. Not, I should emphasise, because Britain can be expected to argue the Canadian case with the others, out of sentiment or tradition—it is going to have its own work cut out to get what it wants. But in what may be emerging as a non-Gatt world of distinctive trading blocs, relations with the E.E.C. must be based on the hope that the

Community will be outward looking and that Britain as one of its three leading members will play an important part in making it so.

This is clearly part of the celebrated "third option" under which Canada would hope to lessen the vulnerability of its economy to shocks from the U.S.A. by encouraging specialisation and the emergence of strong Canadian controlled firms, so that manufactured imports could be increasingly replaced by domestic production and new and wider export markets could be developed beyond the United States. The exploration that Canada has already set on foot with the Community includes the eventual possibility of negotiating a bilateral Most Favoured Nation Treaty with the Community itself. That, no doubt, means looking ahead a longish way, for the Community's own digestion at the moment is seriously overloaded with problems arising from its new entrants. It has also to be recognised that Canada wants to complement Gatt and other multilateral institutions, not to find a substitute for them. But there is no doubt that Canada has made its mark with the Community, as was evidenced in the summit meeting last autumn. In Mitchell Sharp's words, "We had to rap firmly but politely on the table to get attention".

AGRICULTURAL PRODUCTS SHARPLY AFFECTED

Well, he succeeded. It is now accepted that the enlargement of the Community has thrust a larger burden of adjustment upon Canada than upon any other. It is now more clearly understood in Brussels that what the E.E.C. may decide about its relations with the United States does **not** necessarily and automatically do for Canada. Yet these advances in understanding do not offer immediate remedies or relief. In the particular case of trade with the United Kingdom, 40% of that export total of 1.4 billion will be faced with more difficult access through the loss of free entry or preference. The more important industrial raw materials obtain free entry as a result of the quota arrangements negotiated as a condition of British entry—not, of course, for the sake of Canada's beaux yeux but for the sake of our industrial costs. Of the half that faces more difficult access, agricultural products are sharply affected by the Common Agricultural Policy. Feed barley, wheat (even hard wheat), tobacco, cheese and apples are some of the important items here. In forest products, bulk paper and liner board (much from plants laid down for U.K. needs) have lost parity of access to the Scandinavians and there is an 18% preference margin at risk.

MUCH HAS CHANGED

So one could go on. As Winston once said, the difficulties argue themselves. There are difficulties on the British side too, in machinery, vehicles, china and porcelain and knitwear that have enjoyed the higher rates of preference into the Canadian market. Canada must be expected to deal with these as it sees fit, on a case by case basis, without any across-the-board action. The trade agreement between the two countries ends this year and there is much that has changed since it was entered into 25 years ago.

It is clear, from what I have said, that Canada is not in an agonised mood about these problems. Its trade with the E.E.C. has grown more quickly than its trade with the U.K. It is entitled to expect (though without total certainty) that growth will be the keynote of the new E.E.C. and that overall Canadian trade into Europe as a whole will continue the vigorous expansion of the last decade. It shares the problems of agricultural restriction into the market with the United States and therefore cannot look very realistically for concessions of a kind that the E.E.C. would have to accord equally to the United States. But at least the E.E.C.'s barriers to manufactures and semi-manufactures, on the whole, are not penal, and should not inhibit a further expansion of Canadian exports to Europe. And steps are being taken to strengthen the continuing dialogue in Brussels between the Community and Canada now that the table has been rapped and attention has been secured.

A HIGHLY OPTIMISTIC VIEW

It is obvious, and sad, that some long-standing trade relations between our two countries will be affected. Some Canadian producers are being directly and seriously hit, and will need all the allotted period of adjustment to make their new dispositions. I for one would regret very much the disappearance of, or an impossible price for, Black Diamond. But Canada is nowadays involved in feeding and supplying the world, not that tiny scrap of it called Britain, and if the world is going to expand, so will Canada, at an even higher rate. One of the lessons that I draw from the events of August, 1971 is that the world is going to ensure that it does expand, and on that ground I take a highly optimistic view of what lies in store for Canada. By the end of this decade, I will lay a bet that it will have forgotten its preoccupations about forming new relations with the E.E.C. as a counterweight to the preponderant power of the United States. Its GNP should then be at least as big as the British. More and more of its industry will be competitive on level terms with American industry—and we should not forget that a good deal already is.

So I am an unrepentant bull of the longer term future of Canada's economy, and never tire of telling Canadian friends that they have a great country, a great life and a great future. I know as well as most people what the problems are, and I also know that one of Canada's few national weaknesses is to get het up about them occasionally. You don't need to.

INFLATION—

Are Our Priorities right?

It is generally accepted that the main cause of our troubles is inflation and the main effort of Government has been aimed at preventing inflation from further eroding the value of our money. Government strategy is based on the view that inflation is **caused** by excessive increases in wage and salary payments over the past years. They aim, therefore, to restrain increases in wage and salary payments and thus to halt the escalation in prices.

The immediate result of the attempt by Government to control directly the wage structure is already showing itself in increased industrial unrest and resentment. This is super-imposed on a situation where industrial disputes have been escalating—1971 was a record year for industrial disputes, 1972 was even worse. In spite of the fact that strikes, go-slows and other disruptions in production hold back the rate of growth and damage confidence both at home and overseas, they are likely to continue if those affected by the controls feel that they are being unjustly treated. Even civil servants, the least militant of the employed population, are becoming increasingly restive as the almost inevitable injustices of the wage freeze make themselves felt.

On the price front, developments during Phase I do not give much reassurance that price control can be made really effective, particularly in the sphere of food. It is this factor that can undermine any concensus and provide an alibi for increased militancy on the part of trade unions.

MAIN ASSUMPTION CHALLENGED

The difficulty is that while Government action to restrain wages and salaries can to some extent be made effective, this cannot be said of prices unless the basic cause of inflation has been identified and remedied. Over the past years a number of authoritative voices have been raised, challenging the main assumption which lies behind Government policy that wage and salary increases are the **cause** of inflation. If these views are correct, while increases in wages and salaries are held down, prices could continue to escalate. The result could be disastrous in the industrial sphere and for the country as a whole.

No one doubts that unreasonable pay claims, if granted, add to inflation, but there are many who suggest that they are an effect, not the cause of inflation. In 1968, a group of 19 industrialists, economists and others published the result of an investigation into the cause of inflation under the auspices of the National Recovery Programme. The reports they issued, based on a very detailed examination of the official statistics introduced by the Bank of England in 1963, threw up a very different picture from the normally accepted view. They claimed that the primary cause of inflation was to be found in the deficitory spending by the public sector which had not been wholly financed by genuine borrowing from the non-bank private sector. "Britain's

economic problem" said the report "lies in the field of public financial management, not in any widespread weakness of management in industry, not in overspending by the private sector overseas, but in uncontrolled overspending by the public sector, both at home and overseas. IT IS THIS WHICH IS THE PRIMARY SOURCE OF INFLATION."

That the Government of the day took some notice of this view is shown by a reply to a group of 9 economists who had urged that Government borrowing should be reduced. The letter from 10 Downing Street said—"the Government share at least some common ground with you in that it attaches considerable importance to the size of its borrowing requirement and to the liquidity of the economy."

DIVISION OF INCOME

Subsequently, the Government did in fact reduce their borrowing requirement, but the level of taxation was greatly increased. This did not cure inflation for reasons which were clearly demonstrated in a further study published in 1972 which took the National Recovery Programmes research a step further. This report examined the official statistics of the division of income from production of goods and services between taxes, net disposable profits and the 'take-home pay' of the wage and salary earners.

Taking the period from 1950-1970 it showed that the three-way division of income from production was as follows:—

	1950-1960	1961-1970
Employers	19%	12%
Wage and salary earners	71%	65%
Government	10%	23%

This trend has continued into 1971-1972 as is shown by a study reviewed on page 11. The fact is that tax revenue plus Government borrowing requirement exceeded 50% of the net national product in 1971.

Total taxes paid in Britain increased by about 100% between 1964-70 while the GDP at current factor prices increased by less than 50%. Increasingly severe taxation of employers' profits meant that British companies have been deprived of the means of investment and their confidence undermined while the 'take-home' pay of all employees since 1960 rose at a rate which lagged behind their increasing productivity and the depreciation of the currency.

Further support to the thesis that increased wage and salary payments were not the basic cause of inflation was given in a "Memorial to the Prime Minister" recently published under the signatories of a number of independent economists. They told Mr. Heath that "The essence of your case for a prices and incomes policy seems to be that higher wages are themselves the main cause of inflation . . . There is no evidence that the power of the trade unions has caused or can cause continuing inflation without a concomitant increase in the money supply. It should be self-evident that they cannot push up the level of prices, but only cause the price of those articles they manufacture to rise, and therefore some switch in demand."

These economists also told Mr. Heath that the effect of a prices and incomes policy could make inflation and stagnation worse, because restriction of prices may cause companies to limit production or at least not to embark upon plans to increase production. "Thus, the excess demand may be made worse by a reduced supply and by a substantial fall in the rate of real net investment such as has taken place in the last two or three years."

GOVERNMENT BORROWING

On the question of Government borrowing they are equally explicit. Pointing out that under a Conservative Government expenditure has continued to rise even more than under a Labour administration they say;

"The Government's revenue and expenditure no longer match one another and the difference, as you know, is made up by the net borrowing requirement. This has increased astronomically in the time that you have been Prime Minister. From 1945 to 1970 it averaged only about £200 millions a year. In 1971/72, i.e. the first full year when you were Prime Minister it was 5 times more than the previous year, namely £500 millions compared with £100 millions for 1971. This year it was estimated to be £3,000 millions, but by now as you probably know, as we suspect, the true figure will be nearer £4,000 millions . . . You know and we do not have to tell you how this money is borrowed, but there are members of the public, however, and even commentators in the newspapers it seems, who do not appreciate that these huge sums are obtained by adding to the amount of money in circulation and thus adding to the total demands."

Some years ago Colin Clark estimated that if tax revenue plus deficit financing was maintained at above 25 per cent of the national income then there would be a general rise in costs and prices and also a check to production.

All this adds up to a considerable weight of opinion challenging the Government's view on the cause of inflation and calls into question whether their present policies, however well intentioned, can be much more than a holding operation. Two factors underline this question. Money supply is still increasing at an annual rate of over 20 per cent.

The tax burden, as a result of the interaction of progressive taxes on rising money incomes actually increases unless taxation rates are reduced. The effect of the cuts in taxes in the last budget merely offset this effect and the revenue collected by the authorities remained substantially the same as in the previous year.

The dilemma was very well expressed in the December 1972 edition of the Monthly Economic Letter published by the First City National Bank—

"In times of rapidly growing tax revenues, enterprising politicians curry favour with their constituents with promises of vastly increased government programmes at little or no extra cost. What is forgotten is that today's public service bargain is tomorrow's fiscal burden. When this fact sinks in, and when taxpayers realize that many "public" services can be better provided by the private sector, then the ultimate truth may be unveiled—that the cheapest way to eliminate a surplus is to cut taxes."

GENUINE BORROWING FROM THE MARKET

There is a clear case for a review of the method by which Government's 'borrow' from the banking system for this is one of the main sources from which new money comes into circulation. While it may be difficult in the present climate in Britain for political reasons to argue that Government spending should be considerably reduced one practical step has been suggested which should be given priority. That is the proposal to return to the former rule that the public sector's borrowing requirement for capital expenditure should be financed by long term borrowing from the market. It is surely wrong that capital expenditure should be financed by current revenue from taxation or from "borrowing" from the banking system which inevitably increases the flow of new money into the economy. By borrowing from the market for capital requirements it would be possible to reduce taxation in such a way to encourage production and by reducing the borrowing requirement the unhealthy growth in money supply could be halted.

PUBLIC SPENDING the CAUSE—INFLATION the RESULT

In a new publication*, Mr. Ronald Burgess of the Economic Study Association takes up the controversial question whether the Government is right to put the whole emphasis on rising incomes as the source of inflation. This Paper studies the changes in the distribution of shares in the national product from 1870 to 1971 and relates this research to the requirements of a counter inflationary policy for 1973. Referring to the objectives of Mr. Heath's economic policy the paper concludes: "The lesson of this study is that the opportunity remains but the time is short. The sphere of action is in Public Finance both central and local".

The Paper opens by questioning the conclusions drawn from post-war economic series by those responsible for policy. In the light of the latest information the works of some leading economists are reappraised and their conclusions qualified. Pitfalls inherent in using the GNP as a basis of comparison are clearly outlined. This leads to the defining of Gross National Claims (GNC) which is used as the denominator for a new analysis of shares in the national product.

From the evidence it is concluded that take home pay has been relatively stable as a share of the product over the past century. The rising trend of wages and salaries noted by some researchers is shown to be a result of tax shifting from employee to employer. This shifting is often obscured as the share of take home pay appears to move in long cycles with troughs in 1881, 1913, 1942 and 1969.

The effective incidence of total tax revenue is shown to be borne by property incomes in general and by profits in particular. It is argued that excessive taxation, made necessary by profligate public spending, has reduced profits to a level that makes poor growth, low investment and rising prices inevitable. Home producers have been forced to raise prices in an attempt to recover some part of the funds appropriated by taxation. "In the U.K. where over 50 per cent of the tax revenue is derived from employment impact taxes a major part of the expanding tax share squeezes profits by inflating labour costs. As a consequence the resulting inflation is ascribed to excessive wage demands. That the inflationary pressures have been generated by increased taxation passes unobserved."

Specific recommendations are made for the initial stage of a counter inflationary policy. Profitability must be restored to ease pressure on prices and to provide funds for expansion. In the present situation, it is argued, the only feasible method to achieve this is by a significant cut in social security contributions of both the employer and employee. Such direct action would allow for the cyclical upswing of take home pay and at the same time reduce employers' labour costs. The gross loss of revenue is put at £1,500 million per annum but it is demonstrated that the net loss would be very much less and within a year the measure would be tending to reduce the borrowing requirement. "With tax revenue plus deficit exceeding 90 per cent of taxable capacity" a second objective is the reduction of the government's share in the national product. It is suggested that this could most easily be accomplished by a public income and expenditure freeze for one year.

* 'Fanfare to Action—Income Distribution as a Cause of Inflation', by R. Burgess—Economic Study Association, 75p (60 York Road, Acomb, York YO2 5LW).

PUBLIC EXPENDITURE

The following quotations from the debate in the House of Commons on Wednesday, 7th February, show an increasing awareness on the part of some M.P.s of the importance of "government borrowing" as a main factor in causing inflation.

Sir Henry d'Avigdor-Goldsmid:

"As my hon. Friends on the Treasury Bench are only too well aware, the increase in money supply is something for which they have a good deal of responsibility. They add to the increase in money supply if they finance Government expenditure, not by long-term borrowing, but by increasing the short-term debt; because Treasury bills in the hands of the clearing banks, where they eventually end up, become cash in the till available to approved borrowers."

Mr. Edward du Cann:

"I have no hesitation in expressing the purely private and personal view that the total of expenditure is rising too fast, and that it is too great a proportion of the gross domestic product."

Mr. Hugh Fraser:

"We simply cannot go on with an annual net borrowing requirement of more than £3,000 million, or with local and public authorities taking more than 51 per cent of the G.D.P. The Government themselves are the first source of waste and demand pull inflation, and there must be some moderation of this programme."

Mr. Bruce-Gardyne:

"If the prices and incomes legislative policies pursued by the Nixon Government contributed to the diminution of inflation, they did so only because it was against a background of continuing restraint on public expenditure which made it possible to have a rate of growth in the money stock of 6 per cent in 1971 and of 7 per cent in 1972. Nobody could say that we are anywhere near that at the present time."

Mr. Peter Horden:

"I do not think that the importance of public expenditure can be exaggerated. It is the one element in our affairs which is totally under the Government's control."

Mr. Nicholas Ridley:

"What worries us is that the target for public expenditure is usually met and often exceeded, whereas the target for growth is rarely met and is often very much less. Over a period of years this leads to an ever greater share of the G.N.P. being in the public sector."

WELCOME TO TWO NEW HIGH COMMISSIONERS

We give a cordial welcome to Mr. John Armstrong, the new High Commissioner for Australia and Mr. Terence McCombs who takes up his appointment as New Zealand's High Commissioner in March.

Mr. Armstrong is a successful business man who has devoted many years to public service. He was a former Australian Labour Party Minister and was Lord Mayor of Sydney from 1965-1967. In a press interview given on his arrival in London he said that he had received the simplest possible of all briefings from Mr. Whitlam, the Australian Prime Minister, who had told him "I want you to maintain and develop the strongest possible ties with Britain. In this he will be following the good work done by his predecessor, Sir Alexander Downer.

Mr. Terence McCombs, who succeeds Sir Denis Blundell as High Commissioner for New Zealand, is Chancellor of the University of Canterbury and has had a long association with education and science as a teacher and university lecturer.

He represented Lyttelton as a Labour M.P. from 1935 until 1951 and was parliamentary Under-Secretary of Education and Minister-in-Charge of the Department of Scientific and Industrial Research from 1947 to 1949.

BEEF SHORTAGE:

The Diversion of Trade

By Richard Body, M.P.

Beef is available in Tokyo at a price of 600 yen a kilo. In our language that is 39 pence a lb. It comes from Australia. Since 1970 the Japanese have been taking a steadily increasing amount of meat from both Australia and New Zealand. That was the year the U.K. decided to abandon a "cheap food policy" and in pursuit of that decision levies were introduced in 1971 on meat from our overseas suppliers. At the same time the Japanese removed their tariffs on imported meat. Not surprisingly, the Australian and New Zealand exporters saw with one eye a promising market in Japan and with the other fewer opportunities in the U.K.

The constant diatribes against "cheap food" paid off in 1971. Two years later a question-mark must now be added. There are several governments willing to use their taxpayers' money to subsidize the export of surplus food and we have enough experience of this to know that it does not act to the advantage of the consumer except in the very short term. Steps to prevent that kind of dumping can be justified, but those who have made the onslaught upon "cheap food" have a very different target in their sights—it is any farmer in the world who can produce food cheaper that it can be grown here.

As the most exotic of tropical foods could be produced here at a price—even bananas on top of Ben Nevis—the fallacy of their argument is manifest. Yet their case has been won and for almost all temperate foodstuffs our growers are to be given such a degree of protection that the price of food is bound to rise steeply. It was put rather differently (but not very logically) by the Ministry of Agriculture in a release on 1st February: "The way in which the Government can do most to help food prices is to ensure that we have a healthy home agriculture producing a high proportion of our own food". It is, needless to say, their way of expressing the famous principle of Community preference.

SHORTAGE IS MARGINAL

The effect on meat is likely to be as great as on anything else. It is not accurate to say that there is any chronic world shortage. Still less should it be asserted that the shortage could not have been avoided. The shortage is marginal as well as temporary and can be attributed entirely to what has happened in the E.E.C. Three years ago their notorious butter mountain prompted the E.E.C. to dump much of it abroad (in Hong Kong, for example, at 2/- a lb) and feed as much as they could back to the cows (6% of the feed compounds consisted of butter). The Commission then bought 350,000 dairy cows at £100 a head

and killed them off. Those cows could have given birth to many more than that number of calves which by now could have matured into beef.

According to the officials in Brussels they were short of beef by 600,000 tons, but the shortage would have been negligible if those cows had not been slaughtered.

From being an exporter of beef, France became an importer. In 1971 she sent to other countries 140,000 tons of beef. She turned her attention particularly to Ireland. In 1971 she imported 289 tons from them, in 1972 it was 13,850 tons (an increase of 4,500%!). Just about every ounce of that beef would have come to us if it had not been enticed to France by higher prices.

Despite the slaughter of so many cows, their shortage of beef could still have been avoided if they had eaten less veal. In France, 4,000,000 calves are slaughtered for veal every year; if three-quarters of them were kept until two years of age when they would weigh some 300 kg., instead of being killed at 100 kg. when three months old, the whole deficit of 600,000 tons of beef would be made good. In a word, one can say there is not a shortage, but a wastage.

SLIGHT DEFICIENCY

The FAO predict only a slight deficiency for beef in the future, despite the growing demand in the developed countries. This is because two of the three main exporting countries are capable of a mammoth expansion. The three are Argentina, Australia and New Zealand. The first has a host of problems and is unlikely to be able to maintain her existing supplies, so it is Australia and New Zealand that will be able to make up a major part of the world's deficiency. The levies that we intend to impose on their exports are not going to encourage them to expand in our market, especially as they fall into the definition of the now officially despised "cheap food".

Exporters have enough of the merchant adventurer about them not to expect security. Guarantees, assured markets, support policies are not for them. Yet it seems odd, that the Australians and New Zealanders can no longer be sure of selling their beef to us when they can produce it more cheaply and efficiently than anyone else.

COMMON MARKET SURVEY IN LINCOLN

Viewpoint Surveys carried out an interesting survey of opinion in the Lincoln constituency on 27th January, 1973. The aim of the survey was to examine adult's opinions with special reference to the implications of Common Market entry and a referendum.

With a by-election pending in the constituency, following the resignation of the former Labour member, Mr. Dick Taverne, whose pro-market views caused his resignation, the result of the poll gives an interesting pre-view of voting opinions.

The main findings were:

(1) A large majority of adults—64%—approve of the Labour party policy to hold a referendum on the Common Market. 32% disapprove of this policy.

(2) 51% of adults think that Britain's entry to the Common Market will make them worse off during the next ten years. 29% think entry will make them better off.

(3) 63% of adults think that the Government's Common Market policy does not reflect the wishes of the majority of the British people.

(4) If they had to consider seeking employment outside Britain or decided to emigrate only 18% of adults would choose a Common Market country. 60% would choose Australia, Canada or New Zealand, whilst 7% would choose South Africa or Rhodesia and 5% the U.S.A.

Question 1. As you probably know, when all the electors in a country are asked to vote on a particular question, it is called a 'referendum'. It is the policy of the Labour party to hold a referendum on whether or not the electorate wants Britain to be in the Common Market. Do you approve or disapprove of this policy?

	% of electors
Approve	64
Disapprove	32
Don't Know	5

Question 2. Do you think that Britain's entry to the Common Market will make you personally better off or worse off during the next ten years?

	% of electors
Better off	29
Worse off	51
Don't know	20

Question 3. Do you think that the Government's Common Market policy does or does not reflect the wishes of the majority of the British people?

	% of electors
Does	22
Does not	63
Don't know	15

Question 4. If you had to consider seeking employment outside Britain or decided to emigrate which **one** country would you choose?

	% of electors
E.E.C.	18
Canada/Australia or New Zealand	60
South Africa or Rhodesia	7
U.S.A.	5
Other	10

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