BRITAIN & OVERSEAS

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

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Sir John Reiss, B.E.M.

Appointment as President of the Commonwealth Industries Association

At the Council Meeting held on 5th December 1973 it was decided to invite Sir John Reiss to become President of the Association. We are now delighted to report that Sir John Reiss has agreed to accept this office. Sir John, a very distinguished industrialist, is Chairman of Associated Portland Cement Manufacturers Ltd. He is also Chairman of the Foundation for Business Responsibilities, the Commonwealth Migration Council and Hon. Treasurer of the Cancer Research Campaign.

His appointment will be officially announced at a Press Conference to be held on 18th June. In this connection he has prepared the following statement for circulation to the press, which sets out the programme for the future.

As the newly appointed President of the Commonwealth Industries Association I would like to pay a tribute to the useful work carried out by the Association in the 40 years of its existence. I am also conscious of the many distinguished men who have made a major contribution in these years. Leo Amery, Lord Croft, Sir Patrick Hannon, Lord Boyd, Sir Herbert Williams, Lord Balfour of Inchrye, Sir Halford Reddish are some of the names which spring to mind who played a significant part in the activities of the Association in past years. I would like also to pay tribute to the former Chairman of the Association, Sir Robin Turton, now Lord Tranmire of Upsall, under whose wise guidance the Association survived during a most difficult ten years from 1963 to 1973.

The Association is now faced with a new situation. Membership of the European Community has meant changes in our role in overseas trade but we believe that our vital interest in the Open Seas should be maintained and developed. Within the Commonwealth there are nations with vast potential, for example, Australia and Canada are likely to be among the countries of greatest growth over the next two decades. In both countries there are resources which have yet to be fully developed. These will be an invaluable source of supply to us of vital materials, always provided that we maintain close trading ties with them.

There are also underdeveloped countries of the Commonwealth whose position needs to be safeguarded; this is particularly true of the Asian Commonwealth countries who are in a less beneficial position *vis a vis* **the**

European Community.

The intention of the Commonwealth Industries Association in its new role is to act as a focal point for those who have interests in our overseas trade, particularly the Commonwealth, so that relevant information can be supplied to M.P.s and Peers of all Parties who are associated with us. We also intend, so far as lies in our power, to make known the views of British industry and our own Commonwealth partners to the British Government before irreversible decisions are made by the European Council of Ministers.

As a start to our new initiative we have arranged with an independent research body to set up a research unit to provide much needed statistical information to guide us in our programmes. This work is being financed by funds from industry and the work has already started.

The first study will examine new opportunities to renew Commonwealth trade links. This will recognise the vulnerability of the U.K. on supplies of raw materials to maintain her high technology industry. An analysis of eight metals imported by the U.K. shows that a significant proportion come from both the developed and the less developed Commonwealth countries. In a world of "scarce" resources it is essential for the U.K. to maintain her ability to ensure these supplies; the study will examine how best this can be done in the light of the new economic realities.

The second project will examine the economic implications of alternative trading strategies.

(1) The likely international trading pattern for U.K. under the present E.E.C. arrangements.

(2) The likely international trading pattern for U.K. if, as a result of failure of re-negotiation, we withdraw from the E.E.C.

(3) The likely international trading pattern for U.K. if, as a result of re-negotiation, similar arrangements are made to those between Sweden, Norway and Switzerland with the European Community.

Both these studies will be under the direction of well-known economists. The results should be published in the autumn.

In promoting these activities, we shall be working closely with our all-party Parliamentary Committee which is now being expanded to meet the needs of the present situation.

COMMONWEALTH PARLIAMENTARIANS

by Neil Marten, M.P.

Last month, I was lunching with a person who was not a politician and the conversation turned to the Commonwealth. After a while, he said: "Ah, well, you Members of Parliament talk a lot about it but you don't seem to do anything very positive to sustain it." My reaction to this observation is unprintable; but, on reflection, I wondered if this was the general impression outside Parliament. So I decided to write about what Commonwealth-minded M.P.s in the British Parliament actually "do about it."

Apart from raising questions on the floor of the House, the back-bencher's main activity takes place in the Commonwealth Parliamentary Association. This Association, known as C.P.A., has a membership which includes 593 M.P.s and 321 Peers; that is the United Kingdom Branch. Each country in the Commonwealth has its own branch and the whole has a General Council which is co-ordinated from a C.P.A. office in Westminster. Both the U.K. Branch and the co-ordinating Branch are administered by a staff of non-M.P.s. Each year, there are elections to the Executive Committee of the U.K. Branch; this year there were 50 nominations for 22 places.

Overseas Visits

One of the main ways in which M.P.s "do something about it" is by frequent comings and goings between their colleagues in the Commonwealth. For example in 1973, 37 U.K. M.P.s went overseas as members of official delegations in response to invitations from Australia, Bangladesh, Canada, Gibraltar, Jamaica, Malta, Mauritius, New South Wales, Northern Territory of Australia, Prince Edward Island, Queensland and Sri Lanka. The selection for these delegations is carefully made from a heavily over-subscribed list of applicants so that the chance to extend the knowledge of the Commonwealth is widely spread amongst all M.P.s. During the maximum five-year life of a Parliament, about 200 M.P.s might visit the Commonwealth in this way.

These visits overseas are no holiday! They last perhaps two or three weeks and the programme is intensive. Not only does it lead to a deeper understanding of the country visited but contacts and friendships are made and kept. This is one of the ways in which our Commonwealth links are kept very much alive.

Annual Conference

Each year there is the annual Commonwealth Parliamentary Conference, when representatives of all branches get together for about two weeks. This Conference is held in a different country each year; in 1973 it was in London. About 200 delegates attended, including 20 from U.K. The Conference was opened by Her Majesty The Queen in Westminster Hall, in a very impressive ceremony attended by about 2,000 people. The Conference

itself discussed such subjects as the Common Market, world security, international monetary reform, environment, erosion of law and social values, immigration and a wide range of Parliamentary matters. An exchange of views on an agenda such as this can only lead to a better understanding between Commonwealth countries. This work was backed up by an agreeable social programme which enabled delegates and their wives to meet and talk informally. This year, the Conference will be in Colombo, Sri Lanka.

Then there are Commonwealth Regional Conferences in between the Annual one. In 1973, the Caribbean Regional Conference took place in Jamaica and another one was held in Canada, both attended by British M.P.s.

But perhaps the most frequent contact which the majority of M.P.s have is on the home ground. The U.K. Branch runs seminars for Members of Commonwealth Legislatures and M.P.s can be in constant contact with the delegates because the seminars take place in our Parliamentary buildings.

One such seminar has just ended. Delegates came from the Bahamas, British Virgin Islands, The Gambia, Gibraltar, Hong Kong, Jamaica, Kenya, Malta, Mauritius, New Zealand, St. Kitts, Seychelles, Sri Lanka, Tanzania and Zambia. The course lasted from 30th April to 17th May and, as usual, was a mixture of serious discussions, visits and social engagements.

Better Understanding

The discussions, which I attended, showed a healthy conflict of views on Commonwealth problems but certainly led to a better understanding between delegates. Visits were made to Cambridge, Middlesborough and Edinburgh to see factories, new towns, schools, and so on, all topped up with generous entertainment in each place. In London, U.K. M.P.s entertained delegates in their homes and met them frequently on a variety of occasions.

The U.K. Branch of the C.P.A. also receives incoming delegations from individual countries of the Commonwealth, on average about two a year for visits of two or three weeks, during which time they are shown round various parts of the country. Interspersed between all these formal visits is a continuous flow of other Commonwealth visitors, which enables contact between M.P.s to be maintained.

I hope this somewhat factual account of the activities of C.P.A. illustrates what in reality is going on all the time between Commonwealth M.P.s. I can only say that, at the end of a seminar, for example, delegates from widely differing countries have come to understand each other to the extent that the farewell party is very much like a family [illegible]r. And it is perhaps this continuing contact between people, year in year out, which makes such a valuable contribution across the world. To play a part in this is not only a privilege — it is also exciting.

"What are you doing to sustain the Commonwealth?", asked my neighbour at lunch. Could we not all ask ourselves this question?

THE INTERNATIONAL SCENE

by Sir George Bolton, K.C.M.G.

There is a growing tendency to use catchwords such as "international inflation" in order to persuade electorates that the sole responsibility for rising prices lies abroad and is therefore beyond Ministerial control. Inflation is not a cause but substantially a consequence of the universal adoption of paper money systems used by politicians to finance social schemes that represent emotional and sentimental attitudes towards human problems. Constantly rising prices require a conscious decision to increase continuously the availability of credit in the banking systems and to print and issue a week-by-week larger volume of bank notes. The foreign exchange value of sterling will depend on the relative inflationary situation in all the leading countries including the oil-producers, who will suffer the effects of sudden wealth, such as the gold and silver inflation of the Spanish Empire when these metals flowed from the Americas in the 17th and 18th centuries in such quantity that the increase in money could only be absorbed by rising prices.

After a generation of domination the United States is now losing its political influence in the world scene. There is no need to rehearse the reasons for the decline—they are obvious—and it is clear that, after years of self-gratification and concentration on other countries' errors and omissions, the American people are now discovering their own vulnerability. The economics of production at all costs, the clumsiness and corruptibility of the American Constitution and machinery of government, the inefficiency of the legal system, the realisation that the dollar is no stronger than its rivals, have combined with continuous inflation to speed the decline in self-confidence. One result of this situation is the gradual reversal of the respective roles of the United States and Canada and, for the first time, Canada is beginning to lose its century-old fear of absorption by an irresistibly powerful neighbour south of the border.

Cracks in the European Edifice

Western Europe provides another important example of changing world roles, and again inflation is providing the catalyst; after twenty-five years of concentration on materialism and on gaining wealth, the Europeans have reached the end of the process. This concentration on self-regarding economic policies has left Western Europe, including Great Britain, without friends or reliable allies. Moreover the pursuit of political unity has proved to be a chimera and it is beginning to become clearer that this objective requires, if it is to be realised, an external enemy, such as, for example, Russian aggression. But since the suppression of Czechoslovakia Russia has used honeyed words and appears to pose no immediate threat.

The cracks in the precarious European edifice are becoming alarmingly wide, *inter alia*, the financial and political prostration of Italy; the social unrest in Germany; the certainty of the economic collapse of Portugal; the failure to introduce a stable monetary policy; the balance of payments problems as the terms of trade (especially oil) turn against Europe; and arguments likely to become abrasive about the exploitation of the gas and oil resources of the European continental shelf. Unhappily, Europe cannot now count upon American support, as European countries, especially France, have gone out of their way to insult the American people and criticise American methods of finance and government and Congress is showing every inclination to adopt self-regarding policies.

Change in World Relationships

A momentous change in world relationships, partially the result of policies of exchange devaluation, is now appearing as the balance of money power moves away from Europe and America to the oil-producing states in Africa and the Middle East. It will take a long time before the quondam financial masters of world finance bring themselves to understand that, if oil is to be available in the quantity required, they will have no option but to accept directions from countries that are mediaeval in their outlook and have no sophisticated industrial or financial background. There is an alternative policy—military occupation of the major oil-producers—but it seems unlikely to happen in view of the obvious dangers of a spreading conflict. The energy-importers will experiment with all forms of oil substitution and by the '80s it seems probable that the international energy problem will be a thing of the past. But, during the interim, the major international financial problem will remain insoluble until more is known about whether the oil-consumers' currencies will be acceptable to the oil-exporters.

In these circumstances it is impossible to assess the likely shape of Russian policy, but it would be imprudent to assume that the Moscow-controlled countries are escaping the discomforts of the West. They have immense burdens; the cost of defending themselves against China in the East and against the United States in the West and at sea. The continuous drain on their resources of the maintenance of, say, four million men in the field with modern weaponry, vast transport problems, etc., must be economically and socially debilitating. Russia remains a menace but, one hopes, not an urgent one.

Power of the Moslem World

So far as the West is concerned, one of the probabilities in the current monetary environment is that the United States Congress will reduce the Defence vote and therefore bring forward the date of American withdrawal from Europe. The unexpected rise in the financial and political power of the Moslem world also faces the United States, quite apart from Europe, with awkward choices between maintaining support for Israel in a hostile environment and oil availability. It seems certain that the average American will choose oil, and this must mean a greatly modified status for Israel—

virtually an American creation.

It is impossible to attempt to sum up in a few sentences the economic and political tendencies in the Western world. No progress has been made by any country (excepting Brazil) in halting the ravages of inflation, and you should therefore assume that, in consequence, political instability will become a universal phenomenon. No political system can survive continuous inflation and, unless inflation is checked, government by consent will give way to government by authority. It is significant in an area where there has been fifty years of economic and political turmoil that Latin America is turning towards military dictatorships who have organised government by the appointment of technocrats. The most successful has been Brazil, who first introduced the notion of an index-linked government security in July 1964. The Readjustable Treasury Bond, with a nominal value that is adjusted by a coefficient based on the wholesale price index, was first launched as a method of attracting savings and liquid capital away from speculative activities into fixed-interest government securities, as a means of financing the public sector deficit. Since then a large amount of successive legislation has extended the principle of monetary correction to virtually all aspects of finance and accountancy, so that it now applies to almost every kind of asset and liability.

Monetary correction has virtually eliminated the hyper-inflation, running at the rate of 144% per annum before 1964, caused by government extravagance and monetary mismanagement, speculation, tax evasion and similar symptoms of financial disorder, and Brazil has now built up impressive gross reserves of some US $4,000m.

Need for a fresh direction

Until oil and gas flow from the North Sea in increasing quantities our country faces a period of great political and social unrest and our institutions will be tested to breaking point. Joining the European Economic Community has not provided either an economic or political solution of our post-war problems and even if Western Europe avoids disintegration (which would make matters worse) Britain needs a fresh direction. Britain is becoming a concentration camp and unless wider horizons are possible the best of our young will emigrate, if for no other reason than to avoid claustrophobia. I would suggest a return to the immediate post-war policies of encouraging free trade areas and reinforcing the authority of G.A.T.T. It is, I believe, impossible to reconstruct the Commonwealth as it has been damaged beyond repair by most of the monetary and political policies of the past years.

But with Europe probably living under the shadow of Russian domination I feel very strongly that every attempt should be made to rebuild trade, cultural and social relations between the English-speaking countries , the starting point being Canada and the United States. A carefully planned, consistent effort would be required, beginning with diplomacy and defence policies, and every encouragement should be given to trade and financial relations between industry and the banking systems. The foundations exist over a wide spectrum of institutional and personal activities and a cultural realignment could bring about an infusion of new ideas and methods to deal with the growing horrors of the universal paper money system.

RE-NEGOTIATION OR WITHDRAWAL?

by Roger Moate, M.P.

It has been fascinating to watch the transformation that has come over the Conservative Party since Mr. Callaghan launched his initiative for the renegotiation of the terms of British membership of the European Economic Community.

Only months ago it was strongly argued that the terms of entry were the best that could have been secured and that renegotiation was a policital non-starter. Today, however, one can hear the most ardent marketeers agreeing that almost everything is negotiable, that the British contribution to the Community budget is unfair, that the C.A.P. needs root and branch reform and that their cherished economic and monetary union is a dead duck. It is even more significant perhaps that there has been no attempt by the Opposition Parties to force a debate and a vote in the House on the White Paper in which the Government set out its renegotiation intentions. That White Paper states its hope for a successful renegotiation of the terms but it also poses the alternative of the negotiating of the withdrawal of the United Kingdom from the Community. At the very least, it is clear from the non-opposition, that the Conservative and Liberal parties sense the electoral support for a fundamental change in our membership of the Community. This obviously strengthens the Foreign Secretary's hand in the negotiations and, coupled with the weakness of the Community itself, he could hardly have hoped for more favourable negotiating conditions.

Fundamental Changes

It is important to remember how fundamental are the changes to which the Labour Government is committed. These include major changes in the Common Agricultural Policy, with continued access for low cost food producers outside Europe. If permanent access from our traditional Commonwealth suppliers can be assured, then this would certainly be a major step towards breaking down the inward-looking protectionist image of the Community and help to restore those links with the "Open Seas" which are of such fundamental importance to this country.

Furthermore, it calls for major changes in the Community budget. This implies a rejection of the future plans for the Community to raise its revenue from the so called "own resources", particularly a 1% value added tax from all Member countries, with all the harmonization implications that such a proposal contains. This change would strike at the very heart of economic and monetary union.

The White Paper proceeds effectively to reject fixed parities between Community countries and recognises that the monetary problems of Europe can be resolved only in a world-wide framework.

Of course, it would be possible, in theory, for an outward-looking Community to accept all these terms without fatally wounding itself. The supranational intention would still remain, enshrined in Clause II of the European Economic Communities' Act, and available for exploitation by future Governments. **The Foreign Secretary has declared his intention of finding some means of restoring full Parliamentary control over the treaty-making powers of the Community and over those powers of the Commission to make law that is automatically binding in the Member States.** It is here that amendment to the Treaty itself is necessary in order to fulfil the commitments and election statements made by Labour leaders.

Massive Uncertainty

The British demand for renegotiation is only part of the massive uncertainty that grips the Common Market. Only the most blinkered Euro-fanatic could believe that the next few years will see many moves towards closer economic and political integration. The tragedy is that the supra-nationalist ambitions of the marketeers have diverted the energies of Europe away from what was both a desirable and attainable objective, namely, an industrial free trade area. Perhaps, even now, commonsense will prevail and a politically uncomplicated free trade area will emerge from the present turmoil. However, it is sad to see the marketeers almost desperately anxious to ensure that, if Britain should withdraw from the Market, it would be impossible to retain free trade links with the E.E.C. or even to retain the tariff reductions that have taken place already between Britain and the other Members. Presumably they consider that if they were to concede now that we could withdraw from Membership yet still retain the industrial free trade advantages, then support for Membership in the United Kingdom would dwindle down to those who care little for the economics and dream at night of a new European nation.

The whole argument for British membership has been sustained by the industrial case for a larger market and for zero tariffs. Norway and other EFTA countries have secured such advantages without becoming Members. The reciprocal reduction of tariffs is surely in the interests of both the United Kindom and the original six—that point has been amply demonstrated by the massive increase in our balance of payments deficit with them. It would surely be an act of folly on their part to re-erect tariff barriers against a former Member of the Community.

The chances of ensuring industrial free trade would be enhanced if, for example, M.P.s at the European Assembly in Strasburg were to campaign for a continued move to European free trade even in the event of British withdrawal from the Community institutions.

Seldom in history can a political illusion have been shattered so quickly and so dramatically. With the international realities exposed plainly for all to see, Britain has been given a precious second chance to maintain its integrity as a nation and its independent voice in world affairs.

QUESTIONS IN PARLIAMENT

European Movement

Mr. Ted Fletcher asked the Secretary of State for Foreign and Commonwealth Affairs what has been the amount received by the European Movement in the form of Government subsidies from its inception to the nearest available date.

Mr. Ennals: The amounts of the grants-in-aid paid to date to the European Movement, to its associated organisation the European Educational Research Trust, and to a preceding organisation, Britain in Europe Ltd., are shown below:

Financial Year	*Amount*
1964-65	£2,500
1965-66	£2,500
1966-67	£2,500
1967-68	£7,500
1968-69	£7,500
1969-70	£7,500
1970-71	£12,500(1)
1971-72	£7,500
1972-73	£40,000(2)
1973-74	£45,000(3)

(1) Includes £5,000 for activities in connection with the Congress of the Council of European Municipalities.

(2) Includes £20,000 for the European Educational Research Trust.

(3) Includes £5,000 for activities in connection with the Congress of Europe, and £20,000 for the European Educational Research Trust.

Vol. 873, No. 35, 8.5.74

£ Sterling (Value)

Mr. Paul Dean asked the Chancellor of the Exchequer what was the value of the £ sterling at the latest convenient date compared with 1947.

Dr. Gilbert: Taking the internal purchasing power of the pound as 100p in 1947, its value in March 1974, the latest date available, is estimated to be about 30p. This estimate is based on the change in the consumers' expenditure deflator between 1947 and 1962 and the change in the General

Index of Retail prices for the period since 1962.

Vol. 874, No. 43, 20.5.74

Economic and Monetary Union

Mr. Jay asked the Chancellor of the Exchequer when the second stage of EEC monetary and economic union is due to begin; and whether Her Majesty's Government will oppose further moves in this direction, pending the proposed re-negotiation of the United Kingdom's relations with the EEC.

Mr. Dell: The draft resolution on the implementation of a second stage of economic and monetary union in the Community dated 8th January, 1974 (R/1/74 (FIN 1)) provided for this stage to begin on 1st January, 1974. The Government's attitude towards economic and monetary union was set out in paragraph 6 of my right hon. Friend's statement in the Council of Ministers in Luxembourg on 1st April, 1974 (Cmnd. 5593).

Vol. 874, No. 47, 24.5.74

Prices

Mr. Pardoe asked the Chancellor of the Exchequer what were the percentage increases in wholesale and retail prices, respectively, for the latest 12-months' period for which such figure is available.

The Paymaster-General (Mr. Edmund Dell): In the 12 months to March 1974 the wholesale price index covering home sales of manufactured products increased by 20 per cent. and the index of retail prices by 13½ per cent.

Vol. 872, No. 31, 2.5.74

£ Sterling (Value)

Mr. Skinner asked the Chancellor of the Exchequer what, on the basis of the General Index of Retail Prices, is the purchasing power of the £ sterling now, taking it at 100p on 18th June 1970.

Mr. Dell: Taking the internal purchasing power of the £ sterling as 100p in June 1970, its value in March 1974, the latest date available, is estimated to be 71p, on the basis of the change in the General Index of Retail Prices.

Vol. 872, No. 31, 2.5.74

EEC Budget

Mr. Jay asked the Chancellor of the Exchequer what payments have been made by the United Kingdom to the EEC budget since 1st March 1974.

Mr. Joel Barnett: Approximately £31 million.

Vol. 872, No. 31, 2.5.74

BRITAIN AND EUROPE

AFTER RENEGOTIATION

A one-day Conference organised by British Business for World Markets was held in Leeds on 21st May 1974. It was well attended, attracting delegates from as far afield as Aberdeen and Bridgwater, Somerset. Speakers included Mr. Christopher Frere-Smith, Mr. Richard Body, M.P., Mr. Peter Hill, Deputy Industrial Editor of "The Times", Mr. Gordon Tether, "Lombard" of the "Financial Times" and Mr. James Bourlet. The Conference was organised by Mr. James Towler.

In his address Mr. Body said:

"Agriculture is our greatest industry: if left unmolested by politicians, it can produce most of our food of the kind and quality that can compete with any imported. What we are now doing, at the behest of the Common Agricultural Policy, is to expand our agriculture artificially, so that our farmers are induced to produce more than if left alone.

"This expansion is only made possible by imposing levies on food imported from outside the EEC and subsidising the food produced inside. An artificially enlarged agriculture must mean a diversion of resources, of capital and of manpower, from other industries; and the system of fixing the one and subsidising the other to give effect to the diversion must diminish the size of the more efficient non-agricultural industries.

"Does any Yorkshireman believe that the wealth of Britain was built upon taxing the low-cost producer and subsidising his high-cost competitor?

"Nor can such folly shield our farmers for long. Economic history can recite countless examples of what happens when a nation's agriculture is protected and made larger than it would naturally be. They show that the marginal high-cost producer is induced to enter the market; and, sooner or later—it's been sooner with beef and will be later with cereals—there will be a surplus of production. Then the efficient low-cost producer tends to suffer more than his marginal high-cost competitor whose entry has upset the market.

"Both the customer and the farmer himself get hurt when the law of supply and demand so takes its revenge. That is why an efficient farmer—like myself!—wants to banish all the grants, subsidies, export restrictions, quotas, threshold prices, import levies, monetary compensatory amounts—not forgetting the Intervention Board—and all the rest of the ragbag that makes up the Common Agricultural Policy. Our Yeoman farmers would have spurned such molly-coddling as fit only for a nursery of nincompoops."

North Sea Oil

Mr. Peter Hill warned that the Brussels blueprint intended that North Sea Oil is intended to form a substantial part of the EEC's oil supply for the future.

"Here in Britain we have the prospect afforded by North Sea Oil of embarking on an era which can, if properly and effectively handled, form the motive power for a considerable industrial revolution. The balance of payments deficit, which has hindered and constrained the level of economic activity for so long and which has assumed gargantuan proportions will, once the oil starts to flow ashore in appreciable quantities, be less of a burden.

"It is clear that the Government is intending to fashion its policies on those successfully implemented by the Norwegian Government. Dr. Gavin Strang, Parliamentary Under Secretary at the Department of Energy has said that the Government intends to follow the Norwegian example and to take a majority participation in exploration and production activities in the national interest. This is a policy which is in my view long overdue.

"It was concern over the possible loss of sovereignty of the oil fields discovered in her sector of the North Sea which undoubtedly was a major influence on Norway's decision to say "NO" in the referendum on membership of the EEC, a referendum which regrettably we were denied. In view of Britain's own considerably greater energy reserves in the North Sea—referendum or not—control over the development of those reserves should, and must rest with Parliament and not be sacrificed in political horse trading in Brussels."

World Monetary Affairs

Speaking of the monetary aspect of the re-negotiation of British membership of the Common Market, Mr. C. Gordon Tether—of The Financial Times—pointed out that international monetary turbulence had reduced to a shambles the Grand Design drawn up at the late 1972 enlargement Summit for completing the economic and monetary unification of the EEC countries by 1980.

"Members' currencies were now fluctuating widely in relation to one another. And since there appeared to be no possibility of stability being restored in world monetary affairs for some time to come, this aspect of unification had for the time being effectively dropped out of the picture.

"This meant that a powerful threat to the sovereignty of the British people had been temporarily removed," said Mr. Tether who explained that economic and monetary union could be just as effective in turning Britain into a province of a European empire as political integration. But this did not mean that the matter could be disregarded for re-negotiation purposes.

"Brussels could—and probably would—resurrect the idea if and when the international monetary situation became stable enough to accommodate it again. It was therefore essential that where Britain stood in relation to this issue should be fully dealt with in the re-negotiation discussions and the outcome set out clearly in any package submitted to a referendum.

"Otherwise the British people could find that a subsequent pro-Market Government was interpreting a vote by the public on seemingly acceptable terms negotiated by the present Government to mean that the nation had given its approval to participation in much more far-reaching forms of integration of a kind included in Mr. Heath's 'Vision'. The implications for regional areas, such as Yorkshire, that were particularly vulnerable to the backwash of economic unification did not need to be underlined", said Mr. Tether.

The True Price

James Bourlet, a lecturer in economics at the City of London Polytechnic, told the Conference that free trade between members of the Community works both ways. This is the 'quid pro quo' and considerations such as the Common Agricultural Policy are quite another thing.

"Now we have a huge trading deficit with the EEC it is time to recognise the benefit that has been conferred—just in passing—on Continental exporters.

"Add to this the adjustments that have to be made in the relative trading advantages of EFTA and Commonwealth countries and one can begin to see the true price of Common Market membership.

"Britain's growth rate last year was said to be over 6%—nearly three times the average of previous years. Everyone surely knows by now that this high growth rate was purely temporary—a by-product of accelerating inflation. Total productive capacity hardly grew at all—indeed, the rate of real industrial investment continued to decline.

"Unless Britain can increase her rate of investment—and that means gathering the savings to pay for it—we cannot get genuine long-term growth. Even then we have to ensure that the money is invested wisely and not frittered away on projects such as 'Concorde' and 'Chunnel' which are unlikely to show a profit.

"And so; will membership of the EEC bring about a higher growth rate in Britain? The pro-Marketeers said that on the average it would be at least 1% higher per year. There is no reason why this should be so, and in our concern to right the balance of payments—so upset by EEC entry costs—our growth rate will most probably be lower rather than higher.

"In the end the EEC is a political concept—and leaving or remaining an unhappy member will be a political decision. But no one is frightened by the suggestion that the 'costs of withdrawal' would be positive and subsantial. The very reverse is true—and demonstrable—and those at the top of both the major parties know perfectly well that this is so."

MONEY AND INFLATION

The public may become disillusioned with attempts to cure inflation, and this could breed violent reaction, says Professor Alan Walters, Cassel Professor of Economics at London University, in an Aims of Industry study published recently.*

"British democracy and freedom have never been in greater peril", he says. The only cure is by reducing the rate of growth of the money supply and "any politician who wishes to put before the electorate a policy of monetary restraint can only offer a very hard time for two years".

But the alternatives to this policy, says Professor Walters, "involve substantial reductions in real output, much dislocation and savage inequity".

"The public are being led meekly to these hardships because they still hope for the long-promised miracle cure. But the only cure is the long and albeit temporarily painful one," he states in "Money and Inflation".

How long will the cure take? The evidence, says Professor Walters, shows that if the Government reduced the rate of growth of money:

> Growth of real output would be cut for a period of about nine to twenty months later; unemployment would increase, perhaps substantially.
>
> Inflation would begin to go down only after two years; substantial effect would be seen only after about four years.
>
> The effects on employment and output can be reduced by gradual cuts in money supply, but "that makes the adjustment to a lower rate of inflation so much more delayed."

Professor Walters traces the rise of inflation and attempts to cure it. "The real cause . . . is the accelerating money supply, and that is under the control of the Government. The politicians are the guilty men. It is, therefore, tempting for politicians and their bureaucrats to shift the blame to trade unions, foreigners, property speculators, etc."

He argues that monopoly power of trade unions cannot be the driving force of a *continuous* inflation. That would only cause unemployment, probably among their own members. "It is the authorities in their pursuit of full employment policies that are the guilty party."

Criticising the use of "the bogey of high unemployment" to justify accelerating the money supply, he points out that this is followed by attempts through incomes and price controls to protect special groups whose votes are important. Suppressed inflation is preferred to open inflation—and suppression takes the form of a regulated economy.

* *"Money and Inflation", by Professor A. A. Walters (Aims of Industry, 15p).*

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