



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

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## PARLIAMENTARY SUPREMACY?

By Neil Marten, M.P.

Every person and institution in this country must bow to the supremacy of our elected House of Commons. This was the firm expression of view by The Rt. Hon. Michael Foot, the newly appointed Lord President of the Council and Leader of the House in his first speech in his new role on 12th April 1976.

And, of course, he was quite right. He went on to say, that, over recent years, there has been a deepening estrangement between the House of Commons and people outside. He did not demand that people should bow down and worship some monument called the House of Commons. The authority of Parliament would be restored when it produced results based on our deeply rooted democratic institutions.

The occasion of these remarks was the proposal in the Budget that certain tax benefits would be given to the entire population if the Trades Unions, who represent only a part of the population, agreed to a 3% limit on wage increases. **The point he was making was that, in the ultimate, it was Parliament which would decide and not outside bodies.**

This is much the same point which Mrs. Thatcher made when, on 28th February, she delivered her somewhat criticised speech on Trades Unions in which she advocated co-operation with the Unions rather than conflict. This is what she said:-

"I want to make this clear. We are not in the business of handing over the Government of this country to any group, however important, which has not been elected to govern. It is Parliament, and no other body, which is elected to run the affairs of this country in the best interests of all the people. Too much deference to the views of any outside organisation will take us towards a corporate state. By a corporate state I mean a state which is not run by the elected representatives of the people but by groups which, for one reason or another, occupy seats of power enabling them to act in concert with the Government and over the head of Parliament."

So, from both Government and Opposition sides of the House, there is a new determination to restore the supremacy of Parliament. Time will tell whether it is successful. At least the drift towards the corporate state, exemplified by attempts in 1973/4 to settle matters between the Government, T.U.C. and C.B.I., has been recognised; it is to be hoped that the tendency in those years to by-pass Parliament will now be reversed.

### Control over Expenditure

Another matter which Parliament must urgently claw back is control over expenditure. **Today, too much expenditure slips through Parliament without adequate control or supervision.** We have the Public Accounts

Committee and the Expenditure Committee; but both act after the event as a critical discipline rather than control. This side of Parliamentary life needs a very real re-appraisal if Governments are ever to be controlled by the elected Parliament.

The problem is similar in many countries. In some countries the danger is a combination of Government and the Armed Forces; in others, it is a combination between Government and the Civil Service, while, elsewhere, it might be between Government and outside organisations like the T.U.C. and C.B.I. **The only healthy combination is between Government and a Parliament in which the M.P.'s are more free than some are today to express their views.**

But back to Michael Foot and his first speech as the new Leader of the House. He went on to say this:-

"When the supremacy of the House of Commons was established in the seventeenth century, some of the most far-seeing said 'One cannot have two or three types of supremacy. One can only have one supremacy'. I believe that it should be our purpose to re-establish the supremacy of this House."

### Inevitable Conflict

He was there referring to the transfer of legislative power to the E.E.C. under the European Communities Act and his desire to restore to Parliament some of the control taken away by that legislation. In a later debate that same evening, the point was well illustrated over the mundane matter of skimmed milk.

During the Price Review negotiations in Brussels, the Commission had put forward certain proposals to reduce the mountain of over one million tons of skimmed milk powder taken into intervention under the Common Agricultural Policy. It was yet another absurdity emanating from those quarters. In spite of prior objections raised in both the Lords and the Commons, our Minister of Agriculture agreed to the proposals. Once agreed, such instruments became instantly the law of this country. But Parliament then debated them (after the event) and, on a Conservative Motion, disproved them.

And now the inevitable conflict has arisen between the British Parliament and the European Community. Under the European Communities Act, the supremacy of the Community prevails. At the time of writing, the matter remains unresolved and a further debate is promised which will presumably cover not just the question of the skimmed milk mountain but the wider implications of the dilemma in which the House is now placed.

The gentleman in the seventeenth century was right — one can only have one supremacy. Let us see to it that we do.

## A VIEW FROM VANCOUVER, BRITISH COLUMBIA

By Jim Bourlet

In a great number of respects one might expect British Columbia to be fruitful territory for British exporters. Wages are high, it is a raw material producing area — good conditions for 'complementary' trade. A high proportion of the population has recent British connections, sympathy for 'the old country' runs deep, and there is a readiness to adopt the 'British image' — witness the most popular pub "The Dover Arms" with its genuine British red telephone kiosk outside or the odd but successful "Victoria Station" restaurant. British news tends to be well covered in the local papers and somehow Ontario, Quebec, France and Britain merge mentally into one giant 'back east'. Climatically it is similar to Britain — rainy Vancouver is a bit like a Glasgow relocated next to Paris and the Summers are usually superb. Products built for Britain should do well. High prices don't matter overmuch because when everyone seems well off quality becomes important and everyone wants something 'different'.

On the other hand British exporters face some disadvantages. Perhaps it is not a very big market being around 3 million people, and perhaps it is a long way off tho' these things do not appear to discourage the Germans, French, or Chinese. Besides, communications are excellent. Any Vancouver telephone number can be self dialled from London as easily as Mayfair and an air mail letter from B.C. to London costs less than a first class letter from Trafalgar Square! Competition is strong — but usually on the basis of quality of product and service given rather than simply on price.

During my 18 month stay in Vancouver, the Austin 'Marina' was introduced — at a remarkably low price, it seemed to me. Anyway, within months they seemed to be everywhere — a great success story. However, I am now told that Marinas are no longer to be exported to Canada — it is not 'economic'. M.G.Bs, Midgets, T.R.6s and 7s are popular but there was a four month waiting list. "We just can't get supplies", "You can get a cash discount on a Datsun, but I can sell all the M.G.Bs I can get at full price" were the dealer's comments. Now things have improved due to the recession here. Strangely, whilst Marinas and Mini's seem to sell at about the same price as here, Jaguars seem ludicrously expensive — 2 or 3 times the U.K. price.

A friend is a manager of an imported china and giftware distributorship. They specialise in U.K. products. Price possibly matters little — quality and uniqueness sell the items. From July to January no deliveries were made of all the most popular items. He had almost nothing to sell for Christmas and appeared close to despair.

## Pub with no Beer!

Until recently, B.C. has had rigorous (puritanist!) anti-public house laws — the only drinking being in cocktail lounges or in awful beer barns attached to hotels. Now "community pubs" are permitted — modelled on British pubs and 'The Dover Arms' is one such new venture and advertises 'British draught beer'. In my experience, none is available — it just hadn't arrived! (On another trip I found the same story at the 'Sir Winston Churchill' at Freeport, Grand Bahama).

Perhaps one's overall impression is too heavily weighted by examples such as these, and every traveller has a kit bag of similar tales to tell. After all, there *are* British products regularly at the drug store and at the super market; newspapers find their way (but when will the Financial Times produce an air edition?); British antiques are coveted, Schweppes dominates cocktail drinks and 'The Bay' was once 'Hudson's Bay' based in London.

We tend to look 'amateur' in regard to products such as cars, electrical goods, toys and so on, though we shine in services such as traditional schooling, films for television, pop records, insurance services and as providers of charming holidays. But our products — and our films — and especially our newspapers, combine to give Vancouver the impression of Britain as the overspending heir to a family estate — borrowing on an inheritance that may not be there. At one time they took an indulgent view — a feeling of some responsibility as to elderly parents, to help Britain, and maybe buy British products. Now they are a little relieved that the E.E.C. has taken over that responsibility; an institutional home has, it seems, been found for us.

## An Exciting and Expanding Market

I think B.C. can be an exciting and expanding market for Britain. Numerous capable individuals are keen to set up in business distributing — well, anything — and the economic atmosphere is undoubtedly 'dynamic'. There are many less obvious opportunities. British breweries might finance new pubs, British schools, both state and private need a permanent pupil interview facility in Vancouver, British insurance companies might compete now that the subsidy for the local organisation has been withdrawn. If British Universities offered a 'two semester' academic year, many students from B.C. could finance an education here on their earnings at home. Medical attention tends to be expensive so why not offer beds and facilities here — one hospital bed for a week could probably make more profit for Britain than the export of several motor cars!

Lastly, a note on the recent change of provincial government, from 'socialist' (New Democratic party, leader Dave Barratt) to 'conservative' (Social Credit party, leader Bill Bennett). The former was about extra taxes, restrictions on foreign capital, protection for locals etc., the latter is the

closest to traditional, Gladstonian liberalism that I am every likely to encounter. The new climate can be regarded as 'encouraging'.

But now I am back in Britain and I see other factors. Investment is inadequate to meet export orders and home demand in boom times, costs are high and anything exported successfully is soon produced abroad — albeit to British design. The State owns and controls high export potential industries such as education and medicine for good 'socialist' reasons. With oil coming along from the North Sea, maybe we can simply spurn export opportunities. Who knows?

## **BRITAIN'S TRADE WITH NORWAY**

**By a Special Correspondent**

I have been asked to write a short article on Britain's export efforts based on my experience of Anglo-Norwegian trade.

In 1960 Britain exported goods worth N.Kr.1,875 m. to Norway, which represented 18% of Norway's total imports. In 1975 the corresponding figures were N.Kr.4,900 m. equalling 9.7%, showing a considerable deterioration.

But let's be fair: it was not to be expected that Britain should continue to hold such a large percentage of the Norwegian market. Other states which previously did not export at all or exported to a very limited extent have developed and built up new production facilities, and they are bound to increase their share of the market. At the same time Norway's own industries have developed to an enormous extent and, in place of finished products, there is now more importation of raw materials or semi-manufactures, for which the United Kingdom may not be a natural supplier.

Nonetheless, undoubtedly British firms could have done a great deal better, not least because of the considerable advantage Great Britain enjoyed from a customs tariff point of view for ten years within EFTA which put her in a very favourable position compared with suppliers on the Continent and in the USA.

### **Opportunities Neglected**

Of course, many firms made use of this advantage with considerable success — had that not been the case the trade figures would have been much worse — but very many firms neglected to use the opportunity and failed to rise to the challenge of opening a new and sophisticated European market, preferring to concentrate their sales efforts on easier markets, perhaps not least the home market, without consideration for the future.

Endless industrial disturbances — in factories, transportation and the docks — did not help, and contributed to faulty and late deliveries. At the

same time slack and easy-going managements failed to give customers the service they required. When deliveries were delayed, customers frequently were not advised in sufficient time to enable them to take steps to minimise the resultant damage and inconvenience. Firms who failed to come up to the mark in this way damaged not only themselves but other good suppliers, and British firms in general often got a reputation for unreliability. Let us not forget that the customer is not interested in why a delivery time is not kept, but only in the fact that it is not kept.

Invariably also suppliers expected the customers to come to them instead of going out and selling, apparently in the belief that the sellers' market would continue forever. How often have I not heard the question "Haven't the Norwegian company a buying office in London?", and "How big are the orders we can expect to get? — we find small orders uninteresting!". But small orders can grow into large orders and, when a customer gets to know and rely on a firm, then it starts with an advantage when the big orders are coming up.

### **Spares Unavailable**

How often also have suppliers failed to keep spares readily available, or to maintain a buffer stock to help a customer who for one reason or other was running short.

Continental suppliers on the other hand took a very different attitude. They visited their customers more regularly and they generally succeeded in getting orders for spares etc., which at least paid for the trip. As a consequence they were better placed when the larger orders were coming up as they had a personal knowledge of their customers. Continental firms generally also followed up their tenders more closely, whilst many British suppliers just quoted and then sat down and waited for a possible order.

Shortcomings as regards the availability of spares are to my mind very serious. If you tend to doubt this, consider how often — either in your private or business life — you have been exasperated by unnecessary delays. It is not enough for a product to be basically the best if service and spares are not on hand when needed. Again, few of us can say that we have not gone into a shop and seen something we would like to buy only to be told "No, it is not immediately available, but we will put an order in for you and you can expect delivery in about six weeks" — or months, as the case may be.

Finally I personally feel that many firms have failed to realise that buying methods are changing in to-day's busy society. A customer no longer wants to see just a salesman who travels round and collects orders — he is too busy to spare the time to chat with salesmen however pleasant they may be. He wants to talk with experts who have a thorough knowledge of their products, from whom he can get advice. It follows that firms should ensure that their representatives are well qualified in their field.

### Importance of Flexibility

And how important it is to be flexible! A customer may want a modification which is important to him though it may give the supplier a bit of extra trouble. Within reason it pays to satisfy the customer. A glaring example of the failure to be flexible was the supplier who lost a large order for machinery mainly because he refused to spray the machines the colour the customer wanted — which one would have thought he could have done with very little extra trouble. On a more serious note, the textile industry also probably missed early opportunities by refusing to consider manufacturing fabrics in wider widths to suit Continental markets — a development to which they have been forced later when opportunities for business are harder to come by.

These criticisms may seem harsh — and in some cases unjustified — but the sad fact remains that too often these elementary rules *have* been neglected. This is not written in an unfriendly spirit — on the contrary, I would like to see Britain doing better and I know that Norwegians — all things being equal — like to do business with the United Kingdom. But they, after all, must base their buying policy on sound business principles, and they cannot buy from British firms if the latter do not “deliver the goods” in more than one meaning of the phrase.

## QUESTIONS IN PARLIAMENT

### European Economic Community

**Mr. Marten** asked the Secretary of State for Trade what trade deficits the United Kingdom has with the other eight countries of the EEC in each year 1970 to 1975.

**Mr. Shore:** The following is the information as published on 12th March 1976 in *Trade and Industry*, page 747, table 3:

UK Visible Trade Balance with EEC	
	£ million
	balance of payments basis
1970	+ 47
1971	— 183
1972	— 583
1973	—1,167
1974	—2,026
1975	—2,354

Hansard 22.3.76. C. 67.

### European Community

**Mr. Fernyhough** asked the Secretary of State for trade (1) what percentage of British imports came from the countries now forming the EEC in the five years before the United Kingdom joined; and what percentage has come from there in the three years since the United Kingdom became a member;

(2) what percentage of British exports went to the countries now forming the EEC in the five years before the United Kingdom joined; and what percentage has gone there in the three years since the United Kingdom became a member.

**Mr. Deakins:** Following are the percentages:

	Imports	Exports
1968	26.1	27.0
1969	25.9	28.1
1970	27.0	29.2
1971	29.7	29.0
1972	31.6	30.2
1973	32.9	32.3
1974	33.4	33.3
1975	36.6	32.3

Hansard 16.4.76. C. 471.

### Inflation

**Mr. Peter Morrison** asked the Secretary of State for Prices and Consumer Protection whether she will publish the three-month rate of inflation to January 1976 projected as an annual rate in the United Kingdom, Canada, France, West Germany, Holland, Japan, Sweden and the United States of America, respectively.

**Mr. MacLennan:** Based on OECD data, the annualised three-monthly rate of inflation to January 1976 for the countries concerned were:

	Percentage Increases
United Kingdom	+ 16.0
Canada	+ 6.7
France	+ 9.5
Japan	+ 4.3
Netherlands	+ 3.6
Sweden	+ 11.0
USA	+ 5.2
West Germany	+ 5.7

Hansard 1.4.76. C. 560.

### Price Increases

**Mr. Peter Bottomley** asked the Secretary of State for Prices and Consumer Protection what are the rates of retail price increase for each of the member countries of the EEC; and which countries have the highest and lowest rates.

**Mr. MacLennan:** The rates of retail price increases over the latest available six month period for each of the EEC members countries were as follows:

	Percentage Change July 1975—Jan. 1976
United Kingdom	+ 6.8
Belgium	+ 5.4
Denmark	+ 1.3
France	+ 4.6
Ireland (a)	+ 2.0
Italy	+ 5.6
Luxembourg	+ 5.8
Netherlands	+ 4.0
West Germany	+ 2.1

(a) Quarterly Index May 1975—November 1975.

Hansard 1.4.76. C. 560.

### Food Surpluses

**Mr. Marten** asked the Minister of Agriculture, Fisheries and Food if he will make a statement on the level of food surpluses held by Common Market intervention.

**Mr. Bishop:** According to the latest information available, the following quantities are currently held in official intervention stocks within the Community:

	Metric tonnes
Cereals	
Wheat	1,824,000
Durum wheat	317,000
Rye	192,000
Barley	532,000
Milk products	
Butter	117,186
Skimmed milk powder	1,189,677
*Cheese	14,570
Beef	220,000
Olive oil	66,000
Oilseed (rape seed)	6,000

\* The figure for cheese relates only to Parmigiano Reggiano and Grana Padano which are the only types of cheese brought in by the intervention agencies in Italy.

Hansard 27.4.76. C. 64.

### Balance of Trade

**Mr. Marten** asked the Secretary of State for Trade what is now the total trade deficit with the Common Market countries since Great Britain joined in January 1973.

**Mr. Dell:** The United Kingdom's visible trade deficit with the EEC, on a balance-of-payments basis, in 1973, 1974 and 1975 taken together was £5,547 million.

Hansard 26.4.76. C. 7.

## BRITAIN IN EUROPE AND IN THE COMMONWEALTH AND BRITAIN AS A TRADING NATION.

*An address given to the Warminster Rotary Club by E. G. Campbell Voullaire on 26 March 1976.*

The aim of this talk is to see how Britain, as a Trading Nation, stands in the Spring of 1976 in her relationship with the European Economic Community, and with the Commonwealth. Then, to discuss Britain herself to see if more can be done.

When we entered Europe, Britain was persuaded that the larger market, as it was called, would give the incentive and the dynamism to regenerate British industry. It was also thought that Britain would speak with greater influence in world affairs, as a member of the European Community, than as an individual nation.

So, let me first of all examine some recently produced trade figures and see what the incentive of the EEC market has done for British industry. Here is the balance, or imbalance, since 1972.

1972	— minus £M583
1973	— minus £M1167
1974	— minus £M2026
1975	— minus £M2350

The best that can be said here is that the rate of descent grows less but, unlike inflation, it is not the percentage rate, but the total quantity which interests us. There is, therefore, no sign that Europe is benefiting the British market.

Let me, however, say on behalf of the EEC that I cannot agree with some of my friends, who blame Europe for this; I think the state of our nation, and of our industry, is such that we would have done no better outside Europe than in it.

### Every Incentive

Against all this, there is one gleam of sun at the end of an English Winter: Commonwealth trade has generally improved and this to the surprise of many industrial leaders. We intend to analyse these figures and to see if the reasons for them give grounds for hope that the improvement will continue. We ourselves still believe in the Commonwealth; politically, we think that it can do much to show how developed and developing countries can live and grow together — what each can do to help the other; commercially, we believe there is more to attract British Industry in the Commonwealth than in Europe: it is not generally known that something like 80% of raw materials for British Industry come from Commonwealth countries. So that there is every incentive for trade in two directions. As a manufacturing nation we depend on access to raw materials. Europe provides us with none.

We have recently written to the Chairman of a number of leading British Companies which trade overseas, asking them to mention at their A.G.M.s their own belief in the attractions of Commonwealth trade, and many have replied that they will do so.

Remember, that I am speaking as a representative of an organisation which is devoted to serving the Commonwealth, we have to persuade many in this country that the Commonwealth is not disintegrating — on the contrary, it is the member countries of the Commonwealth that have given it strength in recent years: it was, for the most part, the developing countries which insisted on the formation some ten years ago of the Commonwealth Secretariat. The setting up of the Secretariat obtained little support from Britain when the idea was first advanced.

As I said earlier, I think the Commonwealth has its greatest part yet to play: the primary producers, mostly the less developed countries, have the latent strength which comes with the possession of materials so badly needed by the Industrial world, but they in turn need help in development, sympathetic development which will not ruin their culture or the patterns of community or family life which they have built up over centuries.

### Economic Strength

Now if Britain is to attempt all these things — to play its full part in Europe, and to help in the development of the Commonwealth, then she needs the economic strength to do so. Political strength is measured nowadays by economic strength, so let me examine whether Britain's faults are man-made, or Acts of God, or due to circumstances beyond her control.

I believe our decline to be due to man-made decisions. I hesitate to speak of the qualities of the British people since these are overworked phrases, but I believe that political decisions, as well as indecisions caused

our apparent decline. Let me mention briefly just three or four of these historic decisions, or indecisions.

- . . After the War, we did not take part in Europe as we were invited to do. Remember that we were then invited by the French to "lead Europe".
- . . Political leadership showed but little interest in the Commonwealth believing Commonwealth to be as ephemeral as Empire.
- . . We did not accept the suggestion of the Americans in the 1950s. that there should be a dollar-sterling agreement which would have strengthened sterling and given the dollar a useful world reserve currency.
- . . In the 1950s and early '60s. there was little re-investment in industry, although we were shedding an Empire and committing our future to trade.
- . . In the late 1960s, inflation was used as an act of policy to increase trade, and to maintain employment.

Nearly all of these things now speak for themselves and I want only to add one more thing to the last point. I think the use of inflation in this way a mis-understanding of Keynes. But whether or not this is so, the money so generated did not flow into industrial re-investment but, with confidence lacking, largely went to 'safe' investments, such as land, and to other things which themselves added to inflation. So mildly inflationary policies themselves contributed in geometrical progression to the inflationary behaviour of money. At this point, we have to ask, and I must try to give an answer: can anything be done? Or have we reached a point of no return which some leading commentators have predicated.

### Essential Changes

I believe there is still time if leadership could match the untapped resolution of the people. We are, I think, curiously in the same sort of situation as we were in the middle part of 1939 when the people as a whole saw more clearly, and possessed more spirit than the Government of the day. There are two parts to the solution which I will call the Economic and the National. These labels are not satisfactory but the economic measures have to be taken by Government while those which I have called National do not have to wait for political action. Here are the economic measures which must be taken.

- . . The Government must spend less since, even though it is now borrowing in the market place, the money still has to be repaid.
- . . The Social Services must, at least for some time, be confined to those who need them: the old, the poor, the very sick, I do not want to deny medical help to those who need it, but to see that those who

have real need obtain it.

- . . Industry must be allowed to retain more of its profit for re-investment. It is not difficult for government to see that this money is so used.
- . . Houses built with public money to be sold to those who wish to buy them. This would save many millions in maintenance, and develop a sense of ownership.

Now let me turn to some essential changes within the Nation, and which do not of necessity mean Government action.

- . . The re-training of men within industry who are surplus to true needs, or who have become redundant. No-one wishes to see men discharged who have made careers within industry or business, but an industrial society must allow for changes, and those changes can only be made with humanity by setting up better arrangements between Unions and Management for re-training. This will give a much better use of man-power, and allow us to use human resources with more flexibility, and with more compassion.
- . . We need changes in the educational system. The British Empire was well served by the setting up of more public schools in the 19th century, and by changes in the curricula of grammar schools. They provided the splendid administrators, such as the Indian Civil Service, the Colonial Service, the Judiciary and, at lower levels, the Police and Customs Services. From my own observation, they produced splendid men, incorruptible, with a sense of vocation, and dedicated to serving people within the countries to whom they were appointed.  
But our educational system has remained unchanged. What is suited to serving an Empire is not suited to serving a modern industrial country. We have good business schools in this country but, at the level of education from primary to university, we need to teach children how a commercial nation lives, what are the tasks of business and industry, and that trade between nations is not a matter of obtaining large paper surpluses, but of maintaining the most delicate and sensitive of balances. Large paper surpluses by some nations of necessity mean a falling short by others, and a restriction of their trade, to the detriment of all.
- . . A sense of opportunity, but that opportunity should be of serving country and community as well as self. I have found in the United States that, by and large, there is little jealousy between the poorer and the richer, fewer "chips on the shoulder", and this is because every parent and every child feels that there is equality of opportunity in business or industry or politics.
- . . The improvement of business ethics by the formation of Associations

(as there are for Medicine and the Law) which would set out codes of conduct for industry and for business. These Associations to have the right to call before them any who transgress these codes. as do the Press Council for newspapers at the present time. Several things have happened in the City, and in Industry in recent years which cause disquiet, and the belief held some years ago that British standards of honour and performance in business are the highest in the world has now largely disappeared.

#### **Tolerance gone too far?**

Coming near, to the end, I would like us to ask ourselves if our Nation is just, fair, honest, compassionate? What is the moral state of this country? I do not want to see us return to Victorian prudery, but has tolerance gone too far?

A society which tolerates any depravity may, since it is no longer able to define 'depravity', still be said to be civilised. But a Society which exhorts to depravity in book, newspaper and cinema, is not civilised. Dr. Jekyll and Mr. Hyde exist in all of us and youth which is so exhorted may well find Mr. Hyde makes less demands on mind and muscle than Jekyll.

We exhort also to over consumption while we tolerate poverty, poor housing — the boredom bred in urban slums — a confinement of mind and body which is a denial of the freedom we claim.

Even as we improve our economic state and re-build this nation, so we must improve the moral fabric.

### **"WHAT IS HAPPENING TO THE BRITISH ECONOMY?"**

**Reviewed by Richard Body, M.P.**

The Company of Jeremiahs, that body of pundits convinced that we are moving inexorably towards Armageddon now has many fashionable recruits, yet few will acknowledge Oliver Smedley as a founder member. This book — or is it a testament? — marks out his claim to be one of the selected few who has, over the past three decades, trumpeted the warning about paper money and the temptation it affords to a politician.

Readers of "Britain and Overseas" are also likely to applaud the opinion that our entry into the E.E.C. will prove a major contributory cause of our decline. Thus the descendents of Joe Chamberlain can now join hands with those of Dicky Cobden. Being one of the latter's truest ideological descendents — indeed he is Chairman of the Cobden Club — Mr. Smedley also encompasses the need for a land tax, an out and out market economy, a dismantling of the welfare state and all other libertarian causes. His 200 pages of swashbuckling prose are never dull, but some are more persuasive than others.



Among the latter is his case for free trade. If we pass over the boisterous joust at Commonwealth preference, readers will find the kind of argument that will henceforth be of prime importance to guardians of Commonwealth trade.

At a time when the call for import controls gets louder and import duties on Commonwealth food become insurmountable, Mr. Smedley reminds us that such protectionism cannot safeguard the general level of employment. If two shirts are on sale, one made by a Chinaman in Hong Kong at £2 and the other by a Lancastrian in Manchester for £4, the purchaser of the first does no harm to our country's welfare. The customer still has another £2 to spend on providing work within this country, while the £2 he has paid for the Hong Kong shirt remains currency that can only be spent in this country, either by the Chinaman or someone else he has traded with.

So long as each country has its own currency it can bring down all its barriers to imports without doing itself any damage. But once we agree to a common currency with a bloc of powerful neighbours . . .

Trade should be multilateral and therefore not based upon the principle of reciprocity. We should reject the argument that if we buy imports worth £500 millions from Japan she should reciprocate by buying as much from us. The principle is fallacious and given a free market in currency it provides no safeguard at all.

Imports from Japan are sold in sterling for that is the only currency that we use in our shops. As the Japanese producer must be paid in yen, yen will have to be purchased in the Foreign Exchange Markets by someone at some stage but it will not be the importer. It will be a foreign exchange dealer whose business it is to buy and sell currencies. The yen may be bought with francs, dollars, marks, pesetas, or any other currency, and dozens of transactions may take place with the proceeds of the sale of the currency before the yen are purchased — with the currency of any country that has engaged in any form of external trade at that time.

Only a free market economy can decide whether available resources are being used to the greatest possible advantage of the community as a whole. That implies not only the principle of free trade but also an unfettered foreign exchange market.

Of all the import controls the one that is least arbitrary and most natural is a "clean" floating exchange rate. Given that, imports will price themselves out of our home market before they can damage any efficient industry. Free traders therefore believe in import control — is the one that works most effectively of all.

*\* What is happening to the British Economy? by Oliver Smedley, published by The Reliance School of Investment.*