



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

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WHAT FUTURE FOR BRITAIN?

In our Autumn 1975 issue of Britain & Overseas we contributed an article under the above title. Even our most pessimistic forecasts have been exceeded by events in the past twelve months. The precipitate fall in the international value of sterling, the vast overseas borrowing which this has necessitated and the general malaise which has affected productive industry, coupled with more and more price rises and even more to come have brought about a situation which can only be described as utterly disastrous. The commentator who said that even if our worst enemies had been given control of the economy they could not have achieved such an appalling situation was about right!

It is even more galling to realise that the Government which should be concentrating its entire effort in re-establishing our economy on an even keel is instead driving through Parliament measures which are utterly irrelevant to our needs. Even as these notes are written, Mr. Callaghan's government is engaged in forcing through legislation which will nationalise the Aircraft and Shipbuilding industry, the Dock Works Regulation Bill, mercifully amended by the House of Lords to change the five mile area to half a mile, the Education Bill, enshrining the principle of comprehensive education, the Rents (Agriculture) Bill ending tied or service houses in farming, and the National Health Service Bill, phasing pay beds out of the health service.

It cannot be argued that any of these measures are remotely related to the needs of the British economy at a time of national crisis. Yet the guillotine procedure is being used to get them through the Commons without further detailed discussion. The opinion of the British electorate has been shown in the three by-elections which demonstrated very clearly the dissatisfaction of the voters and the extent to which the Labour government has lost public support and confidence.

Realistic Policies

What needs to be done was clearly stated in the issue of Britain & Overseas previously referred to. We urged that as Britain was then faced, 12 months ago, with a crisis of great severity threatening our freedom, the rule of law and order and even our democratic existence, and we called for the Government to implement realistic policies free from party and sectional bias, party political demarcations and vested interests.

To summarise the points we made:

Public spending must be reduced and bear a direct relationship with our GNP.

Recognition that unemployment is a phenomenon associated with technical change.

Savings and investment to be encouraged by fiscal means and the extension of index based bonds.

Industrial relations to be overhauled.

Trade Unions to have mandatory secret ballots and postal votes.

An Educational Programme to emphasise that increased standards of living are dependent on increased production of wealth.

A Different Approach

At long last, and much too late to save suffering and dislocation, the validity of some of these points is being recognised by the Government. The speech made by Mr. Callaghan at the Labour Party Conference, if taken at its face value, heralded an entirely different approach to our economic strategy from that of previous Governments. The Prime Minister warned of the very real dangers of continuing to spend more than we earn.

"For too long", he said, "this country has trodden the primrose path and borrowed money from abroad to maintain our standards of living, instead of grappling with the fundamental problems of British industry."

He went on to say "Governments of both parties have failed to ignite the fires of industrial growth in the ways that Germany, France and Japan with their different political and economic philosophies have done" . . . "The cosy world which we were told would go on for ever, where full employment would be guaranteed by a stroke of the Chancellor's pen, cutting taxes and deficit spending has gone" . . . "We will fail if we think we can buy our way out by printing what the Chancellor has called confetti money."

Radical Change

These and other valuable pointers to his thinking give some hope that we will begin to overcome our problems. But what is wanted are deeds not words. The cries from the left-wing of the party against cuts in public expenditure, the pressure from trade union leaders for the Government to implement its promises under the social contract may prove too much for the Prime Minister to resist.

In posing the question "What Future for Britain" we recognise that some radical changes are needed. For this reason we have devoted considerable space in this issue to a speech by Patrick de Laszlo in which he puts forward "A Cure for the British Disease", because we believe that his suggestions to be worthy of careful consideration at the present critical time. At least it offers some hope of a solution to our pressing problems.

THE COMMONWEALTH—AN INSTRUMENT OF POLITICAL DIALOGUE

by Neil Marten M.P.

The Commonwealth Parliamentary Association Conference this year took place in September in Mauritius; last year it was in India. As usual, it provided two weeks of close contact between M.P.s from forty different countries in the Commonwealth. The debates which were particularly lively were those concerning developments in Africa and the threats to world peace.

The debates concerning Africa were held against the background of Henry Kissinger's mission to Rhodesia which was going on at the same time. Being in contact with M.P.s from all the African Commonwealth States concerned in the negotiations made one feel very much involved and was good background briefing for the subsequent Geneva Conference.

This Conference illustrated one of the prime values of the Commonwealth Parliamentary Association, i.e. the sharing of viewpoints and the search for understanding. At the end of the Conference, each delegate probably had a much broader view of the world and the role which the Commonwealth and his own country plays in it.

Strength in Diversity

The value of the Commonwealth today, its richness and its strength, lies in its sheer diversity in political, economic, geographical, religious and cultural terms. In Western Europe, for example, all the countries have reached much the same stage of industrialisation and political development. There is a danger of developing a rather introspective and boring similarity. The contrast between Britain and, say, India, Malaysia, Botswana or Fiji is vivid, profound and stimulating.

As the world seems to be moving into blocs like Europe, Africa and the Americas, the Commonwealth is the only association which straddles the lot. It is an instrument of political dialogue which spans all quarters of the world. Properly handled by its own members, it could become a strong "anti-bloc" movement.

It contains countries in every stage of economic development from the rich industrialised countries like Britain and Canada through to the poorer rural economies of Malawi and Lesotho. By conferring together, each country hears of the problems of the others and this can only lead to a better mutual understanding. What other group of countries can share experiences like that?

Variety of Approach

Countries of the Commonwealth are in almost every stage of political development. It is futile to condemn a country because it does not behave like

Westminster (even though Westminster does not seem to be setting the best example at the moment!). Some Parliaments have two chambers, some one; some have several political parties, others only one. There is indeed a variety of approaches to Parliamentary democracy in the Commonwealth.

Because we belong to the Commonwealth, we can understand the various religions more easily. We are tolerant towards our different races and their cultures. We are truly multi-racial.

But do we, as a country and as individuals, do enough to keep it all together? I fear not. What a loss it would be if it all went by default. If we believe in its value to mankind, we must nurture it and encourage its further development. It is no good letting it drift.

The Commonwealth has a great potential as an instrument of political dialogue between countries. I believe that one Minister in the Foreign and Commonwealth Office should be designated with special responsibilities for the Commonwealth. This would encourage the British Government to concentrate its mind more on the Commonwealth than it does today.

A BANKER REVIEWS BANKING AFFAIRS

by Sir George Bolton

Apart from the varied strategy and tactics of each commercial bank there remains the overriding consequences of history and its effect on national banking systems which have evolved over the centuries from national political policies and the tyranny of geography. A landlocked country defending land boundaries cannot avoid developing institutions and policies that bear little relation to those of a maritime country. I am therefore saddened by the assertions of otherwise intelligent and active minded people that the German banking system is "better" than the British system. That our Clearing Banks should adopt the methods of the German banks and that a comprehensive branch bank system should be changed overnight into a series of industrial holding companies controlling major industries by share-holdings and becoming the providers of working capital to captive customers.

The leading German banks did not develop over the centuries as most of the British banks have done but were deliberately created between 1850 and 1870 to finance the relatively sudden industrialisation of Germany, an operation which expanded violently with the unification of the country under the Hohenzollerns after the Franco-Prussian War. The economic growth, the consequence of unification, was so successful that Germany fought the British, Russian and French empires to a standstill during the First World War.

Post-War Chaos

The Allied victory was ensured by the U.S.A. eventually declaring war on Germany and in the post-war chaos the Reichmark, debauched by wartime inflationary finance and Allied Reparation demands, collapsed and eventually disappeared. In the process the German banking system broke down. Germany revived after 1923 under the austere guidance of Schacht, the issue of a new currency and a substantial infusion of dollars. As the recovery became obvious the inflow of foreign money through bond issues and investment expanded until 1928 when the movement was reversed by rising American interest rates and a stock market boom. A major weakness of the German banking system was revealed by the growing illiquidity of the individual banks which had become dependent for cash liquidity on foreign deposits. As these deposits were withdrawn the banks were forced to reduce or withdraw loans to industry who had no other source of working capital in the absence of a domestic capital market.

The results are well known and a world deflation began, exaggerated by the total collapse of the New York stock market boom inaugurating a world depression which ended only with the outbreak of the Second World War. During the thirties, over 14,000 American banks closed their doors; all the leading German banks had to be supported by the Government; the Italian banks were nationalised; the four largest French banks were nationalised and internationally unemployment reached insupportable levels. But the British branch banking system passed through these successive catastrophies relatively unscathed because it had never invested in industry nor become involved in long-term loans and had retained a high degree of liquidity under the guidance of Montague Norman, who during the 20s and 30s had made the Bank of England into the only infinitely adaptable modern Central Bank.

Marshall Plan

Europe emerged from the Second World War even more devastated physically than after 1918 and all the Continental countries were politically and morally bankrupt. Eastern Europe, and countries including East Germany, became satellites of Soviet Russia and again capitalist Europe, including West Germany, was rescued from total collapse by the U.S.A. through the Marshall Plan. The rise of West Germany from the ruins began when the Allied Military Government reduced the inflated mark currency by between nine-tenths and fourteen-fifteenths and replaced the Reichsbank in Berlin by a new Central Bank in Frankfurt (Bundesbank) and organised a free market trading system. America provided the working capital, the 'cigarette' currency disappeared overnight and in a short time Germany, under the leadership of Adenauer and Erhard became attractive to foreign investors. But history and necessity compelled the authorities to encourage the traditional forms of banking and the metropolitan banks largely grouped

in Frankfurt, Hamburg and Munich again began to finance and guide if not control industry.

Deposit banking was left to a large extent in the hands of the Provincial governments who established the various "Landesbanks" and guaranteed deposit liabilities. The continuous inflow of foreign funds into Germany, together with the favourable balance of payments, have not changed the fundamental position that liquidity is dependent upon the continuous prosperity of German industry, the monetary policy of the Bundesbank and the attractiveness of West Germany for surplus foreign funds.

U.K. A Poverty Stricken Dependency

Germany, however, appears today to be invulnerable and Britain very vulnerable indeed. Comparisons are made between Britain in the 70s and the Weimar Republic: by joining E.E.C. we have ceased to be a maritime nation and are now a poverty-stricken dependency of Western Europe; the Tribune group in the Labour Party represent the revolutionary Left, and the National Front the Right: and both will eventually fight it out in the streets as happened in Germany in the 30's: violence pays dividends and law and order is in retreat: the political parties excluding the revolutionaries are inert and without objectives and represent the 19th Century sentimentality especially the futile Liberal remnant and the mindless Trade Unions; and the Conservatives have lost a purpose with the loss of the Empire.

There is an element of truth in all these and many other strictures but comparisons between past and present situations are always dangerous and require so many qualifications as to be of little use to the present generation. But the past does offer warnings and we should never forget that our present situation is no accident and has been created by policies and actions taken in most cases deliberately, in the past. If Carthage had remained a trading and financial empire and had not deliberately decided to become a military power to challenge Republican Rome, Carthage would have survived and the whole of the Mediterranean, and probably African history, would have developed differently. Military glory now has little appeal but Britain has largely by accident trained a professional army skilled in guerilla and urban warfare and therefore the Weimar Republic threat of street fighting has a poor prospect of success in Britain.

Wasted Energies

The country is also unique in possessing international service industries and overseas investments which keep some ten million people in relative comfort, produce a large foreign exchange income and consume in the United Kingdom negligible amounts of energy and raw materials. In addition Britain has under its own control abundant sources of energy, in coal, natural gas and oil. Our present weak and vulnerable situation is the consequence of politicians and Trade Unions wasting their energies in attempts

to recreate a 19th Century economic Britain and a social attitude of instant compassion towards all of any age, class or race in trouble, the whole to be financed by the nostrums provided by the economic theorists of the universities.

This unstable mixture is now in its last stages of failure and the Trade Unions have now to learn to live in the 21st Century and to leave the 19th Century to historians. Politicians have to begin to understand that the economic witchdoctor cannot solve their self-imposed financial problems. The change, after thirty years of complacent drift when our financial follies could always be met by the long suffering foreigner, will now take place at breakneck speed under the impetus of impending Governmental and Municipal bankruptcy and the threat of food rationing.

To return to current banking affairs, throughout the upheaval and crises inherent in the present situation the British banking system will, as it has in the past, avoid the danger of illiquidity which has devastated many banking systems during many crises of the 20th Century. But the survival of the branch bank network will not necessarily make available the financial resources needed to refinance the modern industry which will grow out of the ruins of the old. Fortunately initial steps have been taken by the reconstruction of Finance for Industry under the inspired leadership of Lord Seebohm, one of the most farseeing of today's bankers; in addition the Equity Bank has been formed for risk taking purposes although it has inadequate resources.

Various Alternatives

If the clearing banks are to play a part in the long-term finance of a reviving industry there are various alternatives open to them including e.g. developing Corporative Finance Divisions; the takeover of a Merchant Bank; establishing equity investment activity as a permanent function for the purpose of underwriting customers' long-term requirements. In my opinion consideration should be given to the third alternative as a vehicle already exists which has become nearly moribund. I refer to the Investment Trust movement, which is responsible for investments exceeding five billion pounds and appears to have few ideas about their investment policy today. A clearing bank might, for example, buy the management company of a group of investment trusts and develop them to help finance the equity requirements of its customers in conjunction with Finance for Industry and the Equity Bank.

But whatever action is eventually decided upon (it would obviously differ from bank to bank), the clearing banks should at all costs avoid direct involvement in the longterm capital requirements of customers and thus imperil the liquidity of a system which has triumphed through a succession of depressions and disasters. **The British banking system has adapted itself to all the many booms and depressions which the fallible human race is heir to and has displayed a stability which is the envy of many other capital markets.**

A CURE FOR THE BRITISH DISEASE

An Address to the Economic Research Council on 28.10.76

by Patrick de Laszlo

The "British Disease" is a term of contempt widely used overseas—and now being used at home. It describes an ailment which has increasingly afflicted Britain since the War. An ailment which has caused us to lose our drive: seemingly to become anaemic; and certainly to become poorer every year. We have now reached the stage where we have to strain the patience of our friends by borrowing more and more money from them.

In contrast—most of the other countries of the Western World, in particular Germany, America, Japan and France, have steadily grown richer since the War. No one doubts that there is something seriously wrong with us. We can all recognise some of the symptoms of the disease—and there is much debate about the cause of each symptom—but, broadly speaking, we just blame the political leaders for our predicament.

However, I contend that Britain is in much the same state as a Diabetic. We suffer from a whole lot of different symptoms. I will try to show you that they all spring from the same ailment and that the ailment is, in fact, a defect in our Constitution—so we ought to look for a remedy, similar to Insulin, which taken regularly would counteract the defect in our Constitution and make it possible for Britain to get back to a normal way of life and again take its proper place as a leader of the Western World instead of being the Sick Man of the Western World.

I will remind you of some of these symptoms.

Inflation

The most obvious, painful, and harmful symptom of the British Disease, is inflation.

The E.R.C. did a magnificent job in hammering into the minds of our Politicians the truth that Central and Local Government "deficitary expenditure", which is financed by the so-called "borrowing requirement", leads to an increase in the money supply, which is now acknowledged by most responsible people to be the root cause of inflation.

Members of the E.R.C. have also pointed out that money borrowed from overseas by Local Authorities, Nationalised Industries, or Public Companies usually ends up in the hands of the Exchange Equalisation Fund which has to pay for it in Sterling. The E.E.F. has to draw the Sterling from the Treasury—but since the Treasury is usually overdrawn, this simply adds to the borrowing requirement.

However, in spite of all that has been written on this subject, and in spite of the fact that most leading Politicians now acknowledge the "deficitary

expenditure" is a deadly poison—Central and Local Government still goes on administering this poison.

The enormous effort being made by Mr. Callaghan to reduce the rate of inflation is admirable—but we can see the resistance he is encountering from those who demand still more of the "deficitary expenditure" poison.

We know that it is not enough to tell a man that he is likely to kill himself if he goes on taking a poisonous drug—it generally won't stop him—the only way you can help him is to find a means of cutting off the supply of the drug.

So perhaps the time has come for the E.R.C. to propose a positive remedy which will counteract the cause of Governments to overspend—just as insulin counteracts the cause of Diabetes.

Unemployment

Another distressing symptom of the "British Disease" is Unemployment. The peculiar thing about unemployment is that all Politicians express deep concern about it—but they have actually made it worse. By this I mean that the growing volume of legislation, ostensibly designed to help workers, has actually had the effect of discouraging the employment of workers.

The Employment Protection Act is the last straw coming on top of a whole string of acts which together include some 2,000 clauses. Managers are supposed to read and understand all these clauses many of which expose them to the risk of a £400 fine and, in quite a number of cases, the risk of a 3 months jail sentence as well. Not a single clause imposes any obligations on employers.

These regulations are not so bad for big Public Companies, which in any case employ teams of lawyers and personnel officers, but they have a deadly effect on Independent Businesses.

They poison the relationship of mutual confidence and goodwill between the Owner/Managers of Independent Businesses and their employees which was an outstanding feature of Independent Businesses—and they force Independent businesses to consider every possible way of reducing the number of their employees—even if it means reducing the service they give their customers.

The Employment Protection Act has now been extended to apply to the mass of small Independent Businesses which are the least well-equipped to cope with it. Bearing in mind that there are over 800,000 Independent Businesses, it is certain that the result will be still more unemployment.

One-Way Legislation

Unemployment is unpleasant enough in itself—but the harm which will be done to the British economy will be multiplied by another consequence of this form of one-way legislation. When the economy eventually begins to recover—which means when there is an up-turn in demand—Independent

Businesses will be very reluctant to take on any additional employees to meet the upsurge because they have learned that these upsurges in demand seldom last for more than a year or two—and they won't want to be saddled with workers they can't get rid of.

I predict that the consequence will be tragic. An upturn in demand will do little to reduce unemployment, instead it will be met by importing more goods from overseas which will put a further strain on our balance of payments and make it necessary for the Government to borrow still more foreign money.

Housing

Let's now take housing. You will remember that when the Deputy Chairman of the G.L.C. addressed the E.R.C. he told us that jobs for 500,000 workers had disappeared from London during the past five or six years because business had been driven out of London by the adverse conditions in which they were obliged to work, and he asked us to suggest how businesses could be persuaded to return to London—but of course, the history of management over the centuries shows only too clearly that once businesses have been driven out of the city, it is very difficult and takes a very long time to persuade them to return.

The Press a few days ago reminded us of another phenomenon about London:

there are 230,000 people on the waiting list for houses—15,000 who are actually homeless—and 10,000 squatters.

Shelter and similar agencies constantly remind us of the number of homeless families. This really means families looking for dwellings in particular regions. Shelter seldom makes the point that there are plenty of vacant dwellings in regions where they are not needed. The shortage is in the regions where work is readily available and to which the population is moving, and the pressure is aggravated by immigrants who naturally also congregate where they think work will be available.

There are two outstanding reasons for the lack of dwellings in the regions where they are needed—both are caused by Government.

Firstly—the Local Government planning authorities systematically discouraged building by private enterprise in the regions where industry was seeking labour and used their powers to try and supply the need themselves.

In these regions the Local Authorities have almost brought private building to a standstill but have been unable to supply enough Council dwellings, and of course all the Council dwellings they do supply have to be subsidised.

The second reason for the shortage of dwellings is the Rent Acts. They were introduced as short-term measures to help tenants, but they have had the predictable effect of taking thousands of dwellings off the market.

In spite of all the talk about "social justice", the Rent Acts have caused a gross injustice—those who were lucky enough to be sitting tenants at the right time, were able to retain their dwellings at less than the market rent, while the unlucky ones, particularly the newly married, now can't get a dwelling at any price.

V.A.T.—Another Ugly Symptom

V.A.T. was invented in the European Economic Community. It was part of the package we bought when we joined the Common Market, but the way it is administered in Britain is typical of the "British Disease".

The real evil of V.A.T. is that in Britain it has been applied in such a way as to generate the maximum work for the Managers of Businesses and to employ the maximum number of Civil Servants to collect it. The damage which this has done to businesses, in particular to Smaller Businesses, is getting worse and worse.

Again big companies can at least afford additional staff to deal with V.A.T., but the Managers of Smaller Businesses have to take the work home and frequently do it at weekends—at the same time they now live in constant dread of a knock on the door announcing a team of Civil Servants to check their figures and discover faults—and there are certain to be faults under a system which is so tediously complicated.

The outcome of the whole scheme is that the cost of the Civil Servants who collect V.A.T. is enormous, which means more taxes, and the burden on business, and in particular Independent Businesses, is not only enormous and wearisome to the point of utter exhaustion. It is also a powerful disincentive to expansion, and a continual reminder to cut down the size of a business and if possible take a business abroad, as many are doing.

The startling fact is that V.A.T. could have been collected without creating all this additional work for businessmen and Civil Servants. V.A.T. could easily be calculated and collected annually on the basis of the accounts of every business which, in any case, have to be audited and returned annually to the Inland Revenue.

Taxes on Capital and Unearned Income

Penal taxes on "capital" and "unearned income", in the name of "Redistribution of Wealth" also have the typical characteristic of the "British Disease".

The Government and the Trades Unions complain that there is not enough investment in industry—but Capital Transfer Tax discourages the expansion of privately-owned businesses because there is little point in struggling to increase the size of a business when the result will be to increase the liability to a tax, which means you cannot accumulate enough money to pay because of your other taxes and so you cannot pass on your business to your children.

At the same time, all investment in industry and commerce is discouraged by penal taxes on *unearned income*. *Unearned income* is nothing more than the reward for investing your savings—but it is no longer worthwhile investing your savings in industry when 98% of the reward for taking the risk may be snatched away from you.

There is now a clamour to nationalise banks and insurance companies so as to provide funds for Investment.

How stupid can people get. We know from experience that most of the money would simply be used to finance the losses of Nationalised Industries, and moribund Public Companies, and in general to finance overmanning.

Sanctity of Contract

It is appropriate to conclude my list of symptoms of the "British Disease" with a peculiarly pernicious example. The declared policy of the Government is to promote commerce, particularly international commerce—but the international commerce of the Western World is completely dependent on the principle that contracts which have been freely entered into are absolutely binding on both parties, even if they are only verbal contracts. Anything which undermines the confidence that freely negotiated contracts are absolutely binding will undermine commerce. Yet, the Government has made it possible in the case of employment and housing, for one party to a freely negotiated contract to disregard his obligations, while the other party still remains bound.

Thus an individual who has freely entered into a contract to work for an employer for a fixed period—say five years—or to rent a house for a fixed period, has been taken out of the jurisdiction of the High Courts—but employers and landlords are still bound by their side of such contracts which will be enforced on them by the Courts.

Again this has all been done in the name of "social justice", but there is no justice in it at all. It is total injustice—it is anarchy—and to the outside world it can only appear as a declaration of contempt for the sanctity of contract and a warning that the British Government would not be constrained by any moral consideration from abrogating any contract.

You will note from these examples the characteristic feature of the "British Disease" is that the Government claims to be concerned about a symptom—but, in fact, takes action which aggravates the symptom.

Inflation; unemployment; housing; VAT; taxes which discourage investment; and attacks on the sanctity of contract all have the same quality.

The damage which has been done tempts one to believe that the Government itself, or those who have power to influence the Government such as Trades Unions and the Civil Service, are deliberately trying to ruin the country. But this cannot be true.

Both Political Parties have behaved in much the same way. I think that the trouble is simply that Trades Unions have become too powerful, and the

Leaders are so concerned to obtain advantages for their members that they are indifferent to the damage they may do to the rest of the community.

The pressure imposed on the Government by the Civil Service is similar—the Civil Service certainly advised the Government on most of the courses which have had such disastrous consequences. Civil Servants are confused by a conviction that they are better able than ordinary people to judge what is best for the Nation—and of course they are also human so they are always influenced by an element of self-interest.

This brings us to the crux of the matter. We have been told often enough that power corrupts and that absolute power corrupts absolutely. I believe that, in the same way that an anatomical defect lies at the root of all the symptoms of a diabetic—so a constitutional defect lies at the root of the “British Disease”. And that this constitutional defect is the excessive power of the P.M. and, therefore, of his advisers, and that this excessive power is the root cause of all the symptoms we have discussed.

Parliamentary Democracy

We were taught that our Parliamentary democracy was the ideal method of governing a country—and we have sold our constitution to many other countries, but it has not done them much good. In our case—we have preserved the appearance of the Parliamentary system which operated at the end of the last century, but the reality has changed to a startling extent.

Democracy implies that the wishes of the majority of the citizens shall prevail. However, since the beginning of this century the power of the Upper House has been systematically whittled away. It is now asserted that absolute sovereignty rests with the House of Commons—Sir Harold Wilson re-asserted it again, in public, last week.

But this assertion is not true. Absolute sovereignty no longer rests with the House of Commons; it has gradually passed into the hands of the Executive of the majority party in Parliament—and now the power even of the Executive, which means the Cabinet, has in reality been transferred to the P.M. He has become all-powerful because he can threaten a dissolution if his colleagues resist him and most of his supporters in Parliament literally cannot afford an election.

Thus we have a situation in which the majority party in Parliament is frequently elected by a minority of the voters. The present Government was elected by only some 37% of the voters. This is made worse by the fact that a well-organised minority, within the majority party, can secure representation in the Cabinet which is quite out of proportion to its numbers.

A few representatives of an extremist minority group within the Cabinet can secure that almost all legislation will be tinged by its extreme views. Indeed, it is evident that a minority group can manipulate the Cabinet so as to force legislation through Parliament which is completely alien to the wishes of the majority of the citizens.

Thus the Labour Party is unduly influenced by the Trades Unions, partly because they finance the Labour Party and partly because they are so well organised—and I am afraid that the Conservative Party is unduly influenced by a relatively small group of big businesses. **In brief, the power which has passed into the hands of the P.M., and those who advise him, is much too great—and in recent years this power has been flagrantly misused.**

The time has come to restore Power to the People by changing the constitution.

Consult the People

The Labour Party found it convenient to consult the People by a Referendum about entry into the Common Market and the people took the matter seriously. Yet it would be difficult to think of a more complex issue.

Whether or not we approve of referenda, we must face the fact that since Mr. Wilson used a referendum to decide whether we should join the Common Market, factions will now clamour more and more loudly for referenda to settle matters in which they are particularly interested.

Mr. Heath has lately proposed a referendum of the people of Scotland to decide about Scottish Devolution—while Lord Home has suggested that Devolution should be referred to a referendum of the Nation as a whole. Lord Hailsham, in the Dimpleby lecture, has proposed a referendum to confirm a bill of rights.

There can be no doubt that the referendum is here to stay.

Surely it would be wise to harness this new force to our Constitution so that it can be used in an orderly manner to the greatest advantage of the Nation.

If it could be so harnessed, it might prove to be our greatest blessing. It could become our ultimate protection against the danger of an extremist minority gaining such influence over a Government that it could permanently defy the true wishes of the Nation—Mr. Callaghan has clearly warned us of the danger of a dictatorship of the extreme Right or extreme Left.

I suggest that the most satisfactory way to harness the referendum would be to enact that any Bill rejected by the House of Lords must either be withdrawn or else be debated again in the House of Commons and then be referred to a national referendum. No one could call this undemocratic, because it would give the People of Britain a great deal more power than they have today, and it would also restore a great deal more influence to Parliament which I think would be most desirable.

It will doubtless be contended that the procedure would be complicated, or expensive, or too great a strain on the Post Office, but we have seen that the Common Market referendum worked smoothly. It has always worked smoothly and successfully in Switzerland in spite of the deep-seated religious differences, as well as the language differences, of that country.

Swiss Experience

The Swiss have shown remarkable wisdom in their use of the referendum. For instance, they have fixed a reasonable ceiling to the total tax which can be taken from the income of any Swiss citizen by a combination of Central and Local Government taxes.

Above all the referendum gives the Swiss people a great sense of security. They know that they have the ultimate power and can ensure that no minority group can manipulate their Constitution so as to establish dictatorship.

It may be argued that the House of Lords might abuse this power—but, in fact, it would merely give the House of Lords the right to verify that any particular piece of legislation really had the approval of the majority of citizens—an approval which the Government so often claims for unpopular legislation, because it is said to implement some general proposition embodied in a party political manifesto.

In any case, the House of Lords is not stupid so it would certainly not be so foolish as to refer a Bill to the people unless it had good reason to believe that the Bill would be rejected by the people. The scheme would make the Government a great deal more cautious about introducing legislation which might be referred to the people and be rejected.

The new procedure would, of course, diminish the power of the P.M.—but that is exactly what we want. His power has become far too great. He could no longer compel his Party to support legislation by the threat of dissolution, and this in turn means that Trades Unions and the Civil Service could no longer persuade the Government to introduce legislation which the majority of the people would reject if they were consulted.

This procedure would also help the people to restrain the Government from extravagant expenditure. The people are well aware that in the end it is they who have to bear the cost of extravagance by way of more taxation or a decline in the value of their savings—and it is they who have to suffer the unemployment which results from Government folly.

Surely the time has come to give the British people a means of securing what they really want—I suspect we all want a great deal less direct taxation and the restoration of a great many freedoms—for example, freedom to spend a greater part of our earnings in the way we want—freedom to save and invest our savings as we want, and to reap the reward for investing our savings—freedom to pass our savings on to our children—freedom to work where we want to work and not be excluded by closed shops—freedom to build a house, buy a house, or rent a house in the region where we want it—freedom to send our children to the kind of schools we prefer—and even the freedom to put an end to further immigration if that be the will of the majority.

Many of you will regard all this as a pipe-dream—but at least it is full of hope. I beg you to ponder the idea because our present situation is so utterly intolerable that we must find a way to escape from it.

The whole issue can be reduced to the hackneyed question—who rules Britain? The answer is that today we are ruled by an oligarchy comprised of the P.M. manipulated by tiny minorities.

It is time we were ruled by Democracy—by the will of the majority of the people, illuminated by much greater freedom of debate between the representatives of the people in Parliament.

APARTHEID COMES TO BRITAIN

by Michael Minter

THE SIXTH APRIL, 1977, will go down in history as the date when APARTHEID comes to Britain. That is the date which the Government have appointed for the start of a form of discrimination will come into British industry which is every bit as vicious as the notorious Pass Laws in South Africa.

From 6th April next year the right to work at full pay in the construction industry will depend upon the possession of a CARD. Those who hold a Card will be allowed on to the building sites to work. Anyone who doesn't hold a card will either be kept out or treated as a second-class citizen.

For some, admission will depend on having a Union Membership Card. We know that this Government would like all workers to be in that position, as long as they are prepared to toe the line and abide by the Union Rule Book.

But what about the thousands of SELF EMPLOYED building workers who are ineligible for union membership? What about the craftsmen—bricklayers, carpenters, roofing experts, glaziers—who value their independence?

They are what the Government call "THE LUMP". I find that a particularly nasty expression to describe tens of thousands of HONEST CRAFTSMEN who make a major contribution to one of our most important industries.

These are people who have committed no crime—unless you consider it a crime to wish to stand on your own two feet and work for yourself. These are people who don't want anybody guaranteeing them a minimum wage—they are prepared to go out and work jolly hard for what they are worth.

And so the Government says that in future they too must carry a Card. An Identity Card—which is not theirs by right, but which has to be applied for and in many cases will be refused by a faceless official who sifts through the forms.

The right to work—because that is what Section 68 of the Finance (No. 2) Act, 1965, is really all about—will no longer depend on an individual's skills, or willingness to put in long and unsociable hours. It will no longer even depend on the needs of the employer or the customer. The right to go about one's lawful business and be paid the agreed rate for the job will in future depend on that supreme bureaucratic device: A CARD . . . a permit issued by an official behind a desk.

Is this Britain of the 1970s . . . or has 1984 come already?

In his Budget statement on 15th April, 1975, Denis Healey said, "The evasion of tax and national insurance by many members of the so-called 'lump' in the construction industry has for a long time caused widespread resentment."

I would like to suggest that even greater resentment is being caused by excessively high rates of taxation!

The Labour Government has treated with contempt all those who do not share its own particular ideologies. When the relevant clauses of the 1975 Finance Bill were debated in the House of Commons, the Ministers concerned couldn't even be bothered to attend the debate! It was half-past-eight in the evening and people like Mr Heffer (who has always made this his pet subject) were elsewhere enjoying dinner! They left it to the Party Whips to organise enough lobby fodder when the vote was taken.

In actual fact the Government didn't have much trouble in the lobbies. The official Opposition did not divide the House on the principle of this legislation. Only a tiny handful of members forced a division and the Government had a comfortable majority of 161.

At that stage the Government hadn't unveiled all its plans. The requirements for getting a new-style "Right to Work and be Paid" Card were considerably stiffened by amendments introduced late in the Committee Stage.

The final words—relating to the need to satisfy a tax inspector that a subcontractor carries £250,000 worth of insurance cover—were added at ONE O'CLOCK IN THE MORNING on the night of 17th-18th July, 1975. There wasn't even a murmur of opposition at that unearthly hour. The legislation went through Parliament on the nod, and no one knew what power was being put into the hands of small-minded officials in Inland Revenue Offices up and down the country.

The future for the self-employed building worker is now bleak. He has very few friends in high places.

He must reach for his pen and fill in the most searching questionnaire about his business and personal affairs. If he makes a false statement anywhere on the form he can be fined £5,000. If he has made an error in his tax returns or accounts over the past three years his application will be refused. He must send two photographs of himself—and if they are larger than 63 x

50 millimetres or if they are in colour instead of black and white, his application will not be valid.

Small wonder that over 16,000 applications have already been turned down and another 70,000 have been put to one side awaiting a final decision. How many thousands more craftsmen have given up the idea of continuing with their lawful occupations because the forms are too daunting and the conditions too rigid?

The proposed system is costly, cumbersome, unnecessary and constitutes one of the biggest threats to individual freedom and enterprise since the war. I believe that we should encourage men and women to be more independent.

The scheme is politically motivated . . . the self-employed were never consulted about it . . . the Inland Revenue are finding it almost impossible to administer . . . and the sooner it is dropped the better.

QUESTIONS IN PARLIAMENT

Balance of Payments (European Community Countries)

Mr. Marten asked the Secretary of State for Trade what is now the visible trade deficit with the EEC on a balance of payments basis for the last 12 months.

Mr. Dell: In the 12 months ended June 1976, the latest period for which such information is available, the deficit was £2,237 million.

Hansard, Vol. 917, No. 166 18.10.76, Col. 928.

National Debt

Mr. Gow asked the Chancellor of the Exchequer what was the average amount of interest paid per head of the United Kingdom population on the National Debt in each of the seven years ended 5th April 1976; and what is his estimate of the amount of such interest, per head of the population, for the year ending 5th April 1977.

Mr. Joel Barnett: The interest paid on the National Debt per head of the total population of the United Kingdom is as follows:

Year ending 31st March		Interest per head of population (£s)	
1970	£25.4	1974	40.8
1971	25.5	1975	49.8
1972	28.6	1976	62.2
1973	32.6	1977	86*

* Estimate

Vol. 918, No. 175, 29.10.76, Col. 360

£ Sterling

Mr. Gould asked the Chancellor of the Exchequer by what percentage the £ sterling has depreciated in value in each month since April 1976 to the latest available date.

Mr. Robert Sheldon: Taking the average value of the pound in April 1976 as 100, the effective depreciation in subsequent months has been as follows:

April*	100	August*	96.3
May*	97.9	September*	91.5
June*	95.6	13th October	86.7
July*	97.0		

* Mean of daily closing rates

Mr. Sillars asked the Chancellor of the Exchequer what was the purchasing power of the £ sterling in the year before entry to the EEC; and how this compares with the present position.

Mr. Denzil Davies: Taking the internal purchasing power of the pound in 1972 as 100p, its value in September 1976, the latest date available, was 53½ p. The basis for these estimates is given in the leaflet "The Internal Purchasing Power of the Pound", obtainable from the Press and Information Service of the Central Statistical Office.

Vol. 917, No. 166, 18.10.76, Col. 327

Mr. Adey asked the Chancellor of the Exchequer, taking £1 as worth £1 on 28th February 1974, what is its value at the latest date.

Mr. Robert Sheldon: Taking the internal purchasing power of the pound as 100p in February 1974, its value in September 1976, the latest date available, is estimated to be 63½ p. This estimate is based on the change in the General Index of Retail Prices.

Vol. 919, No. 182, 9.11.76, Col. 72

NEW ZEALAND IMPORTS— BRITAIN'S DECREASING SHARE

Imports into New Zealand in the twelve months ended June 1976 amounted to \$2927.7 million (c.i.f.) an increase of \$190.2 million or 6.9 per cent over the figures for the previous year.

Britain's share of the market dropped from \$519.3 million (or 19 per cent) to \$495.9 million (or 17 per cent) over the same period.

Since 1973, Australia has been the major source of New Zealand's imports and in 1975/76 supplied 18.4 per cent of the market. Britain was the second biggest supplier, followed by Japan with 15.2 per cent—U.S.A. was in fourth place with 14.5 per cent.

ANNUAL GENERAL MEETING

The Commonwealth Industries Association Limited AGM will be held in Westminster on Tuesday 15th December 1976 at 5.15 p.m. Subscribers wishing to attend this meeting should apply to the Secretary, Commonwealth Industries Association Ltd., 55 Park Lane, London W1Y 3DH for details. Telephone 01-499 3000.