BRITAIN & OVERSEAS

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

Vol. 7 No. 4 Autumn 1977

CONTENTS

Published quarterly
Editor: Edward Holloway

Published by Overseas Trade Research Fund
of the Economic Research Council

55 Park Lane, London W1

Subscription rates: U.K. £2 p.a. Australia $5 Canada $6 New Zealand $5 U.S.A. $6.

CAN THE COMMON MARKET SURVIVE?

The growing disenchantment of the British people with membership of the European Community is clearly shown by reference to recent Opinion Polls. In January 1977 the number in favour of membership was 45% and against 44%. In July 1977, only six months later, those in favour had dropped to 35% and those against increased to 53%. It would seem, therefore, that if a referendum were held on the question of membership at this time, there would be a substantial NO vote.

Nor is it far to seek for the reason for this steady erosion by public opinion. Even the most dedicated supporter of the Common Market would find it difficult to gain much joy from reading the press reports emanating from Brussels and other European centres.

Mr. Roy Jenkins, now President of the EEC Commission also seems somewhat disillusioned. The Brussels correspondent of the strongly pro-European **Economist** began an article published on 16 July with the comment — "After six months in office as President of the EEC Commission Mr. Roy Jenkins has reason to be a disappointed man." The article went on to point out that President Giscard d'Estaing of France had snubbed him at least three times and Herr Schmidt of Western Germany has also refused to let Mr. Jenkins pick another German Commissioner in place of Herr Haferkamp and was hostile to his loan plan to boost industrial investment.

Promise & Performance

Looking back to the heady days of the debates before our membership of the Community it is salutory to recall what was said about the prospects for Britain if we joined. The short version of the Government's White Paper issued prior to the debates in the House of Commons said that—

"For industry better opportunities once we are inside the Community will enable Britain to sell more and produce more. As a result, we would increase our national wealth and so be able to improve our standard of living as well as meet the cost of entry." Five years later, in 1977, with production falling and our standard of living reduced we know how true that particular prediction has been!

Then again the statement was made that "Membership of the Community would mean that British manufacturers will be selling their products in a home market five times as large as at present." We were promised a 'positive and substantial' benefit to our balance of trade. Yet, as the table below shows, we have an increasingly unfavourable trade balance with the Six which has grown steadily worse.

UK Visible trade with the Six

Year	£ million Balance of visible trade with the Six	£ million Balance of trade in manufactured goods with the Six
1970	— 69	+ 163
1971	— 180	+ 84
1972	— 496	— 198
1973	— 1115	— 585
1974	— 2076	— 1001
1975	— 2302	— 900
1976	— 2410	— 1008

Source: Dept. of Trade. Overseas Trade Statistics basis.

Wages & Food Prices

So much for the 'substantial and positive' benefit. In addition wage earners were told that they "will benefit from increased prosperity and their real wages should rise, as those of wage earners in the Six have done." On food prices we were told "it is expected that as a result of adopting the common agricultural policy the average rise in the housewives food bill over the first five years will be about 2½ p in the £ per year. This means that the cost of living would increase by about ½ p in the £ per year." Surely comment is superfluous!

Summarising the opportunities before us the Government Paper stated: "Together we could tackle the problems of technological developments which would be far too big for any one of us.

Together we could help the poorer countries of the world more generously than if we were working on our own."

None of these aims seems to have been reached—if we judge from current comments in the press. To take just a few extracts over the past week or two. Under the headline "PRICE OF BREAD WILL RISE BECAUSE OF EEC POLICY", Hugh Clayton reports in **The Times** of 19th. October that a leading miller had said that "bread prices will rise next year because higher EEC Taxes and support rates have added more than £50 million to the industry's costs".

On transport, the Director General of the Confederation of British Road Passenger Transport wrote in a letter published in **The Times** on 12th October—"Regulation 543/69 will act against the interests of passengers, drivers, conductors and operating companies with no compensating benefits . . . Our case against 543/69 is based on practical reality, not on abstract theory".

Trade War in Steel

Reporting from Rome in **The Times** on 9th October, Peter Hill reported that "The EEC Commission today tried to head off a potential trade war in steel involving the Community, the United States and Japan." There is continued controversy on the subject of fishing rights—"Britain was defeated in a Common Market fisheries battle in Luxembourg last night, and is now poised to go it alone once more in introducing its own measures to protect its threatened fish stocks off the north-east coast of Scotland" writes Godfrey Brown in **The Telegraph** on 26th October. Also on 25th October Michael Hornsby, reporting from Luxembourg in **The Times** quoted Mr. Austin Laing, director general of the British Fishing Federation as saying "British fishermen would be allowed to catch only a third of what the British sector contributed to the EEC's total fish resources under the share-out for 1978 proposed by the European Commission."

On 21st October **The Times** carried a report that "The European Commission is to open legal proceedings against Britain for failure to obey EEC rules requiring the installation of Tachographs in the cabs of new lorries and those carrying dangerous loads."

Suggesting that Britain had tried to undermine the CAP the French Minister of Agriculture said "We will not entertain any nibbling at the edges of the Common agricultural policy or anything that threatens its fundamental principles. In the same report **The Times** on 24th October says that "Lamb prices in France are half as high again as in Britain."

House of Lords Select Committee

Some very pertinent criticisms of EEC policies have been made by the House of Lords select Committee on the European Communities. They made a scathing attack in their report on the EEC regulations on the classification, packaging and labelling of dangerous substances. **The Times** Political Correspondent wrote on 21st October — "As an indictment of the confusion and needless spending likely to be caused by the EEC bureaucrats in Brussels the report has few equals. Again, on 26th October George Clark quotes a report from the select committee saying that "An EEC directive intended to supersede British Law on door-step sales is not only unworkable as a piece of legislation but is also unacceptable in the light of current trading practice in the U.K."

One could go on for a very long time quoting similar cases, in fact it is an almost impossible task to find any favourable comment. Perhaps one of the few more cheerful items of news is that after two years of dispute the decision to choose Culham as the site for the Joint European Torus (JET) has been made at long last. Mr. Benn hailed this as "tremendous for Britain."

Two Main Issues

There are two major issues confronting the European Community which are likely to affect its future. One is direct elections to the European Parliament. There is a great deal of opposition to this in Britain which will show up in the coming debates in the House. There are quite a number of people who share the view expressed by Mr Enoch Powell that direct elections would result in "the House of Commons signing its own death warrant." As The Times leading article put it on 4 November — "The European elections Bill contains an implied displacement of democratic authority from Westminster to the New Assembly."

The argument that electing members to a European Parliament would make this institution more democratic is somewhat vitiated by the fact that those elected from U.K. to represent the nation, under the regional list system of proportional representation, as the Government Bill proposes, will mean that each member will be part of a team representing in England anything from 1,300,000 to 7,200,000 people. It is difficult to see how such representatives will begin to maintain any contact with those who elect them.

The other major question is the proposed enlargement of the Community by the admission of Spain, Greece and Portugal. It will require many months of negotiation before the applicant countries can be admitted to membership and this raises the question — what kind of Community will emerge.? Mr. Callaghan is on record as supporting enlargement of the European Community to counter the dangers of over-centralisation. This comment did not go down too well with the French Prime Minister who hastened to reject this view.

Lack of Vigour

All in all, a survey of the present position of the European Community does not leave one very optimistic about its future. The EEC Commisssion business survey carried out in September confirms that there are still misgivings among management about the present economic situation and the short-term outlook. It speaks of "the lack of vigour in the Community's economy" and suggests that no noteworthy revival is expected in the coming months.

How relevant then is membership of the Community to Britain's pressing problems? It is clear that the optimistic views of the Government before entry have been proved abysmally wrong. In these circumstances it is permissible to ask — Can the Common Market survive in its present form?

INFLATION AND FULL EMPLOYMENT

In a booklet published recently+ Ronald Burgess, Director of the Economic Study Association, makes the case for lower public spending, and lower taxes. He argues that "To sustain full employment without inflation in a free and prosperous society the present system of public finance must be radically reformed so that cyclical fluctuations may be minimised by methods which do not restrict maximum attainable output to a level less than output potential." The author maintains that an effective counter-inflation policy is wholly compatible with progress towards full employment.

+Full Employment and Public Spending by Ronald Burgess published by Aims for Freedom & Enterprise. 50p

FOREIGN TRADE POLICY.

by Sir George Bolton, KCMG

It is often, if not always, forgotten that nearly all the industrialised countries depend to a large extent on the third world for their residual supplies of raw materials, particularly metals, and that the political changes of the last 30 years have made the availability of supplies uncertain compared with the situation when political control was paramount through the existence of colonial empires and capital for investment in mines, etc., obtainable only from Europe and the U.S.A. In the case of the United Kingdom, the position was more complicated by the fact that a number of the original colonies had become fully independent: however, they remained connected with the mother country through the Crown, the existence of a common international currency—sterling—and long-standing business relations. Countries such as Canada, Australia, New Zealand and, up to 15 years ago, South Africa, were linked into the United Kingdom through the existence not only of the monetary policy but also the existence of very large mining and plantation companies working closely with the comprehensive commodity markets of the City of London.

These links are now irreparably damaged by political decisions including the decision to close down the Sterling Area and convert sterling into a domestic currency: the decision to abandon Commonwealth connections in favour of joining the European Economic Community. Further damage has flowed from deliberate discrimination in the taxation of overseas companies especially mining and plantation companies under the infantile conception that capital not invested abroad would automatically be invested in domestic industry. The trade union outcry that British industry is being starved of capital emphasises the folly of this assumption.

"Import or Die"!

The main political changes that have taken place since 1946 have been regarded as the triumph of liberalism and it was, and is, assumed that the supplies of raw materials will continue to flow to Western Europe and North America. But this assumption was basically unsound and if one takes into consideration the growing industrialisation of the third world, the growth of population internationally and the increasing absorption of food and raw materials by exporting countries such as the independent members of the Commonwealth and Brazil, some attention should be paid to the possibility that the imports which feed the population and the industrial machines may be in danger. The time is nearer than is generally realised when the slogan "export or die" may have to be changed to "import or die".

There are also other changes of great importance, such as the expansion of the industrial production of the Russian Empire which, on the whole, appears to be self-supporting in minerals but not with regard to food; a

resurgent China which has an unknown capacity for metal production but has an enormous population to keep employed and fed; and also one cannot neglect the importance of Japan which relies for the maintenance of industrial production and employment practically entirely on imports of energy and raw materials.

Anarchy the Greater Danger

There are considerable hopes of Canada and Australia being able to maintain an export surplus of food and metals, and given some domestic political stability Argentina, Brazil and the West Coast countries of Latin America should also be capable of a continuous export capacity, but it would, in my opinion, be imprudent to assume that the current volume of supplies at current prices could be maintained, particularly with respect to European demands, without some major changes, and not only in the technical field but also and perhaps primarily with governmental arrangements which would include finance for fairly lengthy periods. It would be imprudent to assume that the current instability in many parts of the African continent will settle down in favour of a return to stable government, law and order and normal production. The veneer of European civilisation and industrial methods is rapidly being stripped off and there are now many indications of a revival of the anarchy of previous centuries. Anarchy is probably a greater danger than Communism and it should not be forgotten that in the 19th century Africa was christened the "Dark Continent".

Outside technical and professional circles there is little realisation that few new major mineral resources have been discovered in the last 30-40 years. There are ideas about the mineral resources of the ocean bed but estimates of the cost of recovery of these potential resources are not available. A more immediate problem arises from the combination of nationalistic legislation in the states which have emerged in the last 30 years and of the rising costs of exploitation of metalliferous deposits. Some of these costs in monetary terms arise from the continuous depreciation of the purchasing power of paper money but it is also questionable whether the surplus capital resources are readily available to bring, for example, a large low-grade copper deposit to production. A copper deposit such as Bougainville or Lornex—two of the last extensive low-grade deposits to be exploited—cost something of the order of U.S. $250m-350m. The development of a comparable deposit today, even in an area regarded as politically stable, could only be undertaken at treble the cost. The banking syndicates which were formed to finance the exploitation of such deposits were fairly confident, even 7 or 8 years ago, that production costs would not rise substantially so as to make the ultimate refined product saleable only at a loss and thus jeopardise the repayment of the loans. This cannot now be guaranteed, and this doubt, combined with the rising costs, may make it nearly impossible for any new large-scale mining project to be financed.

Difficulties Emerging

With growing doubts about the provenance of imported raw materials in circumstances where, for example in Western Europe, there is little or no international political influence available, there is a prospect of very great difficulty emerging during the next generation. No European country has adequate domestic supplies of the materials which are essential to industrial production. The United Kingdom is fortunate in having the prospect of adequate energy resources but this is the only European country in that position. The rest of Western Europe needs imports of energy on a large scale, practically all the metals, both base and rare, and a fairly large percentage of food supplies if the existing living standards are to be maintained and mass unemployment avoided. The political problems have, however, been exacerbated by promises made to the respective electorates that inflation will be curbed and living standards improved.

But if, as is suggested, import prices may have a consistent upward trend accompanied by growing shortages, then not only will inflationary tendencies develop further but living standards will inevitably decline. As these changes become manifest, among the many consequences would be a decline in savings and a reduction in capital available for investment. In such circumstances agricultural and mining production at rising costs will become less and less easy to finance, quite apart from the investment policies of banks, insurance companies, pension funds, etc., who are unlikely to favour medium and long-term investment in areas regarded as being politically unsafe.

Need for imports of Metals

It is impossible to forecast long-term agricultural production in relation to world demand as there are too many variables including demographic changes, technology, climatic variations and capital availability; all unpredictable. Mine production is, however, a very difficult subject as each mine has an ascertainable life subject only to production costs and the price of the refined product. Western Europe cannot survive in social and economic terms without a continuous supply of metals imported from abroad, and in this context the European group of mining companies representing most mining companies in Western Europe has presented a proposal for a Community Guarantee Scheme for Raw Material Projects to the EEC Commission. In essence, the proposal seeks EEC support for:

(a) An agreement or understanding between the Commission and the host government, setting out the economic relationship in the widest possible terms, providing at least for equitable treatment for the proposed investment.

(b) A guarantee of capital investment.

and

(c) A guarantee of profits.

In return for Community support, a proportion of mine product would be reserved for EEC consumers.

Such a proposal would fit into the structure of German and Belgian government-organised import arrangements and it would probably suit Japan which has many long-term contracts with mining companies, e.g. Western Australia for iron ore and British Columbia and Alberta for coking coal. But it would not fit into British arrangements because historically British industry was able to purchase raw materials preferentially through the mining industries of its former Empire, but the granting of independence to the territories comprising the Empire and subsequent nationalisation of the mining industry in many of those countries ended such preferential treatment. Since then few measures have been initiated by Government to fill the void and British consumers have not enjoyed their former advantages. On the other hand, the Governments of Germany and Japan established firm raw materials import policies and encouraged companies to ensure their long-term raw material supplies, including overseas investment and ten to fifteen-year contracts.

The magnitude of the future problem for British consumers of non-ferrous metals, and probably most raw materials users, can be illustrated by forecasts of refined copper consumption based on conservative assumptions with, for instance, consumption only reaching 1973's peak in 1982 and price forecasts based on March, 1977's pounds with the dollar/sterling exchange rate remaining unchanged at $1.70 = £1. In 1976 copper imports cost the Balance of Payments some £340 million and is forecast to reach £530 million in 1980, £1,280 million in 1985 and £1,630 million in 1990. (The aggregate cost of importing lead, tin, zinc and aluminium is likely to approximate these figures.)

Trade—Two-way

It is possible that international conferences will find some solution to the problem of the conflicting attitude and demands of consumers and producers of mined materials and that the U.K. need take no immediate action to ensure supplies for British industry. But there is always the threat of failure and in any event a comprehensive meaningful agreement will take a long time to draft and to become effective. **H.M.G's first responsibility is to ensure so far as is practicable the health of British industry, and a concentration on "exports" to the exclusion of the long-term provision of imports is the worst way to proceed. Trade is a two-way matter and fabricators of imported raw materials such as Britain should avoid falling into the trap of the Mercantilists who apparently believed that exports were a good thing and imports bad.** We should start without delay a study of raw material requirement during the next, say, fifteen years, and in this connection begin to build up a Procurement Office capable of entering into Trade Agreements to meet, say, long-term import requirements. Comprehensive collaboration between such an Office, the commodity markets, plantation and mining companies would be a necessity as much of the information and statistics are already in the possession of the respective economic and intelligence Departments. This information has, however, never been mobilized except during the last war when a military machine and the human machine-minders had a single and simple objective: viz. to win the war in spite of shortages of food and raw materials.

Another field needing a new look is current discriminatory taxation on overseas mining and plantation enterprises. Also, the provision of capital for the development of new sources of raw materials does not meet with a friendly reception from the Exchange Control. **Recent policy of driving companies abroad by making life for them in the U.K. unpleasant and less profitable represents another nail in the British trade coffin at a time when the Government seems incapable of understanding that imports that are an indispensable part of production for exports should have a priority in trade policy.**

SELF-DETERMINATION FOR RHODESIA!

by

JOHN BIGGS-DAVISON MP

The Foreign and Commonwealth Secretary blithely states that on Rhodesia he treads common ground with the Kremlin. His condonation of the hideous exploits of the terrorists/freedom fighters will have found favour with those who indoctrinate and train their forces. Both Dr Owen and the American Secretary of State, Mr Vance, have threatened Mr Vorster that if Pretoria continues to supply Rhodesia, sanctions may be imposed on South Africa as well. In which case Moscow would doubtless volunteer the services of the Soviet fleet, to which so many decolonised African ports lie open, in order to blockade a country so vital to the West and particularly Western Europe, a country which is one of Britain's biggest trading partners and has been largely developed by investment from the United Kingdom.

Dr Owen invited Mr Joshua Nkomo, but not Bishop Abel Muzorewa, to address the UN Security Council. In Rhodesia, where his integrity is acknowledged, the Bishop commands votes; the Patriotic Front commands, or tries to, the "liberation" armies. Under the Anglo-American plan, those guerrilla troops would form the basis of the security forces of Zimbabwe.

An Ulster Analogy

I know Rhodesia at least as well as most of my Parliamentary colleagues*. Now an official Opposition spokesman on Northern Ireland, I may be excused an Ulster analogy and permitted to ask: Who in Britain outside the "Troops Out" movement and suchlike could conceive of a political solution

in Northern Ireland that included a merger with, or take-over of, the Ulster Defence Regiment by the IRA? In Rhodesia or in Ulster, that would be a fantastic shot gun—or rather Kalshnikov—wedding.

Even so, the Anglo-American plan received a hostile reception from the Patriotic Front. Mr Robert Mugabe described it as an attempt to set up a "neo-colonialist state". Which displays him as Marxist rather than African nationalist. Broadcasting from Maputo, capital of a state which owes its existence to the bullet and had no ballot at all, he declared that Mr Smith would "only fall through the gun". Revolutionaries of Mr Mugabe's ilk want no peaceful settlement. They want what no African guerrilla movement has so far achieved: military victory over the white enemy, with his humiliation and expropriation to follow.

Bishop Muzorewa is described by lofty commentators as an inept politician; but he knows that the ensuing chaos and tribal conflict would engulf all that all races in Rhodesia have built up — its public services, its schools and multi-racial University, its private enterprise economy. He abhors the terrorism that has claimed so many African lives and sent so many kidnapped children into the firing line. He has a competitor in moderation, Mr Ndabiningi Sithole. But Western diplomacy panders to Presidents and potentates without mandate from the people of Rhodesia. It must in logic seem to them to lead to the destruction by rival war lords of a liberal and efficient state the blemishes of which seem less glaring to its citizens the more they learn of the ex-Portuguese "Front Line", not to mention those **Grand Guignol** republics further north.

What is going on? Is the world threatened by a Southern African super-Yalta? If so the black millions and the white minorities will pay the price in blood. Britain, other Commonwealth countries, Western Europe and Japan will pay the price in cash.

Sanity instead of Suicide

Or will a change of heart or of government in Britain and elsewhere give friendship to our friends and back African leaders untarnished by terrorism? It seems incredible that powers with so vast a stake in Southern Africa should not summon the courage to uphold the right of Rhodesians to self-determination through the ballot box, instead of anarchy from the barrel of the gun, and back a new Rhodesia/Zimbabwe against aggression.

Lift sanctions, and Rhodesia whose efficient state and economy have been built without the external aid lavished on African territories richer in natural resources could flourish without grandiose Anglo-American or other international stabilisation schemes.

It is very late; but, given sanity instead of suicide in the West, Rhodesia could show Africa a better way.

**John Biggs-Davison is author of "Africa — Hope Deferred" (Johnson Publications 11/14 Stanhope Mews West, London SW7)*

IS BRITAIN'S ECONOMIC FUTURE SECURE?

by

JONATHAN SHACK

One characteristic of the U.K. economy in recent months has been the relative optimism displayed by politicians international and domestic investors alike concerning our fight against economic recession and decline. These favourable prospects have engendered flows of hot foreign money into the country boosting our reserve of foreign exchange and causing the £ to be strong. But circumstances such as these certainly seem strange after many years of downward sterling exchange rates and a short period during which the economy reached an hyper-flationary cycle. Suddenly the clouds have cleared and the skies are blue again; a bandwagon of self-congratulatory utterances having commenced in the Labour Party camp. However a false sense of security regarding our economic future is descending on Britain. The economy is still on a tightrope with the pit below being massive unemployment and political instability.

The post-war problems of high relative inflation, an overvalued fixed exchange rate, balance of trade disequilibrium and insufficient investment really set the stage for the structural difficulties experienced by Britain in the 1970's. It is clear that the STOP-GO policies pursued by successive governments restrained businessmen from looking towards a stable future and so investment plans were shelved. Reflation followed by deflation led investors to play a "wait and see" game and consequently antiquated machinery remained in British industry. New machinery was installed but it was and still is subject to overmanning, thus destroying its benefits.

The scene at present however is supposedly different — the balance of payments is in surplus; the U.K. operates a successful flexible exchange rate system; and the tenets of monetarism have been accepted by the Treasury. It is indeed true that the flexible exchange rate system is working efficiently and that the government (or should I say the I.M.F.) have successfully established priorities in curbing the rise of government spending and monetary aggregates. That the tight hold on the money supply in the last year has improved the economic situation is beyond doubt although monetarists would argue that this policy wasn't and isn't tight enough. However the delusions of many people are due to the benefits accruing from North Sea oil.

The current account of the balance of payments is in surplus, but this truly distorts the true competitiveness of British manufacturers. Text book economics tells us that depreciation of sterling results in an increase in exports after a one to two year time lag. In recent months exports have increased but only sluggishly and we have a long way to go if Britain is to reach the massive trade surpluses experienced by West Germany and Japan. Exports depend not only on price differentials but also on after sales service, quality advertising and most importantly, effective investment. In these areas Britain remains hopelessly behind her main European rivals.

A Far from Rosy Picture

The malady of low and ineffective investment so prevalent in the post-war period has now worsened. Competitiveness with our rivals depends on the application of new technology and machinery; this can only be achieved by capital formation. Thus, when all these factors are analysed a far from rosy picture of the future is painted.

A more important question however is the demise of the voluntary incomes policy and the likelihood of an explosive free collective bargaining situation reminiscent of 1974. This fear has been somewhat mitigated by the T.U.C. vote in favour of the 12 month rule between wage claims. Although the majority in favour was 2.7 million there was opposition from the miners transport workers and train drivers (key sectors in the economy and even the delegation from the A.U.E.W. raised opposition when Hugh Scanlon voted in favour of the one-year interval). But the main danger to the government's guidelines on pay is from the shop floor militants who have the power, in effect, to disrupt British industry. It is blatantly clear that if a wage explosion took place, allied to a tight monetary policy and cash limits on public sector spending, massive unemployment would occur with resources being denied to the social services. The British worker must assert himself over militants and reconcile himself to the fact that the U.K. just doesn't have the funds to boost living standards. Indeed, it can be seen that workers are becoming more aware of plain economic facts, as exemplified in the recent Lucas strike which was ended when toolroom workers voted against militant shop stewards.

Role of Trade Unions

Perhaps the most emotive issue in current economic thinking however, concerns the role of Trade Unions in furthering or hindering economic growth. Britain's post-war productivity and growth rates have been far from enviable as well as our record in the sphere of industrial relations. Part of the problem has been in the structure of British Trade Unions; namely that the growth of the shop steward movement has increased plant bargaining. Shop stewards have concerned themselves more with increasing basic wages than on improving fringe benefits and working conditions. The question of wages should be dealt with either in the sphere of national affairs, or dictated by the laws of supply and demand in the labour market. Allied to this there are other factors making for an unstable economic environment; i.e. the closed shop and restrictive practices as well as minimum wage laws all lead to unemployment and lower growth.

In conclusion, it would be expedient to view the success of certain distinct economic principles in other countries. Low taxation with its incentive to work hard, save and invest; monetary growth being kept in line with actual growth in the economy and the absence of price controls are all present in successful economies, notably West Germany, and Japan. Elaborate structural changes must take place in U.K. industry and attitudes before we can re-establish ourselves as a major trading nation, enjoying an high standard of living.

CANADA'S FUTURE

There are some, both at home and abroad, who express doubts concerning the future of Canada and its ability to remain as one nation. The threat of separatism by the new government of the Province of Quebec has created this uncertainty but, in my view, the people of Quebec do not, in large measure, agree with their present government in this regard and will not support any referendum or moves to separate them from the rest of Canada. Their future, as is British Columbia's, is within the Canadian Confederation.

Our people have worked too hard to build a country from sea to sea to allow it to disintegrate.

The debate within Canada on this issue can be positive rather than negative. The concerns expressed by Quebec, added to those of the West and the Pacific Region (British Columbia), can be met through a more flexible confederation — decentralization and a new division of powers between the regions and the Federal Government.

Canada, because of its geography, exhibits great regional diversity. Our mountains run north and south. Our country extends east and west and so citizens in British Columbia, on the prairies, in Ontario and Quebec and in the Maritimes have developed a strong sense of regionalism. Our social and economic policies attempt to recognize this fact.

New Type of Federalism

I believe we should recognize that the realities of Canada today demand a new type of federalism — regional federalism — one that more properly allows the provinces and the regions of our country to develop their own destinies, not separate from Canada, but in unity with each other.

Within confederation, Western Canada is in the process of achieving the economic strength and maturity of the earlier-settled provinces in central Canada. This maturing process is shifting the balance of economic power in Canada.

As many of you know, Manitoba, Saskatchewan, Alberta and British Columbia possess many of the resources in high demand throughout the world. Indeed I am told that many people in the United Kingdom refer to Alberta and British Columbia as the energy provinces.

Extract from an address by Premier Bill Bennet of British Columbia in London on 13.9.77.

INDUSTRIAL DEVELOPMENT IN ALBERTA

The report "List of Industrial Projects as of January 1st, 1977;; released under the authority of the Hon. R. W. Dowling, Minister of Business Development and Tourism, covering the period from July 1st, 1976 — December 31st, 1977, lists 225 projects with a total potential capital value of $10.77 billion which would generate 12,107 additional jobs in the Province. 49 of the projects were completed during this period, 91 were under con*struction and 85 were proposed. :the 91 major industrial projects represent a* total capital investment of $4.46 billion and will create approximately 5,267 new permanent jobs. The majority of projects under construction and completed projects were in the Petroleum and Petrochemical sector, followed by manufacturing. Actual dollar commitments to projects under construction and completed show an increase of 33.7% in 1976 over 1975, i.e. a real increase in new industrial activity in the Province during the past year.

Commenting on the report to the Alberta press the Hon. Dowling was quoted as saying that "Alberta's gross provincial product was growing from *5% to 6% this year and that this level of growth is expected to continue*".

ALL CHANGE!

1951-1976: "United Kingdom in figures" highlights the differences

In the last 25 years . . .

* Population of the United Kingdom has grown by 5½ million.
* Marriages increased by 12 per cent between 1951 and 1971, but by last year had fallen to two per cent below the 1951 total.
* Infant mortality decreased by 55 per cent.
* Students in higher education rose by 296 per cent to over half a million (nine per cent of the population) by 1976.
* Owner occupation of homes increased by 24 per cent. By 1976 53 per cent of all dwellings were owner occupied.
* Number of vehicles on our roads rose by 279 per cent to total over 18 million. But railway track in use nearly halved.
* Persons found guilty of violence against the person in England and Wales rose from 4,000 to 38,000 a year. Motoring offences jumped by 362 per cent in England and Wales.
* Retail prices increased by 336 per cent but real personal disposable income per head increased by 89 per cent and the volume of consumer spending by 64 per cent.

from "United Kingdom" in figures", 1977 edition issued free by Government Statistical Service.

DR. COLIN CLARK CHALLENGES LORD KALDOR

An important new statistical study recently published on the Balance of Payments states that if Government was to restrict its claim on the economic resources of the country especially its levels of expenditure on housebuilding then there is a real prospect that by 1980 Britain's payments will be constantly in balance. The author is an eminent economist Dr. Colin Clark who has just completed a one year study trip in this country.

Dr. Clark comes to this conclusion even virtually ignoring any positive contribution that North Sea oil could make; he is cautious to the extent that he assumes it does no more than replace fuel imports. He points out that developing oil resources in the North Sea will incur costs "substantially in excess of providing the same quantity of oil at pre-1973 prices". As such they will divert resources of £1.25 billion in 1970 prices from other activity.

The study, published by the Economic Research Council, challenges much of the current orthodox thinking by the Department of Applied Economics at Cambridge.

Import Restrictions Harmful

Dr. Clark asserts that the real problem of the British economy lies on the supply side. He challenges Lord Kaldor to substantiate his assumption that British prices have little effect on the volume of exports. The author considers any import restrictions not only to be unnecessary but of positive harm in resuscitating Britain's economic performance.

The Cambridge School analysis of our problems is deficient because it makes little or no allowance for time lags and has "an insular tendency to ignore excellent studies sponsored by the International Monetary Fund."

Dr. Clark builds a picture of the UK economy by using new series of data on relationships between different sectors of the economy which have recently been published. He challenges some assumptions made by many forecasters concerning fixed relationship between energy consumption and output.

He also draws attention to "the extraordinary skill of engineers and chemists in devising processes which economise natural raw materials or in replacing scarce by cheaper materials".

Dr. Clark warns against the naive method of pointing to the total number of registered unemployed as an indication of unused industrial capacity. Shortages of skilled labour are in his opinion a severe limitation on industrial capacity.

THE BALANCE OF PAYMENTS or Are import restrictions necessary? by Dr. Colin Clark, with a foreword by Sir Alec Cairncross published by Overseas Trade Research Fund of the Economic Research Council, 55 Park Lane, London, W.1. (50p)

The Plaistow Press Ltd., 3 New Plaistow Road, London E15 3JA