BRITAIN & OVERSEAS

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

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REFORM OF THE CAP

On Friday, 7th April, an interesting debate took place in the House of Commons on the subject of the Common Agricultural Policy. It was initiated by Mr. Thomas Torney, the Labour Member for Bradford South who moved — That in view of the disastrous effect of the European Economic Community Common Agricultural Policy to both producer, consumer and the United Kingdom economy, immediate action should be taken to secure basic changes in the policy, including the abolition of support prices, levies and taxes upon third country food imports, and intervention; that member countries be permitted to support producers at their own cost and to protect consumers from higher food prices; that marketing boards be established at the discretion of member countries; and that surplus food production be disposed of anywhere in the world, including the European Economic Community, financial losses to be borne by the producing country.

In his opening speech Mr. Torney said — "it is my wish that this debate be an examination in some depth of the operation of the CAP and why it does not appear, at least, as most of us will perhaps agree, to be working for Britain — and I would say that it does not work for Britain." He went on to make his case that something should be done to make the CAP operate better and more in the interests of the consuming public as well as the food producers in this country.

Mr. Torney claimed that many of our Common Market partners are self-supporting or very close to self-supporting and that is why — "They want to make it difficult for all the Common Market partners, Britain included, to go outside the Common Market to buy their food. We can buy the food outside, but we now have to pay even more for it, in many cases because of the taxes and levies than we would pay within the Common Market. That is why I believe that we should abolish levies and taxes upon third country imports."

Who Pays?

Posing the question "Who Pays?" Mr. Torney said "We do. When I say 'We' I mean the British people. They pay in high prices in the shops caused by the very policy of intervention buying in order to keep prices up to the French farmer. They pay again when it is sold cheaply to third countries because through EEC taxation we have to make our contribution to the CAP and we have to pay our share of the amount of loss that has been incurred upon the foodstuffs that have been sold to third countries. There can be no doubt that this is an idiotic system and the quicker we can get rid of it the better it will be for all of us in Britain and ultimately for the whole of the Common Market."

Mr. Geraint Howells, the Liberal Member for Cardigan spoke in favour of a deficiency payment system. He said — "The consumers of this country would be safeguarded if we had a deficiency payment system and not an intervention system. The sooner we get rid of an intervention system in Europe, the better. It is sheer waste of the taxpayers' money to put the best beef, the best lamb and whatever else we produce in this country into intervention for six months and bring it out as manufacturing beef, denying our customers the right to have cheap best cuts when they are available. It is ridiculous. I am convinced that the majority of farmers would agree."

Policy decided in Brussels

The Labour Member for Newham South, Mr. Nigel Spearing, complained that the House can no longer act on matters of agricultural policy. — "There is no British agricultural policy. It is a policy decided in Brussels." Condemning the food taxes imposed by the CAP he said — "A country such as Malaysia is virtually stopped from sending us canned fruit. It has to pay up to 24 per cent. levy on the value of canned fruit that it exports to this country, particularly if it contains sugar."

"Australia and New Zealand have been mentioned. Australia has virtually ceased to export beef to this country. The public may not realise that, but that is so. It is all very well for the hon. Member for Devon, West to ask where the surpluses are. I agree that they may be difficult to demonstrate, because, of course, what happens is that the beef is not produced. Farmers go out of farming. Land goes out of production. If there is no assured market, if there is no demand and if there are tariffs in Europe, the food is not produced at all — cheaply though it can be produced."

Mr. Richard Body, Conservative Member for Holland with Boston gave a detailed analysis of the deficiencies of the CAP. Pointing out that food producers will not risk growing food unless they are reasonably sure of an outlet for their produce he said — "For generations we in this country have been willing to buy from New Zealand, Australia, the Argentine, the United States, Canada and a host of other countries, the food that they have been able to produce at a reasonable price. We have been able to afford that price. We cannot afford to pay the price now because import levies and duties exclude so much of that food from our households."

Falling Consumption

Referring to the fact that consumers in this country are not buying as much food as they used to buy, Mr. Body said — "We know how seriously food consumption fell from 1972 to 1976. It has continued to fall. I extracted the recent figures from the Library yesterday. They show that last year again consumption fell. In one year only, beef consumption fell by 11.1 per cent., milk by 4 per cent., bacon by 3.7 per cent., sugar by 10.1 per cent., butter by

7.7 per cent. and fish by 17.7 per cent.

He went on — "The question of consumption per head in larger families is very serious. When I last intervened on this subject I said that there must be about 3 million people in this country who by the standards of the FAO and the World Health Organisation are suffering from malnutrition. It was never so before 1972. We were among the best fed nations in the world, irrespective of the size of families." . . .

"Consumption is falling, and has been in the last 12 months, yet the amount of money being spent on food by average families is increasing sharply. In 1976 the average household spent £4.49 per week per head, and the figure rose last year to £5.05. That is a very big increase when one relates it to the fall in consumption. It is a startling and serious fall for the larger and poorer families in this country who, according to the standards of the FAO and the World Health Organisation are now suffering from malnutrition."

On the other hand Mr. Body pointed out that "One third of the dairy farmers of Australia — that is only one country — have gone out of business because of the way in which the export subsidies are working and because they have lost their markets in this country."

A Fundamental Clash

Mr. John Lee, the Labour Member for Handsworth said — "There is a fundamental clash between what is decided in the Common Market and what is decided in this Parliament . . . the decisions of the Common Market, however damaging to this country, however absurd and contrary to our interests, will prevail. Therefore, if we are as honourable as we should be, we must be prepared to break out of the system and face up to defying the authority of the EEC."

Replying to the suggestion previously made by Mr. Peter Mills, Conservative Member for Devon West, that "New Zealand's supplies of butter and cheese are so low that it has no surplus at all and cannot even fulfil its present commitments", Mr. Bryan Gould, the Labour Member for Southampton, Test, said "I challenge anyone in the Chamber who has serious doubts about the continued availability of much cheaper food supplies than we are currently drawing upon to drop a line tomorrow or today to the New Zealand High Commission. I invite him to ask "Are you interested in supplying to the British market on a long-term and guaranteed basis some of the basic and necessary imports of fodstuffs, notably dairy produce and meat?" Can you do that at a price substantially lower than the price that is foreseeably available in Europe?" I guarantee that by return he will get the brief answer "Yes, please", — because that is what the New Zealanders, the Australians, the Argentinians, the Canadians and all our other traditional suppliers want. They want continued access to this market."

Opposition to Price Increases

Replying to the debate, the Parliamentary Secretary to the Ministry of Agriculture Fisheries and Food, Mr. Gavin Strang, reaffirmed that the Government are committed to the maximum restraint on common prices and are opposed to any price increases where there is a structural surplus. He gave New Zealand an assurance on the sheepmeat regime question. He said "I take this opportunity to assure the House that New Zealand has a part to play in supplying the United Kingdom market, and that we intend to ensure. Furthermore, we believe that a sheepmeat regime can be tailored to our positive advantage . . . We can expand our exports of lamb into the French market particularly. We have a high levy at present. With the common regime, that levy will be phased out. Therefore we are endeavouring to secure a common regime which not only protects the position of New Zealand but at the same time provides for an expansion of the United Kingdom sheepmeat industry."

Enormous Cost

Mr. Strang went on to say — "The central issue is the enormous cost of the CAP — above all, the enormous budgetary cost. That is what imposes the burden on our balance of payments. It is not so much the higher prices that we pay for imported food as the colossal cost of theCAP itself, which represents 75 per cent. of the total Community budget."

He criticised the policy of the CAP as "too protective" and "not sufficiently internationalist.". "One of the Government's prime aims is to reverse the protectionist state of affairs."

At the conclusion of his speech Mr. Strang told Mr. Torney that the Government could not accept the motion as worded but basically it supported him. He concluded "There is something fundamentally wrong with the CAP. We are committed to changing it." Mr. Torney than withdrew the motion.

ECONOMIC TRENDS IN THE U.K.

* Real personal disposable income increased by more than 120 per cent between 1948 and 1976, and personal saving was 14.6 per cent of personal disposable income in 1976 compared with 1.8 per cent in 1947.
* Basic weekly wage rates in manufacturing industry increased by nearly 390 per cent between 1956 and 1976.
* Between 1948 and 1976 the internal purchasing power of the pound fell by 78 per cent.
* Average prices of new dwellings on mortgage rose by over 475 per cent between 1956 and 1976.

From the third edition of the Economic Trends Annual Supplement 1977 from the Central Statistical Office. HMSO £2.65.

DIRECT ELECTIONS
What Sort of Parliament?

Safeguards against the extension of the powers of the European Assembly have been demanded by M.P's from all sides of the House of Commons. As we forecast in our last issue a new clause was moved by the Foreign Minister, Dr. Owen, on 2nd February. This stated that "no treaty which provided for any increase in the powers of the Assembly should be ratified by the United Kingdom unless it had been approved by an Act of Parliament. Treaty included any international agreement and any protocol or annex to a treaty or international agreement."

Not all M.P's were satisfied with the effectiveness of this safeguarding clause. Nevertheless, the Boundaries Commission will start work on drawing up the boundaries for the Euro-elections after the Royal Assent has been given. The constituencies will be amalgams of seven or eight of our existing Parliamentary constituencies. Many will doubt that electors in such large areas can wield any effective influence over their elected representatives.

As we wrote in our last issue — "The question exercising the minds of M.P's on all sides of the House is the extent to which direct elections to the European Assembly will mean an extension of its powers over the Westerminster Parliament." In this connection, the following extract from an article* contributed by an influential French politician, Michel Debré, who is a former Prime Minister will be of particular interest.

Why I am against direct European elections

These statesmen — German, Belgian, Italian, Dutch, Luxemburgers — whose politics are based on supranationality and federalism are logical when they talk of a European Parliament with powers that would obviously be quite different from those laid down in the Treaty of Rome. But the French government's position is more awkward. It affirms France's sovereignty and independence. It is pro-confederation and it must therefore want a multinational assembly with limited powers and not a genuine European Parliament. The French government realized, somewhat tardily, that implementation of Article 138, inspired by a doctrine different from its own, necessitated considerable precautions. Much the same is felt by a growing number of MPs in the United Kingdom and the Callaghan government will shortly be forced to take this into account.

Those who believe that direct elections will not change the prevailing situation unfortunately ignore the exceptional scale of universal suffrage. A direct appeal to the men and women who constitute a united community lends legitimacy to power. But legitimacy supposes that there is deep-seated solidarity among the voters and that majority opinions guarantee everyone's agreement. Do the peoples of Europe really feel as united as that? And can one, in the present state of things, talk about the legitimacy of the powers of a European Parliament?

It is more than illusory, it is downright dishonest to suggest that an assembly elected by direct universal suffrage, which can decide on the length of its sessions, its agendas and its rules of procedure, which can stay in session throughout the year, vote whatever motions and resolutions it likes and give its members what privileges it chooses, will be content to keep to the limited powers provided by the treaties.

We French understand, perhaps better than everyone else, the extremes to which an assembly system can lead when there is no authority nor rules to govern debates, organize work, specify powers or ensure that they are kept to. What has been provided in this case? Nothing! Inevitably, a sovereign assembly elected in this way will tend to oppose not the Commission but the national governments and parliaments, since, in reality, before applying itself to developing its control over the Commission, it will, in the interests of its own prestige, play along with the Commission's efforts to become a veritable organ of supranational government. An objective analysis of the report which the Strasbourg assembly, like all the other institutions of the Community, produced on the European union that is due to be established in two or three years clearly shows that this is not an irrational fear or a childish hypothesis. And a recent, pertinent study of the scenario of the direct elections to the European Parliament is also highly significant and should by no means, in my opinion, be classed as science fiction.

**From the Courier No. 48 — March-April 1978.*

A MATTER OF LIFE AND DEATH TO THE NEW ZEALAND ECONOMY

Speaking at a Press Conference in London on 27 April the Rt. Hon. Robert Muldoon, Prime Minister of New Zealand and Minister of Finance expressed great concern at the possibility of the introduction of a "sheepmeat regime" which would regulate the sale of lamb and mutton in the nine member states of the EEC. This, he maintained, was a vital issue and he urged that the European Community should drop the whole idea of introducing a "sheepmeat regime" which, he said, could only evolve to the detriment of New Zealand's exports of lamb to Britain. This would not only be disastrous for New Zealand's economy, it would also injure the British economy.

The effect of a sheepmeat regime, Mr. Muldoon contended, would be to force British prices up towards the French ones which are 70 per cent higher. This would undoubtedly cause a considerable cut in consumption, and would greatly anger the British housewife.

In an effort to alert British opinion to the danger, Mr. Muldoon had met the leader of the Opposition, Mrs. Thatcher, who had listened with understanding to the case put forward. He was also meeting Mr. Callaghan and would be dining at 10 Downing Street later in the day.

The following statement by the Prime Minister was issued at the Conference:

THE FOLLOWING STATEMENT BY THE PRIME MINISTER OF NEW ZEALAND WAS ISSUED AT THE CONFERENCE:

I have come to the United Kingdom at this time to stress the vital interests that are at stake for New Zealand — and incidentally the United Kingdom — in continued access for New Zealand farm products.

It is a matter of mutual interest.

Trade, of course, is only one of our mutual interests.

It follows from our broad community of interests and common traditions which I would not like to see overlooked here. We have valuable and important common bonds.

We both have the same Head of State, Queen Elizabeth II, who is, of course, Queen of New Zealand and her other realms and territories. This I believe is a strong unbreakable bond.

We are members of the one great Commonwealth and generally show an identity of ideals and interests in our deliberations concerning it.

In two World Wars we shared the privations of war, and we believe that equally we should share the fruits of peace.

We have a common bond in sporting traditions, judging by the interest in the last cricket series in New Zealand.

Most obvious are the ties between us of kith and kinship; a common language and literature.

A Bastion of Western Values

I make these points particularly to stress that New Zealand is a bastion of Western values, particularly British values, in the South Pacific, and that it is very much in Western interests to have a strong ally in that part of the world.

To maintain that position we have to maintain the right to trade here.

We do not come merely as supplicants. We offer quality foodstuffs in quantity at prices that are more than competitive. **If the EEC rules of agricultural trade were to favour the consumer here rather than the European producers, there is no doubt that the play of ordinary market forces would mean access of our produce would be assured because it would be the best and cheapest on the market.**

In 1977 levies and tariffs imposed on New Zealand butter, lamb and cheese amounted to £50 million.

One good reason for your continuing to buy New Zealand is so that we can continue to afford to buy British. The terms of trade between us, including invisibles, are much in your favour.

Our receipts for our exports from the United Kingdom in 1977 were £460 million. Our payments to the United Kingdom were over £579 million.

In 1977 our combined receipts from meat, butter and cheese in the United Kingdom were only £233.71 million, while we paid more than that out alone in invisibles to the United Kingdom, which cost us £243.57 million. That is, it takes the combined receipts from our meat, butter and cheese purely to pay the total invisible bill. So British banks, shipping and insurance companies, as well as the housewife, have a big stake in making it possible for New Zealand to continue to trade here.

Prices Artificially High

Our immediate concern is with the possibility of an EEC sheepmeat regime and the effect it could have on our lamb exports to the United Kingdom. **This is economic life and death to us. We will certainly fight to maintain our access.**

It really makes no sense to us for there to be such a regime. After all, the Community is far from self-sufficient in lamb.

In the United Kingdom the regular availability of New Zealand lamb maintains a lamb-eating habit which provides a ready market for home-produced lamb.

Our fear — one which we believe the British producer and consumer should share — is that a sheepmeat regime could lead to lamb prices becoming artificially high and lamb becoming an expensive luxury. Any regime which forces British consumer prices to move up to the high prices which the French pay could have a disastrous effect in curtailing consumption.

In short, our fear is that prices might go through the roof and that consumption might go through the floor.

This would be harmful to both Britain and New Zealand.

EEC BARRIERS TO AUSTRALIAN TRADE

"While everyone knew that Britain's entry into the EEC would change traditional trade patterns, no-one expected such violent upheavals as have been seen in the past 5 years. Australia once sold 1 million tonnes of wheat a year in the EEC, now it sells none. Sugar exports to Britain have fallen from 400,000 tonnes a year pre-EEC to zero. A 60,000 tonne-a-year market for butter has disappeared. Australian cheese is now unknown in Britain, and annual sales of 100,000 tonnes of beef have shrunk down to 8,000 tonnes. We are among the world's cheapest exporters of agricultural produce yet we just can't get access. The EEC spent vast sums stimulating its 'largely inefficient' agricultural industry, building mountains of surpluses and then to cap it all, dumping the surpluses on world markets which Australia has been cultivating to replace its losses in Europe."

Mr. Victor Garland, Australian Minister for Trade, Financial Times, 28th Feb.

FACTS ABOUT NEW ZEALAND'S TRADE

New Zealand population	3 million
Sheep population	58 million
Beef and Dairy cattle	9.5 million

Income from sheep industry exports	NZ $1,285 million
or 39% of *total exports*	
or 10% of G.N.P.	

New Zealand Lamb exports 1977	Tonnes
United Kingdom	210,067
Total E.E.C.	221,401
Middle East	39,661
North America	14,729
Japan	14,305
Greece	4,400
Others	16,914
Total Exports	311,380
E.E.C.	71.1%

Sheep Numbers	United Kingdom	19,900,000
	Total E.E.C.	43,479,000

E.E.C. Self-Sufficiency in Mutton and Lamb	63.5%
E.E.C. Imports from New Zealand	83.6%

		000, Tonnes
Lamb in United Kingdom —	*Home killed*	*185.7*
	Imports (all)	210.3
	Imports (NZ)	207.8

New Zealand = 52.6% of total consumption

New Zealand Producer's return:	1960/61	1977/78
Producer's return per lamb:	$4.50	$12.27
Charges to ex-Depot United Kingdom:	$2.47	$16.09

Common Customs Tariff ad valorem duty = 24.6% of charges between New Zealand farm gate and ex-Depot United Kingdom
Two thirds of New Zealand lamb goes to the United Kingdom.

Under C.A.P. price harmonization, the price in Britain could rise by 30% +.
Consumption would drop sharply.

New Zealand has no other market for this lamb.

LETTER FROM NEW ZEALAND

Specially contributed by C. E. Dowling,
Chairman, Trade Committee of the British Trade Association of NZ.

It is almost six years since as President of the British Trade Association of New Zealand I contributed to "Britain and Overseas" during a Government sponsored visit to Britain to discuss with a cross-section of industry and Government *the ongoing promotion* of trade between Britain and New Zealand, especially in the context of Britain's proposed membership of the EEC.

Two recollections of the visit still stand out clearly in my memory. One, the care I took to make it known that most New Zealanders understood and appreciated the need for Britain to join the Community and the general acceptance of Mr. Rippon's statement of January 1972 — "I can only repeat assurances we have given throughout to the New Zealand Government that we shall protect the interests of the New Zealand people". The other was a comment I made to members of the Commonwealth Parliamentary Association (later quoted rather out of context in the House) that New Zealand would find it increasingly difficult to find adequate alternative markets for its major primary exports, especially dairy products and possibly even lamb.

However, the protocol subsequently negotiated in Luxembourg by the Right Honourable John Marshall (now Sir John) covering dairy products to 1980 gave some hope that at least for this area of our trade New Zealand had bought reasonable time, although it is interesting to note that already our last official cheese shipment has been made to Britain. In addition, the prognostications of officialdom and the goodwill expressed by so many *during my discussions were* re-assuring to say the least, and I returned to New Zealand and reported accordingly.

In the intervening six years New Zealand has worked hard to prepare for any eventuality in respect to our vital trade in primary exports and has achieved some success in market and product diversification. At the same time the track from Wellington to Brussels and other EEC capitals has been well worn by Ministers and members of the opposition, but still the doubts and the effective resolution of many fundamental issues remain, in particular what access if any are we to continue to have to the Community especially for butter and lamb, and how damaging to demand will the Common Agricultural Policy of the Community eventually prove to be? Is it any wonder then our farmers and primary processing industries lack confidence to invest for increased production with the inevitable flow-on effects of our industrial growth generally.

It is against this background that many New Zealanders are expressing very real concern over New Zealand's future position in Europe, and indeed more recently over the very concept of the EEC itself. New Zealand recognises the need to negotiate its own position in Brussels, but it is to be hoped that Britain will continue to bring to bear the full political weight of Westminster and the negotiating strength of her industrial power to preserve for both our countries the complementary pattern of trade which has successfully spanned a century. After five rather passive years there does at least seem to be a re-awakening of awareness in Britain that the traditional "everymans" weekend joint of New Zealand lamb could disappear as easily as will our cheese and maybe our butter. In New Zealand's view the British press and public have been rather slow to appreciate this turn of events and so with time running out the New Zealand Government is about to launch an intensive publicity campaign in Britain and other EEC countries aimed at gaining increased recognition of New Zealand's case for fair access.

Without a permanent market facility in Europe and especially in Great Britain, New Zealand has little chance of stable growth if the only alternative is reliance on the volatile on again off again demand for its products from its new trading partners such as the Soviet Union, the Middle East and Japan. Our ability to remain a stable market for British goods and our traditional alignment with Europe could well depend upon the outcome.

27.4.78.

CONSTANT PURCHASING POWER CURRENCY

by Commander Christopher R. Havergal OBE, DSC, RN.

No one surely can doubt that by far the best prize for free democracy at the present time would be to win at least one universally available currency, whose purchasing power could be held constant, within its own Economy. Why then are electorates and trade and professional unions and associations so backward in insisting upon having just that, as the pre-requisite for virtually every other administrative reform?

True we hear and feel the daily battle to match British inflation to the rates of our customers and trading partners'. But just "matching" is not good enough for restoring the full confidence and liquidity in international trade needed for free world prosperity. Nothing less than a complete and sustained total elimination of inflation will, this writer believes, maintain the West versus the East, for the long term. So it would appear that we electors should give top priority, on the one hand, to researching into the principles of monetary theory, and, on the other, to subsequent relevant reforms.

Stable Standard of Value

As a first action we need to determine the true nature of money; and, that done, to design a 'mechanism' that will keep it "true" in relation to some stable and secure standard of value. This article discusses and offers solutions to these two main problems.

Much has of course been written and spoken about the nature of money, but, like so many other familiar aspects of our daily lives, the basic nature of monetary value tends to resist analysis.

Here, for example, is a letter written to the Times in 1952 by no less a man than the late Lord Bradbury, when he was Permanent Secretary to The Treasury:-

* "Sir,

I have been asked what is a £ Sterling? and finding my inability to answer that question rather humiliating, I addressed it to some of my friends who might know. The best reply I was able to get is that it is 'a promise to pay at some future date which Parliament may hereinafter determine, whatever Parliament may in its wisdom direct him to pay'."

"No doubt that is satisfactory as far as it goes; but it does not go very far. After all what the man in the street wants is neither a bit of gold nor a promise to pay an abstraction; but something he can exchange for a loaf — or for forty loaves — of bread, and maybe a few fishes."

Somewhat nearer to what this writer believes to be the fact was Lord Keynes, when, in 1928, he exclaimed one morning to a friend "Ryan, during the night I have solved the problem of the 'General Theory of Money'. We have been wrong in treating it as a static problem — it is dynamic." Sad to say it seems that Lord Keynes did little to reform The General Theory of Money in accordance with his Archimedian "Eureka!"

This may well have been not only because tradition dies hard but also because almost all monetary tradition so strongly urges upon leaders and led alike that money is capital; and that capital is in fact solid static saved up treasure — like gold, real estate, shares, gems, credits, the coins in one's pocket, etc. One who has amassed such wealth may indeed have much spending power. Nevertheless, his power is potential only until, at the moment of his choosing, he brings some of his riches to the market to be exchanged for current services. It is at such "moments" — and at such moments only — that riches can be actively realised — as distinct from being just passively enjoyed. The "current services" may be taken either in the form of personal services to the buyer, or they may come in the form of services supplied more indirectly, for the purposes of making and delivering goods that he requires.

A man who, on the strength of the general desirability of his possessions, can just pick up the phone and 'command' say a thousand houses to be built by minds and hands other than his own, is rich. Alternatively, one who can 'command' only the work of his own mind and hands is poor. Meanwhile, currency is the FLUID (or catalyst) which, moving between them in negotiable measures, can enable the poorer to become the richer. Money can do nothing else.

**quoted from "A Built-In Basic Economy Stabilizer" by Grondona*

Productive Manhours

Thus in any final analysis the work of men's minds and hands directed to the production of demandable goods and services can be measured only in terms of productive manhours. It is here that we approach the nub of our problem; for one productive manhour — and indeed every manhour — is about one six hundred thousandth of an average lifetime. Thus — whether we like it or not — every man alive's manhours continually stream out of the future, through the present instant, into the past, at the speed of time. Once the fleeting second has ticked up an hour that hour has gone irretrievably into history, with all its plans and ploys.

For this reason a manhour is at once the most valuable and the most universal commodity known to man; and civilisation (i.e. high wide and safe standards of community life) requires that specialised manhours shall be continually complemented by, and exchanged with one another. This is for the simple reason that specialisation (and the resultant expertise) is much more productive than non-specialisation. In short to live well without bondage or barter we have to serve well, because people the world over have only their lives to exchange; and that it is submitted is a matter of hard fact.

So it is the rate and volume of money flow through the 'gate' of the 'ticking-on' present which might be termed economy's 'escapement mechanism', because — like a clock — it is the rate of flow of money through "the gate of the present" which continually apportions or regulates the productive energy fed into an Economy per unit of time, so that it matches the productive energy taken out of it per the same unit of time.

But, as the 'pendulum' swings from right to left and from left to right politically, it frequently gets bashed out of its natural mathematical rhythm by very non-mathematical social and political forces. To protect it against such non-mathematical forces the 'movement' should — like Big Ben — be armoured against irrational human reactions, when the mechanism refuses to release more goodies per unit of time than are fed into it.

Non-political Commissions

As phoney money can do nothing but harm, this author — along with Ricardo and Torrens of the last century — believes that completely non-political Commissions should be set up (in every free democracy) armed with powers above all others to control their currencies' values. The British Commission — one imagines — would hold status equivalent to the Church and the Law, and would combine with them to make, as it were, a trinity of 'pillars' supporting that great standard of unity in diversity, of ethical discipline in political freedom, which is symbolised so movingly by the politically powerless Crown.

Speaking mathematically, these concepts can be expressed succinctly by the equation $S = QD$, where S stands for the productive manhours fed into

an Economy per unit of time, D stands for the demand for them per the same unit of time, and Q is a symbol for the proportionality between them. When an Economy is in balance the numerical value of the symbol Q will be 1; when it is inflating Q will be less than 1, and when deflating Q will be more than 1.

Since in this country D must be expressed in £'s, the £ would have to be given a 'Manhour Standard' on Day one of an introduction of the system. This Day-One Standard — which would thereafter be 'frozen' into the equation — would be found readily by equating the day-one productive manhour rate to the day-one demand rate (in £'s), thus using them to find the value of the Day-One Standard (i.e. with Q taken as arbitrarily equal to 1).

For example, let us find the day-one Standard S' in an Economy when S is 1200×10^6 manhours per week, and when D is 1500×10^6 manhours per week (and when Q is equal to 1) and when S' represents the value of the required Standard:-

The Day One equation is:- $S = QDS'$

Then:- $S' = \dfrac{S}{QD}$

Substituting figures:- $S' = \dfrac{1200 \times 10^6}{1500 \times 10^6}$

Thus the Manhour Standard $S' = 0.8$ Manhours per £

Almost for ever after, the governing equation would then read:-

$$Q = \frac{S}{0.8D}$$

Avoiding Over-production

The word "almost" has been used because, in the event of marked technological or other improvements in productivity (output per manhour), it might become desirable to cut back by statute the national average working hours per week, in order to avoid over-production. In such circumstances the £ Standard would be reduced by the proportion the new ratio S to D is to bear to the former ratio S to D; namely if the average working hours were to be reduced from forty to thirty per week, the Standard given in the above example would have to be reduce from 0.8 to 0.6 — in order to keep money flow in match with productivity flow. But the need for such adjustment should prove rare because of the very considerable elasticity inherent in monetary systems. Alternatively, of course, the Standard could remain unchanged, in which case the monetary units would buy proportionately more, and become more valuable therefor. Though the thought is a pleasant one, the latter would not accord with the idea of constant purchasing power.

A frequent criticism of this thesis is "How would it be possible to discriminate between productive inequalities when one manhour is compared with another?" The answer is that the labour market would continue to do this by bargainings (collective and otherwise) as it has always done before. But who could doubt that it would be done with much less turbulence when the relevant contracts and settlements, drawn up in terms of constant purchasing power currency, would not be immediately unsettled again by ongoing inflation?

Finally, if the generally dreaded switch in the role of the individual in community life, from master to pawn, is to be avoided it would seem a matter of great urgency that electors everywhere should put the stabilisation of currency at the heads of their political shopping lists. Any unpalateable side effects should prove temporary and trivial compared with the general realisation that — while mathematics may be able to keep money honest — in the long run enduring and willing services to our communities of neighbours alone can yield the true glory to civilisation.*

**See Captain J. K. McA. Tod's "A Fresh Look at Unemployment — in Vol. 8 No.1— Britain and Overseas.*

THE ROLE OF MONETARY POLICY

A booklet recently published+ under the title MONETARISM: An Essay in Definition provides a useful contribution to a controversy that has lasted three hundred years. The author is Tim Congdon, a former correspondent to *The Times* who is now economics advisor to a firm of stockbrokers. He sets out to define the meaning of monetarism and provides a valuable account of the present state of development of monetary theory in Britain. Monetarism, he says, may provisionally be described as resting on two essential ideas: that "money matters", and that government should control money supply growth to keep it in line with productive capacity. A theme which 'Britain & Overseas' has constantly propounded.

In his foreword, William Rees-Mogg, Editor of *The Times* writes "Governments have to make up their minds whether money is an independent or a dependent variable. There are only two views; one is that the issue of money must be limited to the quantity which is compatible with stable prices, whether internal or external. The other view is that the issue of money should be determined by the requirements of trade and that as much money should be issued as will bring trade to the maximum."

"All opinions on this matter, in a controversy that has lasted for at least 300 years, come down to one view or the other. Mr. Congdon provides powerful support for the view that it is the issue of money which determines the level of prices, and that trade has to come to terms with a constant rate of issue of money rather than the other way round. His argument is certainly cogent and it is in my view correct."

+*Monetarism: An Essay in Definition by Tim Congdon published by the Centre for Policy Studies, 8 Wilfred Street, London SW1. (Softback — £2.55 + 30 p&p) Hardback — £3.75 + 35 p&p.*

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