



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

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1979 – A YEAR OF DECISION

The first days of the New Year have been gloomy in the extreme. Blizzard weather conditions affecting the whole country, with all the attendant disruption of normal life were bad enough. But added to this, and far more serious to our present and future well-being have been the self-inflicted wounds brought about by a rash of strikes – road haulage – rail chaos – water and sewerage workers – hospitals – schools – you name it, we've got it! In fact, a kind of madness seems to have descended upon some sections of the working population throughout the country.

'Workers unite to destroy our standard of living and reduce us to third world status' seems to be the object of the exercise, and the Government seem helpless to do anything about it. Orwell's 1984 seems perilously close.

The Prime Minister denounced reporters who asked him, on his return from sunnier climes, what he was proposing to do about the mounting chaos. Interviewed on television when he arrived back from his tour, he seemed unconcerned about the state of the country, but he has since admitted that we are in a serious situation.

Irrelevant Measures

On 16 January in the House of Commons the P.M. put forward some proposals which not only seemed irrelevant, but in some ways positively harmful. His announcement that he intends to impose further curbs on company profits while massive dislocation is taking place in manufacturing industry by the lorry drivers' pickets seems divorced from reality. Obviously profits will suffer from the strikes and will lead, in turn, to less investment and more unemployment. The proposed Bill to strengthen the powers of the Price Commission seem equally misplaced, while wage costs have been rising at 12 to 15 per cent per annum, price increases averaged just 5.7 per cent on an annual basis. The policy seems to be to crack the whip at the wretched employer while giving complete licence to the trade unions to disrupt the economy.

Press reports that small groups of militant pickets all over the country have taken it upon themselves to decide whether food and other vital materials should be allowed to move and hospital workers whether patients should be treated, all made depressing reading and seem to point to a state of anarchy.

Freedom from Interference

The leader of the Opposition, Mrs. Thatcher, was surely right in emphasising that any person had a right to go about his daily work or pleasure free from interference. A right, she stressed, not being exerted or exercised at the

moment, a right which the police and government should be upholding. The country, she said, was practically being run by strikers' committees who decide which lorries should go through the picket lines.

The absurdity of the present situation is that while the main aim of the trade union movement is to enhance the standard of living of their members, the action they are now taking, and have been taking for years, can only result in the lowering of living standards of their own members as well as everyone else in the community. Recent researches* have shown that in spite of the increasing militancy adopted by the unions and in spite of their undoubted powers they have not even succeeded in maintaining the workers' share of the national cake. Sir Terence Beckett, chairman of Fords told the American Chamber of Commerce in London that the nine-week shut-down in his company had meant that their wage bill would be only 96 per cent of last years total and employees as well as the unions had suffered substantial losses, as well as the company. So who benefits? It seems only those whose aim and object is to disrupt the economic life of the nation.

The tragedy is that, given the right kind of common-sense policies, fairly and firmly administered, Britain has the capacity to greatly improve the living standards of all sections of the community. Sir Winston Churchill once declared – "Mankind is faced with two alternatives – on the one hand measureless reward and on the other supreme disaster." 1979 seems clearly to be a year of decision, either we continue down the slippery slope of industrial chaos or we change our outlook and policies to enable us to inherit the 'measureless reward'.

The Myth of Money

To enable us to do this, however, we must probe rather more deeply into the reasons behind this irrational behaviour so evident in our industrial life over the past years. The attitude of persistent mistrust between workers, employers and government has its roots in the traumatic experience in the deflationary period in the inter-war years.

In the 1920's and 30's it really was a case of 'Poverty in the midst of Plenty' – while malnutrition was rife, food and goods of all kinds were being destroyed and their production restricted. So it seemed that the way to remedy this was to increase the amount of purchasing power to enable people to buy what was produced. In the circumstances then prevailing, this policy was right and belatedly acted upon. But it led to the belief that the solution to our problem was to increase the supply of money, completely ignoring the fundamental fact that an increase in the supply of money unrelated to the production of real wealth, i.e. goods and services of all kinds, simply results in inflation.

**Excessive Taxes lead to Inflation and Unemployment – Economic Research Council – 1978 (75p).*

In these years the myth was created that somewhere there was a large store of wealth waiting to be distributed if only workers used their economic strength to demand that it should be distributed. The truth that wealth has to be created before it can be distributed has, to a large extent, been ignored. It has been said that the trade unions are still fighting the battles of the 20's and 30's in the completely changed conditions of the 70's. There is a great deal of truth in this.

There has been a complete failure to inform people about the basic economic facts of life. To quote Sir Winston Churchill again, when referring to war-time finance he wrote — "The multitudes remained in ignorance of the simplest economic facts and their leaders, seeking their votes, did not dare to deceive them". The result of this is to encourage the persistence of the myth that money is itself something of intrinsic value when in fact for many years the only value which money has is what it will buy. In former times there was some substance in the belief that money had some value in itself, coins of gold and silver had a value which is not true of the notes and coins and far larger volume of credit money which constitutes our modern money supply. Yet there has been no coherent attempt to convey these facts to the general public.

Money and Real Wealth

Too many of our political leaders have made extravagant promises without explaining that these can only be made good by producing more real wealth. Industry has spent enormous sums in advertising and publicising the goods and services they provide, while only a trivial part of this is applied to influencing the climate of opinion by explaining the possibilities which are within our reach if only we combine to work for them.

So long as the myth persists that money is itself wealth, so long shall we get powerful groups within the community demanding more money without regard to the growth of production of the real wealth on which our standard of living depends. Hence, the action of the trades unions, whose powers have been greatly enhanced by successive governments, in continuing to make unrealistic demands for more money, while at the same time they indulge in strikes, go-slows, work to rule, etc. which have an immediate effect in the diminution of the creation of the real wealth of the community. The result is that when demands for more money are met, the increased money in the pay-packets buys less and less in terms of goods and services. To pay a worker £100 when there is only £50 worth of goods to buy with it merely reduces the purchasing power of the £100 to £50. That is inflation.

Since the war the authorities have failed to recognise this truth and have gone on pumping more money into circulation regardless of the production of real wealth. This has again given encouragement to the false belief that we could go on spending without let or hindrance. The Radcliffe Report on Credit & Currency put it thus — "Spending is not limited by the amount of

money in existence but it is related to the amount of money people think they can get hold of". Trades unions have not surprisingly taken this to heart! It is time we introduced an element of common-sense in our approach to these problems.

Waste of Resources

We must set about the task of making it clear that it is the reverse of common-sense to demand more money and at the same time resist by every means the increased production of real wealth. We are wasting our resources by overmanning and resistance to new techniques. We fail to give worth-while incentives to those who are prepared to work efficiently, at the same time we reward the work-shy. We deny free enterprise and in particular the smaller businesses the favourable economic climate which would encourage them to expand and take on more workers. Free enterprise in Britain, given proper incentives could revolutionise our productive capacity. Yet it has been subject to more sustained political attack than any other industrial nation of the western world. Excessive taxes have discouraged investment and is turning Britain, once renowned for its honesty into a nation of tax-dodgers. Governments have taken and still take far too large a proportion of the wealth of the community.

The endless debilitating strikes in major industries have undermined confidence in Britain. It is time our Union Leaders realised that they should resolve inter-union problems by negotiation; they should co-operate with industry so as to ensure that it made a profit and could therefore afford to pay higher wages and then if both sides combined to insist on the Government reducing its expenditure and consequently taxation, the resulting increase in prosperity would make possible higher real wages to be paid, and would provide much needed capital to finance expansion and work for the unemployed.

Physical Abundance Possible

It is time that we recognised that the real problem in the second half of the twentieth century arise, not from scarcity, but potential abundance. Scientists, engineers and technologists have now made physical abundance possible, yet economists, financial experts and politicians (with some notable exceptions) have been unwilling to face up to this change. Consequently they have failed to bring to light the real problems which must be solved.

Unfortunately, we have to accept the degree of inflation already inflicted on us, however much this may be deplored. The main task of Government should be to ensure future stability of the internal general price level by allowing future monetary demand to expand only at a rate commensurate with the production of real wealth, and to explain to the working population that only by increasing the flow of real wealth can their living standards be improved.

This is a year of decision. If we make the right choices, we can look forward to a better life for all, the alternative is disaster.

TAX CUTS

An idea whose time has come!

During December a visitor from USA came to this country to tell us how he and others had organised the successful campaign which had resulted in Proposition 13, the Californian Petition which had resulted in substantial cuts in property taxes. The visitor was Mr. Howard Jarvis who was born in London of an English father and Scottish mother. He said that although he had a high regard for the abilities, judgements and international knowledge shown by the U.K., nevertheless our present penal taxation system was the highest in the world and had reached the point of no return. As a result of this penal taxation we had strangled the smaller business at birth and as a result the brains of the U.K. were seeking to set themselves up in other parts of the world where wealth could be generated and retained and thus sustain growth and development.

Under a socialist system, Mr. Jarvis, claimed people had to be saints and completely divorced from any self-seeking interests. But human nature did not operate in that way. Under Socialism a man who works hard has a substantial percentage of his reward taken away from him to underpin non-viable enterprises and to enable the work-shy to continue to enjoy extremely comfortable standards of living. This led him to the conclusion that the U.K. must find means of having taxation substantially cut and M.P.'s should be left in no doubt that this was a high priority in terms of the views of their constituents. A considerable number of letters to M.P.'s from their constituents on the need to substantially cut taxation would be particularly effective in election year.

Fifteen Years Campaign

On 18th December Mr. Jarvis spoke to members of the Institute of Directors when he gave a graphic description of his fifteen years campaign which culminated in the overwhelming support gained in California for Proposition 13, by which Californians voted themselves a 57% cut (more than 7-billion dollars) in their property taxes.

The key to the affair, he told the directors, is the provisions under U.S. law that anyone can petition the government, provided he gets sufficient support for his petition. If he gets it, the subject of the petition becomes law. The government can only repeal that law if it can get support for a counter petition by means of a ballot of electors.

Return Control to Electors

Mr. Jarvis reported that the momentum for his campaign started when a California state politician decided that "Southern Pacific Railway owned the State". Its lobbying and financial support for politicians was such that it could control effectively the State legislature's decisions. The campaign therefore

was designed to return control to the electors.

Mr. Jarvis and his campaigners turned their attention to property taxes because they felt "property rights were an extension of human rights". When the government imposed property taxes so high that people could not pay and had to leave their homes, that was "grand felony theft".

The campaign included television commercials, canvassing and the collection of 500,000 signatures to back the petition. In the event it was backed 2 to 1 by Californian voters.

'Marching Orders'

Governor Jerry Brown of California reacted thus: "We have had our marching orders from the people. This is the strongest expression of the democratic process in a decade". Jarvis went on to carry his crusade to as many as forty other states. He told his audience that the result of Proposition 13 would be "to create 500,000 new jobs".

Jarvis said he then discovered the political "clout" of his Proposition. He and his campaigners polled political candidates at State level: did they support it, yes or no. "They all backed the yes answers, with staggering results in every case, and the first Conservative Governor in Texas for 10 years".

As a result, the campaigners are now looking to the Congressional elections in 1980. They will ask candidates the same questions, they will support those who say yes unequivocally, and they will get '30 more Congressmen' supporting them and thus change the political direction of the country away from socialism towards free enterprise. Such was the measure of Mr. Jarvis' confidence.

Throughout Mr. Jarvis emphasised that his purpose in visiting Britain was not to tell us how to do it, but to tell us what had been done in America and leave us to work out whether we wanted to do the same here, and if so how.

Mr. Jarvis concluded: "There's nothing like an idea whose time has come. The time has come for this one".

Exorbitant taxes, like extreme necessity, destroy industry by producing despair; and even before they reach this pitch, they raise the wages of the labourer and manufacturer, and heighten the price of all commodities. An attentive disinterested legislature will observe the point where emolument ceases, and the prejudice begins. But as the contrary character is much more common, 'tis to be feared that taxes all over Europe are multiplying to such a degree as will entirely crush all art and industry.

David Hume in his essay 'Of Taxes' written in 1756.

VARIATION ON A THEME

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

This imaginary variation on a theme of Constant Purchasing Power Currency (see the spring edition of Britain and Overseas) is an outline of the story of Economy 'X'.

The year is 2010 A.D.

Economy 'X' was the last in a long series of researches into the causes of and cures for the seemingly irreversible regression of free democracy into ever more stark and straitening disorder.

For far too many of the post world-war-two years for complacency the Churchillian visions of "Bright Sunlit Uplands", as the glowing prize for victorious free democracy, seemed to have faded into a nightmare of dark canyons plunging deeply towards a torrent of anarchy, in which all organised freedoms seemed destined shortly to fall and to perish. That had been the scene when the last and highest in a long range of summit conferences had been convened, in an attempt to avert that catastrophe. The delegates were so numerous that an area almost equal to the top of Table Mountain had been required. Yet the conference astonished the whole world by coming to an almost unanimous resolution that Economy 'X' should be given a twenty-year trial in the large isolated island of Pihera, with the object of establishing once and for all whether it is possible to preserve adequate freedoms for the individual, in high-technology national communities.

Pihera had been chosen for the experiment because this island flowed so richly with the milk and honey of intelligent industrious people and plentiful food and raw materials that, mounted here, the experiment could be run insulated from all confusing influences — such as imports and exports and currency exchanges — just as though it was being conducted in some huge isolated laboratory. Nonetheless, a good many sage and venerable heads and forefingers had wagged with gloomy prognostications. For this reason, particularly, it was indeed fortunate that the enthusiasms of President Maximus — of Pihera — and of his people, to become the guinea pigs for this great experiment, had finally tipped the scales of opinion positively in favour.

Community — Living

The Economy's 'blue print' was designed to give practical expression to a wide belief that the word 'civilisation' means community-living in peace plenty tranquility and safety — as the latin derivation of the word suggests. The experiment's designers believed that the more civilised the living the more peaceful plenteous tranquil and safe should life become; and to maximise such

civilisation was their goal; an objective which not surprisingly perhaps — had appeared, even to the most contumacious of the Great Summit's delegates, to be the bull's eye for all political and economic marksmanship.

While expressing doubts about the spiritual implications of 'plenteousness', even the Churches found unity in giving specially strong support to the nub of the experimental programme, namely to the intention to standardise the local currency on the productivity of the average Piheran manhour; "For is it not true" they said "that one of the principal and most practical ways of showing love to one's neighbours, in the non-sexual sense, is to work to give them what they need or want, when they want or need it?"

Another major factor in winning general approval was the eloquence of the principal American spokesman — Doctor Tomlin Ghilbarth — who, inter alia, said "The productive manhour — which of course is in fact a productive hand-and-mind hour — is the prime mover of all economy. For example, it should never be forgotten that even "a pearl of great price" is merely a valueless and painful concretion of calcium when it is in the wrong place and time. To get it from the distressed oyster onto my lady's finger requires an expenditure of a host of productive, artistic, commercial, and translational manhours. Once there, with the bills paid, the pearl ceases to have any dynamic economic effect. Its value then is potential only until the day the lady re-offers the pearl in the market, for exchange for another large package of productive manhours, through the medium of currency — "productive man-hours" which, if traded for the pearl, cannot be traded for anything else, at the same time.

Flow of Currency

Using a rather different metaphor, Doctor Ghilbarth later elaborated the above theme when he said "Thus it will be seen that the bringing of goods and services to the right places and times is what high standards of life are all about. Just as blood moving through the human circulation brings energy to where it is required for consumption, so also money moving through an Economy brings productive energy to where this man-produced machine-assisted energy is required for consumption; and to perform this function with minimum 'resistance' requires that the volume of the conveying medium be neither too large for the job (or inflated), nor too small for the job (or de-flated). Keeping the flow of currency just right for the job can be said at once to be the only sure foundation for building unity among many, as well as being the key to unlock peace with honour among individuals. In short a general tolerance of what is necessary to maintain a nation's currency at constant purchasing power is the principal, and perhaps the only, absolute discipline that must be accepted voluntarily, by community man, if it is not to be imposed upon him

arbitrarily."

Despite the general acceptance of this theory and the almost universal will to see it carried into effect experimentally, the theory was not, and was not intended to be, a universal cure-all for the all too familiar social and financial complexities of community life. Indeed they are the spice of life for many, and, far from being cured, most of these problems were in the event emphasised, by the hard logic imposed by the use of stable, instead of phoney, currency. But, when the matter is seen in the light of today's hind-sight, it must surely seem almost incredible that there could ever have been a time when the monetary hearts of free Economies existed without in-built pace-makers, which had been designed to hold the overall flow of human productivity in match with the overall flow of human acquisitiveness?

So much for Economy 'X' theory.

Now to the practice!

The first act in setting up Economy 'X' was to clear decks by nationalising the Bank of Pihera together with all the clearing banks. This was done for the dual purposes, firstly, of raising the whole banking system above the cut and thrust of competition and profit-making, and, secondly, of translating this focal vital service into what might be termed the Pantheon of Nationhood.

Here, on an equal footing with Church and Law, the Banking System was given supra-political sovereign powers in all matters affecting currency purchasing power. The powers were exercised by means of the many controls which always lie ready to hand for the providers of the symbols of credit — be they figures, notes, cheques, coins, or the like; and, far from its having exemption from the resultant controls, the government of Pihera's spending was one of the principle targets for the big guns of what was known as Pihera's Permanent Monetary Commission, whose powers in this respect were confined absolutely — by written constitution — to the regulation of daily demand (currency flow) as necessary to match the daily supply of productivity (productive manhour flow).

Honest Currency

Rather smugly perhaps, the new currency unit was dubbed 'the Probita' — from the latin for honesty. The approved abbreviation was P — or honesty crossed out! The latter certainly laid the new unit open to ribaldry. But the abbreviation was simple; and the powers-that-be ruled that such ribaldry was of no consequence now that the Probita's stability had been positively underwritten by hard logic.

From that date onwards policies and contracts of all kinds involving currency — and most did — were founded upon the firm Probita (i.e. upon real average productivity), instead of as always before upon the shifting sands of vanishing security. There will be many who can recall how these "shifting

sands" had nearly laid the free world prostrate before its arch enemies, dictatorial communism, and fascism; a fate which would not only have made nonsense of many hundreds of years of strife against tyranny, but would also have robbed individual men and women of their fundamental rights to possess at least their own souls and bodies.

As hinted earlier this is not to suggest that everyone in Pihera lived happily ever after. The all important politics in maintaining adequate incentives to work, to save, and to invest, and in preventing gross over-productivity, persisted; but the honest Probita transformed all these vital community interests, from grounds for strife and obstruction, into the stuff of man's progress out of martyrdom, towards his evolutionary fulfilment.

THE COMMUNIST CAMPAIGN TO WEAKEN THE ECONOMIES OF THE WESTERN WORLD

The world-wide scale of the combined assault by the trades union movements of both the Eastern and Western blocs against the multinational companies is exposed in a 100-page study¹ published by the London-based Foreign Affairs Research Institute.

The author, Mr. Ian Greig, Deputy-Director of the Institute has identified a three-pronged strategy by the Soviets against the economies of the West. He writes:

"The Soviet Union, and those Communist Parties which are loyal to Moscow, have adopted a strategy towards the economies and trade union movements in the non-Communist world which have three quite clear themes.

"The first of these is the creation of trade union unity which means the uniting of the genuinely free trade unions in Western countries with the bogus Party-controlled so-called 'trade unions' in the Communist countries. This joint world-wide activity is intended to hasten the collapse of Capitalism, the Parliamentary democratic system of government and the free enterprise economy.

"The second of these is the increasingly effective campaign against multinational and international companies. These successful, wealth-creating organisations are portrayed as exemplifying Capitalism at its worst.

"The third theme is the advocacy of the strike weapon either merely nationally or synchronised internationally against companies in order to weaken the economies of the non-Communist states, prior to advancing the Marxist-Leninist revolutionary cause."

The dramatic swing to the left in the trade union movements of the West and the failure of moderates in the unions to counter this trend is clearly shown.

Mr. Greig describes in great detail the impressive organisational weapon which the Soviets have created. Grand strategy is decided by the International Department of the Central Committee of the Soviet Communist Party. This

is then executed at home by the International Department of the All-Union Central Council of Trades Unions in Moscow and abroad by the international Communist front organisation, the World Federation of Trade Unions in Prague. In addition, a number of Communist-controlled regional and national organisations are utilised.

The author explains why the Soviets have been to such expense to mount such a global attack on these particular companies.

"The central reason for this is almost certainly the enormous importance of the positions such concerns hold in the economies of the Western free enterprise world at a time when the latter is coming under heavier and heavier pressure from both its internal and external opponents. Since the Second World War ended 'transnational production' has been estimated to have grown at twice the rate of both the gross world output and world industrial output. It is believed that foreign investment may already account for more than a quarter of world production."

The study has two useful charts and three appendices covering the latest WFTU conference in Prague, the rise and fall of a genuine trade union movement in the Soviet Union in recent years and an appeal by a dissident Soviet worker to the American trade union organisation AFL-CIO.

1. *The Ultra-Left Offensive against Multinational Companies: Moscow's Call for Trade Union Unity.* By Ian Greig. Foreign Affairs Research Institute, 27-31 Whitehall, London, SW1A 2BX. £3 or \$6.

COMMON MARKET QUOTES

The Home Office appears to have done its best to conceal that membership of the Common Market has changed the immigration laws over the heads of the Home Secretary and Parliament, the Commons Select Committee on Race Relations and Immigration was told yesterday.

It would be impossible for the British Parliament to pass a law contrary to Community treaties and regulations.

Daily Telegraph 26.1.79.

It now seems inevitable that a fierce row, with profound political overtones, is now brewing among EEC countries and the Commission over the 1979 farm price proposals and the whole question of the structure and future of the Common Agricultural Policy.

Daily Telegraph 26.1.79.

A major political dispute which could wreck the Common Agricultural Policy will break out in Brussels next Thursday over European Economic Community plans to impose a heavy levy on British Farmers.

The scheme, which is expected to put up the price of butter and cheese in the shops by 4p a pound, is aimed at cutting Europe's milk surpluses by imposing financial penalties on farmers and British farmers will suffer most.

Sunday Telegraph 28.1.79.