



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

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BRITISH POLITICAL CHANGE

*A talk given by Dr Tony Wright MP to members of the Economic Research Council on Tuesday 13th May 2003.**

Earlier today I was involved in the launch of a new pamphlet called *Parliament's last chance* in which it is pointed out that our traditionally strong Executive combined with a traditionally weak Parliament has come about because, since we have never had a revolution and have never been invaded, we have never had to decide what kind of political system we really want and what democracy might be. And so all the powers that used to belong to the Crown have been transferred, lock, stock and barrel to modern governments and their Party bases with no clear separation of powers. Governments wish to control the House of Commons and malleable majorities with party discipline has been the leitmotiv of the last century.

Now, strengthening Parliament seems to require structural changes to the system. Something quite fundamental is needed like developing a career structure for parliamentarians quite separate from the executive. At the moment MPs all think they want to join the government in some form which is enfeebling of Parliament. There are far too many professional politicians coming in now. They come in too young and many of them have done nothing apart from working for a Party or for some Party-linked organisation. This is quite different from how it used to be when MPs had a life outside and a career outside which gave them an independence. When I first came into the Commons I had five years 'leave of absence' from the University of Birmingham and it did make a psychological difference because, whilst I hope that it hasn't made a fundamental difference, it meant that I knew that I wasn't dependent on the Whips because I could just think to myself "you don't own me".

But my case is now untypical and we need to try to de-professionalise politics as far as we can, but this depends upon local Parties choosing candidates with different backgrounds and experiences.

As Ken Clarke has colourfully put it,

"Twenty years ago there were the 'Knights of the Shires' in the Tory party. The Whips couldn't touch them because if you are a 'Knight of

* Based On *British Politics: A Very Short Introduction* by the speaker to be published in June 2003 by Oxford University Press.

the Shire' you don't want anything – you are already IT! You don't want to be the Junior Minister for Social Security'. At the moment, we've got so many people, and its true I'm afraid right across the Commons in all Parties, for whom politics is now 'the career'."

I think that this is a very serious development and tonight I want to place this issue in the wider context of the distinctive features of British politics. There are continuities and there are alterations - but are the continuities still more significant than the alterations? Is the fundamental character of the system being transformed?

Let us start with the Queen, or at least with her Golden Jubilee. In the summer of 2002 flags sprouted everywhere, in wholly unBritish fashion, as Golden Jubilee and football world cup conjoined in a splendidly muddled spasm of national festivity. In England the Cross of St George, previously confined to political extremists of the far right, festooned cars, houses, pubs and shops. What on earth was going on? Had Britain (or perhaps just England) become a different kind of place? Had devolution finally released a tidal wave of English national feeling? Had the monarchy recovered from its family difficulties and re-established itself in public affections as the symbol of unity and continuity? Or was such symbolism now performed by football teams (as jokes about Beckingham Palace implied)? Such questions were endlessly chewed over, but there was no agreement on the answers. Change and continuity collided.

The Queen, of course, represented a massive continuity. When she had acceded to the throne in 1952, her prime minister (Winston Churchill) was someone who had taken part in one of the last cavalry charges by the British army; her Golden Jubilee prime minister had not even been born in 1952. The political landscape after fifty years of her reign looked remarkably similar to that at the beginning. In 1952 the Conservatives had just taken over from Labour; in 2002 Labour was in power after a long period of Conservative rule. Both were periods of adaptation and consolidation after major ideological upheavals: for the Conservatives after the Attlee revolution, and for Labour after the Thatcher revolution. The first-past-the-post electoral system was still delivering routine majority governments (and still providing a buffer against the kind of political extremism of the far right that surfaced in Europe at the beginning of the twenty-first century). Even the agonised dithering about relations with Europe was a common feature of the two periods. Yet in other respects there were major discontinuities.

Consider the dramatic contrast between the general elections of 1951 and 2001. In the former, 82.5 per cent of the electorate turned out to vote, while in the latter it was just 59.4 per cent. The Labour and Conservative parties took 96.8 per cent of the votes between them in 1951, while in 2001 their combined share had fallen to 72.4 per cent. In 1951 the Conservatives won a modest majority of 17 seats on a vote of 48 per cent; in 2001 Labour won a crushing landslide with a 166 seat margin on a vote of only 40.7 per cent. Party memberships, and allegiances, had also declined. The clash of ideologies had become much more muted, as party differences narrowed. There was a sense that politics had become much less central to the life of people in Britain in the latter period than in the former. Politicians now promised to ‘deliver’, as though politics had become a branch of management, and there seemed to be a general (if not enthusiastic) acceptance of this definition.

The fate of the parties contained one historic discontinuity. Until 1997 the Queen’s prime minister had been a Conservative for three times as many years as she had experienced a Labour one. This seemed to many (in both parties) to be the natural British order of things. The fact that the Labour Party had never managed to stay in office for two full consecutive terms was testimony to this. The reversal here has been extraordinary, both in its speed and its scale. The disintegration of the Conservative party from the 1990s, and ‘new’ Labour’s crushing consecutive electoral victories, has transformed the party landscape of British politics. It is far too premature to judge whether Tony Blair’s declared ambition to make the twenty-first century in British politics a ‘progressive’ one after a Conservative-dominated twentieth century is in the process of being realised; but there has certainly been a rupture in the traditional pattern of party politics in Britain.

Yet this does not count as fundamental change in the system. As political allegiances become thinner, it is likely that reversals of political fortune will become more extravagant and that traditional patterns will be permanently unsettled. What would be a fundamental change, transforming these tendencies into a quite different way of governing, would be a break with the first-past-the-post electoral system for Westminster. This would change government, parliament and the whole way of doing politics in Britain. Tony Blair flirted with this, when he thought that his progressive century might require a progressive coalition. The flirtation may one day be resumed, but only when the political weather has changed for the worse.

Even without an alteration of the voting system, there are other fundamental changes that require traditional accounts of the British political

system to be rewritten. Some of these changes are very recent, others now well established. In the latter category, the impact of European Union membership stands out. Here the contrast between the beginning of the Queen's reign and her Golden Jubilee is dramatic. This is one civil servant's memory of Whitehall attitudes in the 1950s towards the new European institutions:

“There was a lot of fog in the Channel. Paris was all very well as a place to go for a decent meal. But these Continental Johnnies were frightfully unreliable. They were always starting wars and losing them. Britain had won the war; we were a great power and the centre of a great Empire; it was Britain which had the special relationship with the United States. To get mixed up in all this European flummery was unthinkable. Britain would lose its vastly privileged status, and just become a province of Wogland, with gendarmes patrolling the streets, and fish and chips replaced by decree with snails and garlic. So the conclusion of any Whitehall meeting on Europe was that of the Victorian mother who instructed her nanny to find out what the children were doing and tell them to stop it.”

(Roy Denman, *The Mandarin's Tale*)

Not only did they refuse to stop it, of course, but Britain eventually joined in. The effect is that the European Union is now an integral part of the British political system, and would become even more so with membership of the single currency; many laws are made in Europe (in 2000/2001 8.3 per cent of all secondary legislation had the European Communities Act 1972 as the parent Act); much ministerial and official activity is concentrated there; and old versions of parliamentary sovereignty have to be junked. Yet Britain still remains different, and echoes of those attitudes from the 1950s are still to be heard. Cross-national opinion surveys in Europe routinely show the British to be least keen on strengthening European institutions in relation to national states. Hesitancy about a single currency is the most obvious manifestation of this. There also remains a mismatch between the political system of consensus-seeking and coalition-building that British politicians have to engage in when on European business and the winner-takes-all adversarialism that they practise at home. In this respect British politics is still stubbornly unEuropean.

Yet this is now true only of Westminster. It is conspicuously not true of Edinburgh or Cardiff (or Belfast), where multi-party and coalition politics

have been deliberately engineered into these devolved institutions by the constitutional legislation of the post-1997 Labour Government. Electoral systems have been devised which have long been regarded as anathema for Westminster. If the London assembly and the European Parliament are added to the list, Britain now contains a wondrous variety of electoral systems. It is possible that a part-elected second chamber and English regional assemblies will further extend the list in future. What is not yet clear is whether this ‘horses for courses’ approach to electoral systems will make changing the Westminster system more, or less, likely.

What is clear, though, is that devolution itself has put a bomb under the old British unitary state. So far the explosion has been limited in its effects, bringing difference rather than disintegration to the United Kingdom as a politics of separate realms is observed. Those who argued that it was necessary to change the union in order to save it seem to have been vindicated. However it is possible that future effects may be altogether more severe and extensive, requiring formidable skills of political management if the union is to be sustained. Already there are demands being heard in both Scotland and Wales for more powers. The new arrangements will face their real challenge when different parties are in power in Westminster and Edinburgh, and when a Westminster government depends for its governing majority in England (and Wales) upon Scottish MPs who can legislate for England while English MPs can no longer legislate on similar matters for Scotland. If devolution also provides a powerful political platform for separation, then all constitutional bets are off.

Then there is England, and the English. The dominant partner in the enterprise of the United Kingdom has, contrary to many expectations, so far proved remarkably relaxed about devolution. If that is what the Scots and Welsh want, then good luck to them: this has been the general English view. There has been some grumbling about Scotland getting more than its fair share of public spending, more representation at Westminster than it should have, and more generous provision of some services (such as long-term care for the elderly) than elsewhere; but the English Question has not (yet?) made itself felt in a pressing way. This is because there is no agreement on what the question is, let alone the answer. If devolution is essentially about decentralisation, then its application to England would seem to point towards regional forms of government (and there are now officially-sponsored initiatives in that direction). However, if it is a matter of England acquiring a more distinctive political identity of its own, then this might well point to a quite different kind of renegotiation of the terms of the

United Kingdom. This particular dog has not yet barked, but there are some signs that it may be beginning to growl.

There may well be a preference for muddling along though, at least for as long as this is possible. After all, the British are notoriously adept at not pressing things to their logical conclusion. With all its asymmetries and rough edges, devolved power has entered the bloodstream of British politics. It was back in 1879, in his Midlothian campaign, that Gladstone declared: 'If we can make arrangements under which Ireland, Scotland, Wales, portions of England, can deal with questions of local and special interest to themselves more efficiently than parliament now can, that, I say, will be the attainment of a great national good'. Having now established such arrangements, there will be no going back. Constitutional change, even if resisted at the time, tends to stick. It also unleashes a dynamic that brings with it continuing (and often unanticipated) consequences. British politics is on the move.

If this is one area of fundamental change, then the legislation on human rights is clearly another. When a court decided that provisions in the anti-terrorism legislation introduced in the wake of the events of September 11, 2001 were unlawful, the world inhabited by British governments had demonstrably and decisively changed. The fact that a minister was heard to complain that British governments had been doing for thirty years what had now been declared unlawful simply served to highlight the significance of what had changed. The old axioms of parliamentary sovereignty, in which parliament made the law and judges were bound by it, could no longer be sustained in their ancestral form. This required a fundamental revision of traditional accounts of the way in which Britain was governed.

In fact, on a range of fronts the business of governing Britain had started to become much more complicated than it had been not so long ago. The writ of the centre was constrained by the powers of the devolved institutions. Judges could cause trouble for the politicians. A central bank now presided over monetary policy. Major constitutional changes seemed to require referendums. Previously unregulated parts of the political system (such as the activities of political parties) were now regulated. Where there had been merely codes of practice (as with access to official information) there was now legislation, and where there was no legislation (as with MPs and ministers) there were tougher and more politically visible codes. Powerful constitutional watchdogs, including an electoral commission, had been established to police public life. Auditors and inspectors were rife. Even a half-reformed second chamber had more legitimacy in exercising

its powers. Although still uncoded, much more of the constitution had been written down.

Just to run through this kind of list is to see the extent to which accounts of the 'British model' require revision. It is not so obvious as it once was that the British way of doing politics sits out on an idiosyncratic limb. The combination of factors common to a cluster of political systems – participation in the European Union, ideological uncertainty, cultural fragmentation, wicked issues, global pressures, voter detachment – with the effects of a domestically engineered constitutional revolution served to make the British polity much less exceptional than it had once seemed. A unitary state had been replaced by a kind of quasi-federalism. Whole tracts of political life were being formally constitutionalised. From elected mayors to referendums, proportional voting systems to televised prime ministerial press conferences, previously alien devices had been imported and adopted. There was a new pluralism about the system, with new places where politics was done and new ways of doing it. An array of checks and balances existed where none had existed before. It therefore seemed perverse to accuse those who had presided over these changes of wanting to control everything (as with the gibes about 'president' Blair), when on so many fronts they had deliberately made life more difficult for themselves.

Yet this is not the whole picture. In crucial respects British politics remains strikingly familiar. It is not just that ancestral institutions, from the monarchy to the House of Lords, still decorate the landscape, but that the political engine room at the centre is resolutely intact. A strong executive calls the shots. Single party governments, produced by an electoral system that trades proportionality for governing capacity and rough accountability, remain the norm. Parliament continues to be enfeebled by executive control. An adversarial political culture structures (and stultifies) political debate as it has always done, eschewing consensus-seeking for tribal point-scoring and turning politics into a permanent election campaign between opposing armies. So much, so familiar. This is the traditional British way of doing politics. Governments govern, oppositions oppose, and the electorate merely gets to decide periodically who does what. In this sense the system does retain its essential, and distinctive, simplicity. The British model is clearly far from dead.

Indeed, far from wanting to bury it, recent British governments of both main parties (in the shape of Margaret Thatcher and Tony Blair) have sought to extract even more capacity from a system which already gives a vast governing capability to a majority party. Tony Blair made no bones

about his desire to strengthen the centre of the centre, expanding the resources of the prime minister's office, bringing in more political appointees, exercising a tight political control and wanting civil servants who could deliver the Government's programme. Some saw it as the final passing of cabinet government, made possible by the conventional flexibility of Britain's governing arrangements. At the same time the ferocious centralism of the Blair Government's public service reform programme, with its command-and-control repertoire of targets, penalties and hit-squads, mocked the idea of any conversion to a governing pluralism. Here was a brutally simple kind of government, with an equally brutal kind of accountability.

It depended upon the absence of alternative traditions and cultures. The progressive emasculation of local government, extending over a generation, meant that there was no longer an effective localism to resist the incursions of the centre or to provide alternative sites of loyalty and leadership. There was much talk of the need to 'restore' local government, but little sense of how this might be done or real determination to do it. In its absence, all eyes were inevitably turned to the centre. As for the engine room, the Blair Government's constitutional reform programme stopped resolutely at its door. Again there was much talk of 'modernising' Parliament, but this was not matched by the kind of reforms to the Commons that would decisively shift the balance between the executive and the legislature or chip away at the prerogative powers that governments had acquired from the Crown. The protracted difficulty in reforming the House of Lords derived from a determination on the part of the Blair Government to avoid creating a second chamber that would circumvent the executive's domination of the first chamber. Constitutional reform stopped well short of tampering with 'strong government'.

So British politics, in the opening years of a new century, presented a confused and paradoxical picture. The system retained enough of its traditional features to confirm its distinctive identity, but there were sufficient changes apparent to suggest at least the possibility of a larger and more fundamental transformation. It was neither fully intact nor decisively altered. There was no going back, but also no clear sense of what further advance might involve. Competing pulls and pressures made the search for a settled direction elusive. Power was devolved from the centre, but it was also intensified at the centre. The union state was still preserved, but the old unitary state had gone. Europe was embraced, but still with reservations and not if it conflicted with the 'special' relationship with the United States,

as we saw over Iraq. An old constitution had been upended, but a new one had not been installed in its place. Traditional patterns of political behaviour were in decline, but the shape of their replacement was obscure. Adversarialism prevailed still at Westminster, but a more pluralist kind of politics elsewhere now confronted it with alternative models.

All this gave the impression of a political system, and of a way of doing and seeing politics, as being in a kind of limbo, between two worlds, knowing where it had come from but uncertain about where it was going in the future. Some of this uncertainty was inevitably built in to the process of constitutional change that had been embarked upon, but there were wider uncertainties too. Did Blairism represent a new ideological (and social) settlement? Did it make Britain a leader or an aberration in terms of policies and ideas? Where would effective opposition come from? Would the two and a half party system continue to function at Westminster, with routine majority governments, or would devolution eventually produce change there too? Would the European issue in British politics ever finally be resolved? If Britain was a bridge between Europe and the United States could it continue to carry the weight that was put on it? How could the popular demand for European-standard public services be reconciled with a popular reluctance to pay European levels of taxes? Could policy performance ever match voter expectations? Was the increasing disconnection of substantial members of the electorate from the political process a trend that could be reversed? As British society became more diverse, would this erode a traditional political culture? These were just some of the questions that hung in the political air as a new century got underway.

Yet there was, perhaps, a note of relief and satisfaction too. This takes us back to the Queen. On 30th April 2002 she marked her Golden Jubilee with an address to both Houses of Parliament in the ancient setting of Westminster Hall. Her words struck those present, and those reporting the event, as both an official sigh of relief that the huge changes of the previous fifty years – the end of empire, the engagement with Europe, the development of a multicultural and multifaith society, devolution – had been successfully absorbed, without bringing the house (or the monarchy) down; and as an affirmation of the robustness of a political tradition that could accommodate such change. This permitted a cautious confidence. The country possessed ‘a trusted framework of stability and continuity to ease the process of change’, and its national institutions ‘must continue to evolve if they are to provide effective beacons of trust and unity to succeeding generations’. What set such remarks apart from the usual royal

banalities was the palpable sense of relief at the changes that had been safely navigated, not least the survival of the monarchy itself, and a consequent confidence to endorse further change as the path to continuity.

So my own conclusion tonight is that British politics at the beginning of the twenty-first century remains distinctive, but not in the almost deliberately self-enclosed way in which it was once common to describe it. There is more fluidity, invention, questioning and borrowing, not least in the service of keeping a multinational Britain together for as long as its people believe this to be a worthwhile political enterprise. The historic, if uneven, balance between strong government and representative government that I began by mentioning, is essentially intact, for good or ill. Political life remains orderly and stable, certainly by international standards, and political extremism (outside Northern Ireland) is largely kept at bay. Britain's political and administrative class is untouched by systemic corruption, unlike in some other European countries, and there is a general acceptance of the rules of the political game. Politics in Britain is certainly changing, just as Britain itself is changing, but not yet out of all recognition.

PROBLEMATICAL PENSIONS

*A reply to the article "Why a problem about pensions?" by Brian Lewis
published in the Spring 2003 edition of Britain & Overseas*

By Michael Gilbert

I enjoyed Brian Lewis's article because it was so obviously written from the heart.

There are two principles about savings of all kinds which no man or government may violate.

Principle 1

All current consumption must come out of current production

This means, to take an extreme example, that a 25-year old cannot now save the loaf of bread he will need to consume if he survives to retire in 40 years time. Thus, in real terms, saving is impossible other than in the very

short term. What is possible (by choice or compulsion) is to forgo the exercise of money claims on current consumption and to accumulate these money claims for exercise at a later date. This later date can be in the distant future if (and what a big **if!**) the monetary authority maintains the value of the money claims so 'saved'. Much Argentinian distress has come from detaching a lot of 'saved' pesos from the US dollar with the concomitant loss of purchasing power.

One might of course buy gold or fine art or other commodities, which do not decay like bread, but even this is a gamble because the ultimate claims must be exercised in money and the price of gold etc. can fluctuate quite a bit.

What usually happens is that the money 'saved' is used to purchase financial assets. This is a highfalutin name for a collection of monetary IOUs. An equity share, for example, is a promise to pay what a collection of people called directors chooses to pay you, which can be absolutely nothing. Fixed interest debt is a bit safer but not much since default is always a possibility even with so-called sovereign debt. It seems even governments can go bust.

All of which is intended to show as Brian Lewis says, life is uncertain and there is no remedy. Consequently his suggestion that 'some degree of safety must be built in by law' is like asking for the repeal of the law of gravity by Act of Parliament.

Principle 2

There is at any time a definite limit to the transfer from earned to unearned incomes

Perhaps it is not contentious to suggest that all production of the things we like to consume involves the expenditure of human labour of some kind. In economic terms, the labourers are going to want their hire, that is what they would regard as an adequate standard of living for themselves and their dependants. The pension contributions of themselves and their employers both private and public together with a considerable weight of taxation tend to reduce what they can take home but only up to a point. Beyond this, they will strike back by inflating the currency one way or another. Whoever heard of the retired going on strike for higher pensions?

In good times, this is not too much of a problem. Trade is good, wages need to be high enough to attract and hold labour; dividends, interest payments and tax revenues are buoyant. Everyone is happy.

In less good times such as those under which we live at present, the reverse is the case. In order to keep take home pay at the required minimum, employers must economise and pension provision is the most rewarding area to begin this exercise. Gordon Brown has not helped by increasing taxation (the true name of the national insurance contribution) this month. However, the liability of the Government is more manageable than that of the private pension fund. They are not legally obliged to pay any pensions at all although no doubt there are political pressures

Since the late 1960s it has been the policy of all Governments to reduce the future pension liability of the State by encouraging, if not bribing us to switch to private provision for our pensions. This, coupled with allowing employees to leave their occupational schemes led to the pensions misselling scandal that cost the life assurance companies upwards of £11bn, which in part is the cause of their somewhat precarious position today. However, the private sector has nowhere near made up the difference. Add to this the improvement in the mortality experience of the old and Gordon Brown's stealth taxes and you have very nearly explained Brian Lewis's problem with pensions. It may or may not be some consolation that we have as a proportion of Gross National Product among the lowest prospective public pensions liability in Europe.

The Actuaries

I was particularly interested in Brian's castigation of the actuaries being one myself, albeit retired. Believe me Brian, the actuary's crystal ball is just as cloudy as yours. I once heard actuarial/economic/statistical forecasting likened to a car being driven with a totally opaque windscreen while an actuary/economist/statistician sat in the back seat looking out of the rear window directing the driver from the features of the road just passed through. Like many commentators, Brian, your judgment is founded on the considerable advantage of hindsight, which the practitioners do not have when they make their forecasts.

In other words, everything is OK provided the future is not much different from the past. It is even OK if there are totally unforeseen variations provided they are not too frequent and do not involve more than one factor. However, there comes a point where events become unmanageable.

Take inflation. When I first learned about final salary schemes, no allowance was built into the projections for salary inflation. This was because

there was hardly any to speak of. We simply allowed for increases on an established salary scale. Then, from 1965 to 1975 inflation went from peanuts to nearly 30%pa. Bearing in mind this is a compound rate the effect on liabilities became explosive and required companies to make massive injections of cash at the expense of profits.

Then, inflation abated, not quite back to earlier levels but sufficiently to allow actuaries to revise their estimates downwards, which in turn threw up large surpluses. Actuaries might have persuaded their clients not to take contribution holidays etc and to save the cash for another unforeseeable rainy day but the Inland Revenue, which was given power to tax large pension fund surpluses, did not assist them in their arguments.

Actuaries have never claimed to be wizards although it might be said they have never rigorously disputed the suggestion. However, it is perhaps a little unfair to imply that they will forget their professional responsibilities in order to please their clients who, in any event, are not the employers but the trustees of the pension funds (see below).

Who Owns It

Questions of entitlement are finally for the lawyers and I would never claim expertise in this area.

However, I was once given to understand that pension funds were a particular example of Trusts. Essentially, a Trust appears to be a very simple thing. It is a collection of assets vested in appointed Trustees who are required to apply them for the benefit of a specific class of beneficiaries.

Once cash or another asset had been allocated to the Trust, it could not be removed except under very special circumstances, which usually required the approval of a Court.

In the case of pension funds, the beneficiaries are the class of eligible employees which, given the sponsoring Company is a going concern, is unlimited. It may well include people yet to be born. This might seem to secure the assets for the foreseeable future. However, there is a wheeze that a predatory employer can use to get the money out. Put simply, it is as follows: -

- a. Close the fund to new entrants. This limits the class of beneficiaries to the current list of members, active and retired.
- b. Transfer out to other providers (insurance companies etc.) the liability for existing pensioners.

- c. Limit the pension being earned by members still working to service and salary in the company at the present time. This fixes these liabilities.
- d. Transfer out these liabilities as under b.

Since the actuaries will have required assets to cover reserves as if pensions were going to accumulate over the whole future service of the staff, at the end of this exercise you will be left with a considerable surplus. This surplus will be doing nothing since all the liabilities will have been transferred elsewhere so it can be released back to the employer and the trust fund disappears.

This ploy was used to good effect by take-over bidders who would use the pension fund surplus to finance their bid!

A rather quicker way of getting at the assets is the Maxwell method. He appointed himself and/or his sons as Trustees of the Daily Mirror Pension Fund and proceeded to sell the assets for cash. He then used the cash to purchase shares in other of his companies that had been deposited as collateral for bank loans under an agreement that if the share price fell sufficiently the bank could demand repayment. I suppose in this case, it would have been at least possible (if hardly credible) for him to argue that the Mirror pension fund members and his interests were identical! It gives a whole new meaning to words with a long pedigree like 'Trust'.

Regulation

This natural reaction to this kind of game is – pass Statutes to stop it happening. Brian Lewis is keen on this. However, it can create as many problems as it solves.

One outcome of the Maxwell affair was the Minimum Funding Requirement (MFR). This imposed on pension fund actuaries detailed rules for calculating liabilities. Prior to this the actuary was allowed to use his own judgment and, if the sponsoring company was going through a bad patch to 'temper the wind to the shorn lamb.'

No longer. The same minimum basis had to be applied to every scheme willy-nilly. Being on the strict side, this markedly increased the liabilities figure for many funds and required the actuary to impose a much higher contribution level than in the past whether he thought it necessary or not. At a time when cash flows were weakening, this imposed intolerable burdens on employers who felt they had to reduce their pensions responsibilities in order to stay solvent. Given the choice of prospective pension reduction or

losing his job would an employee hesitate? Now there are moves afoot to remove MFR but a lot of damage has already been done.

To make things even worse, the accountants decided to weigh in with some regulation of their own. They had long been concerned that pension funds did not figure in the Balance Sheet although contributions came out of Profit & Loss. To remedy this they introduced a new 'Financial Reporting Standard' (FRS17 in the jargon). Put simply, this requires pension fund assets to be valued at market prices.

Think about it for a minute. It has the advantage of objectivity. Well, yes, provided we can believe the accounts of the companies whose shares we are valuing. But from the point of view of the liabilities it is quite inappropriate. Pension fund liabilities are essentially long-term. The asset value which matters is that which applies at that date in the future when the liability falls due, some more than forty years ahead.

Indeed, in an expanding company, the asset values do not matter since pension fund contribution income is more than enough to cover pensions outgo.

Either way, current asset values are totally irrelevant but they have been applied to declare some of the biggest funds insolvent! Brian Lewis calls this asinine. I agree.

Needless to say, none of this applies to State pensions as these have no backing fund and are simply paid out of current taxation. Notwithstanding the dream of the Beveridge Report, there are no assets, no liabilities and no regulation.

Actuaries are professional people, not magicians, who do not always get it right, and in a sense, can never get it right since they are estimating the unknown future. Nonetheless, their status has been eroded to the point where they are required to do little more than certify a set of complex arithmetical calculations based on extensive, detailed and even more complex regulations.

Finally

In the end, private pensions are part of the deal struck between employers and their employees and public pensions are part of a deal struck between the electorate and its elected government. These promises about the future can never amount to more than earnest good intentions because the last word lies with unforeseeable events.

RE-DESIGNING HIGHER EDUCATION

By David Fifield

The following thoughts and views have been stimulated by Alison Wolf's book, 'Does Education Matter? myths about education and economic growth',* and by questions raised by others on the subjects of higher education's funding and worries over A levels.

Will history have come full circle, setting aside age, if a 'baccalaureat' were to replace A levels? Successful School Certificate candidates passed a group of six subjects, four prescribed, thus matching a suggested format for a British Bac. Examinations for School Certificate last took place in 1950.

The awarding of English bachelor degrees after three years full time study, compared with Scottish and Continental four/five year degrees, is reputed to rely on specialized sixth form teaching, especially the sciences. The introduction of a Continental style baccalaureat would challenge this arrangement requiring more study time, plus increased costs. A difficult proposition at the present time.

It is said we live in a knowledge based market economy. This view, when applied to higher education, is open to question. Historically universities educated the academically minded and candidates for some professions. The current shortage of doctors, teachers, scientists etc., suggests a performance problem, while increased participation, alongside funding constraints puts standards at risk.

There is a sector of higher education, business administration at master's level, that serves as a useful model. UK business schools arrived in the early 60s. Since then they have grown in number and standing with the leading school a regular member of the FT's international top ten. Success has centred on its ability to recruit the best staff and students, make available modern facilities, respond to market needs, while charging fees compatible with its student's potential income prospects.

A key justification for expanding higher education has been a positive rate of social return, a measure dependent on the enhanced earnings of graduates. There must be a time, probably soon, when marginal entrants fail to enhance their incomes. Through participation, while experiencing income forgone and possible loss of pension contributions, they are likely

* Reviewed in Britain & Overseas, Autumn 2002

to run up significant debt. Might a more cautious approach, rather than driven expansion, have made more sense?

Linking the above thoughts suggests an alternative framework. Young people, it is claimed, see their employment prospects enhanced when they hold a degree, preferably not committed to a specific trade or industry, ie somewhat general in nature. A baccalaureat, taken at eighteen, while not a degree might fulfil the same role. A move to four year degree programmes would permit the phasing in of sound funding based on a combination of fees and government support, plus best practice where appropriate.

With higher education subject to a number of interests, not just academic and economic considerations, I imagine change while necessary will be slow to come about.

THE NEW PPE: PEDANTRY, POLITICS, & ECONOMICS

By Peter Davison

HARDLY A DAY GOES BY when Orwell is not quoted or appealed to by writers and journalists, although the pedant in me wishes that they, and politicians especially, would take greater note of his advice in ‘Politics and the English Language’ and ‘The Prevention of Literature’, were more aware of the implications of ‘Benefit of Clergy’, and of the warnings about the misuse of language in *Nineteen Eighty-Four* (that surprising and bleak choice of English listeners to the ‘Today’ programme as their most representative English novel). It is unnecessary to justify the interrelation of politics and economics; both, especially in the way they are presented to the public, depend on language. Politicians, and, I think, pundits on the economy, should be aware that ‘if thought corrupts language, language can also corrupt thought’.

Despite their regular demands for ‘transparency’ in others, the way many politicians present economic decisions to the public is, if not downright dishonest, opaque. Before giving some examples of how language is currently being used, perhaps a single political representation of economics will illustrate what I am getting at. At the time I write there is much debate

as to how much money has been allocated to schools. The government argues that it has given a huge additional amount of our money to schools: many schools – how many is also a matter of dispute – maintain they face huge cuts in their budgets and will have to reduce the numbers of their staff. It *seems* that £500,000,000 has disappeared into a black hole. On the BBC's 'World at One' on 15 April 2003, the Schools Minister, David Milliband, was questioned about this apparent shortfall in funding despite the Government's claim to have increased funding. He declared that schools would suffer no budget cuts: the full amount promised had been distributed. Interestingly, the expression he used for 'distributed' was not 'allocated' but 'allocated out'. What does 'out' mean here? What is its function? How different is allocating money and allocating money - out? Was the use of 'out' intended to make his argument more convincing? Or was he slyly admitting that there was a discrepancy, that it is the figures that were 'out' so what he seemed to be asserting was not what he actually meant? It may seem a trivial distinction, but, of course, despite his protestations, at the time of writing it really does seem that many, many schools have huge shortfalls in their budgets and staff will have to go. The money may be 'out there', but the figures seem 'out': the economics really does suggest that unless that missing money is found, staff will also be 'out', out of a job. Do we have here slippery political language designed to conceal economic truth?

If only those who pontificate on politics and economics would realise how profoundly unconvincing are their tautological prepositions, adverbs, and meaningless expressions which they tack together 'like the sections of a prefabricated hen-house' (as Orwell described it¹) when composing their mantras. This misuse of language is not confined to politicians. Thus, no one now goes out any more, they go 'out and about'; the weather 'clouds up' and we 'head up', 'free up', 'flag up', 'listen up', even 'exonerate up', and, if we 'stop up' we are not filling a hole with putty but parking on the side of the road; we 'trial out', 'negotiate out', 'settle out', 'collect out', 'test out', 'remember back' and 'relegate down'. Do football teams ever get relegated *up* from the Second to the First Division? Or is this 'football speak'? On 19 April, a sports announcer said that, despite West Bromwich Albion's one-nil win over Sunderland, the former had been 'promoted back to the First Division', meaning they had been relegated – indeed,

1 'Politics and the English Language', 1945, XVII/423. References are to *The Complete Works of George Orwell*, edited by Peter Davison, assisted by Ian Angus and Sheila Davison (1998; 2002), by volume and page

relegated down. Of course, these ups and downs and outs and abouts can be essential. One can properly ‘head up’ a mountainside instead of ‘head down’, but is the ‘up’ necessary in ‘head up a committee of inquiry’? Ironically, when ‘out’ is needed, tv-soap drama has made its omission fashionable so that ‘sort out’ has been reduced to ‘sort’, as in ‘Well, that’s sorted, then’. Too often ‘of’ is stuck into such phrases as ‘throughout all of England’ and ‘outside all of Asia’. And there is the old American favourite, ‘meet with’ for ‘meet’. The American unwillingness in Iraq to use the international word and sign, STOP, preferring ‘back up’ and ‘back off’, has apparently led to the deaths of some unfamiliar with the American language.

The third of Orwell’s half-dozen suggestions for writing better English in ‘Politics and the English Language’ (XVII/430), which still provide excellent guidance, argues that if it is possible to cut out a word that should be done. Nowadays the rule seems to be to add unnecessary words. ‘Year on year’ politicians ‘anticipate’ (when, if they thought, they mean ‘expect’) and promise ‘a measured and balanced approach’ when engaged in a ‘full on review’, making ‘step changes’, preferably ‘over time’, or even ‘at the end of the day’. Usually such step changes will be made ‘robustly’ in order to ‘keep us across’ the latest developments. John Prescott offered us ‘step changes’ four times in a couple of minutes on the ‘Today’ programme on 31 October 2000 and instead of being quizzed on what he meant, his interlocutor, Sarah Montague, mindlessly repeated ‘step change’. Politicians tell us they ‘must say’, because ‘this is important’, and they repeatedly interject ‘what I am saying is’, preferably ‘basically’ and ‘at this moment in time’ for ‘now’ (or even ‘at this very moment in time’ presumably, for ‘very now’, which drives home its meaninglessness) or ‘at that point in time’ for ‘then’, as if by telling us they *are* speaking makes what they say more convincing when, too often, they are avoiding the truth. In the Milliband example quoted above, he kept reiterating, ‘what I am saying is’. If politicians cannot or will not answer a pointed question they will resort to the lame excuse that they ‘cannot answer in detail’. So Dr Lewis Mooney, Junior Defence Minister, on 20 April excusing himself from explaining whether a soldier had been shot through the chest and killed because shortages of equipment meant he had no body armour. The problem is that, so often are such formulae used that, even if, as here, no shortage of equipment is involved, suspicions are aroused that cannot easily be allayed. Recently Lord Whitty twice told us we were ‘on trend for’ achieving the government’s ends when defending a 15% cut in funding; a curious economic convolution.. It is odd how arts correspondents never arrange to meet

people: they forever tell us how they ‘caught up with’ this or that celebrity.

The vision of a breathless arts presenter, dashing through London or Amsterdam or New York, accompanied by puffing, out-of-condition technicians burdened with camera, lights, and sound equipment, is deliciously absurd, especially as we can be certain that ‘the catching up’ has been carefully pre-arranged. As far back as ‘The Principles of Newspeak’ Orwell pointed to the tendency to add *-wise* to words, his example being *speedwise* to mean ‘quickly’ (*Nineteen Eighty-Four*, IX/314-5). This is now so common, especially among weather forecasters, that its incongruity almost passes unnoticed: ‘weatherwise’, ‘cloudwise’, ‘temperaturewise’, even ‘weekendwise’, but it is common in other contexts, for example, by the military and police, ‘securitywise’²

My favourite language shift was the Prime Minister’s during the foot and mouth epidemic. He began by asserting it was essential to ‘slaughter’ larger numbers of sheep. Presumably some spin doctor told him that ‘slaughter’ is not a nice concept associated with woolly lambs (although acceptable when bombing foreigners) and he shifted to the need to ‘cull’ sheep. Shortly after that another shift was made to ‘cull out’. There is a significant economic difference between slaughtering and culling a flock of sheep. In the event, culling out meant slaughtering every available sheep in sight, but culling out sounds better and means less. One would despair of the misuse of ‘academic’ to mean ‘not to matter’ or ‘unimportant’ (on 6 November 2002 temperatures for the following day were said to be ‘fairly academic’) were it not that politicians and the public (or ‘the public at large’, as if reference were being made to that part of the population not in prison) already regard anything academic as of no importance.

The acronym, useful or annoying though it might be (especially for editors attempting to discover what those of fifty or more years ago might mean), can be insensitively political. When Iraq was threatened with a new 4,000lb bomb (twice the payload of the V-i or V-2), it was called by the Americans, ‘The Mother of All Bombs’. As the Rev Cohn Morris said in ‘Thought for the Day’, there was something singularly unpleasant in linking such a monstrous creation with motherhood – he was speaking when those

2 One advantage of hearing this mangling of our language on television over radio is that television offers us a distraction. Most television presenters follow the squeeze-box style of hand-flapping to punctuate what they are saying, although many women arts-review presenters favour the hickory-dickory-dock rolling hand movement. This is so universal, and so irritating, that, presumably, there is a secret Department of Television Hand Movement which instructs staff in these arts.

so minded were celebrating the feast of the Annunciation of the Blessed Virgin Mary, 25 March 2003 – but its acronym, MOAB, must have resonances in the troubled world of Israeli-Palestinian politics. Moses died in the land of Moab, and the Moabites were said to be descended from Lot of Sodom. If I remember correctly (and I am casting back sixty years) the original acronym for Allied Military Government at the end of the war was AMGOT. It was changed when it was realised that in one language (Turkish, I think), it meant ‘shit’. Inevitably, we suspect our politicians offer us a lot of *amgot*.

Even pronunciation can be ‘toned’ appropriately. The United Nations Resolution 1441 was initially pronounced ‘fourteen forty-one’. It was soon softened to ‘fourdeen fordy-one’ and even educated presenters of the Paxman variety would soften ‘ts’ to ‘ds’ in many contexts. Why? Does this somehow soften the implications – sentimentalise them? I am reminded of the naive way I was taught as a little boy how consonants affected meaning – e.g., in short, sharp, shock. Yet, on 28 March 2003, when the Prime Minister wished to demonstrate what he saw as the depravity of the Iraqi regime, he gave ‘executed’ a very hard ‘t’ when describing the fates of Sapper Allsopp and Sergeant Simon Cullingworth. After protests from one of the families, the Armed Forces Minister, Adam Ingram, almost immediately expressed regret that the words used by the Prime Minister were false. The men, he said, were killed but they had not been executed. Was that simply ‘politics’ by someone aiming to bring democracy to Iraq? When the bodies were found it was explained an investigation into how they had died would take some time (a contrast to the Prime Minister’s snap response). The sister of one of the soldiers, Miss Nina Allsopp, was reported as saying, ‘We can’t understand why people are lying about what happened’ (*Daily Telegraph*, 22 April 2003). It all brought to my mind the final paragraph of ‘Politics and the English Language’: ‘Political language ... is designed to make lies sound truthful and murder respectable’ (XVII/430), and the savage assertion that ‘organised lying’ is not a temporary expedient, but ‘something integral to totalitarianism’ (‘The Prevention of Literature’, XVII/373).³

This is not the place for a full review of the ‘swindles and perversions’ (to use Orwell’s description, XV11/425) in the use of the English language

3 However, it is, I think, going too far to suggest, as Matthew D’Ancona did in *The Sunday Telegraph* on 13 April 2003, that, after Mr Blair’s ‘success’ in subduing his backbenchers and Iraq, if the Prime Minister were to assert in future that $2+2=5$, that would be how it now is.

which currently blight democracy. It is enough to say that Orwell would have had a field day making the lists in which he so delighted and drawing pointed conclusions from them. Would that he were alive to excoriate the current misuse of language to distort and undermine our political and economic life! Democracy, which we purport to be taking to other countries, is not made of this. These swindles may seem unimportant but I believe they are as damaging as those perpetrated by Enron. ‘If there was hope’, Orwell wrote in *Nineteen Eighty-Four*, ‘it lay in the proles’ (IX/89); perhaps that is where it still lies; it is certainly not to be found in those who rule the land that produced the English language whether they are to be found in Westminster or Brussels.

GREENING THE BLUES

By Aidan Rankin

In the United States, there is a joke about green politics that runs something like this:

Q. “Why is the Green Party like a water melon?”

A. “Because it’s green on the outside, red on the inside.”

Although told by conservative Republicans, the true joke is on the ‘liberal’ Democrats. They are furious with America’s fledgling Green Party, for they blame it, with good reason, for losing a tranche of the left-wing vote. The Greens’ three per cent spelled defeat for the Democrats, not least in the cutting edge state of Florida. But Republican humour and Democrat anger reflect the same underlying truth about the Greens. Although their Presidential Candidate, Ralph Nader, is not a man of the left, his party platform turned out to be a blend of vulgar Marxism and Political Correctness. It combined the post-1960s authoritarian-‘liberal’ obsessions - group rights, reverse race and sex discrimination, the attack on any form of settled values or tradition - with demands for an extension of state control over every area of the economy and the individual’s life. Although there are many genuine ecologists in America, to ‘Vote Green’ was to endorse the

economic and cultural agenda of the extreme left and so, effectively, to 'Vote Red'.

I start with the United States because it is there that the polarisation between conservatism and political ecology has become most obvious. Whilst the Greens, as a party, veer ever leftwards, conservatives embrace a fundamentalist interpretation of the free market. Theirs is increasingly a 'narrow individualism', to use Tocqueville's phrase, because it takes little account of civil society (on which individual freedom depends) and pays as scant regard to custom and accumulated wisdom as the Politically Correct left. Yet these American polarities are also to be found in the politics of Britain and continental Europe. Although usually less baldly stated, they are at least as pronounced, especially as Western Europe's far left is more openly Marxist and more explicitly revolutionary in its objectives.

Across Europe, the Greens as an organised political force are either competing directly with the Trotskyists and ex-Communists, or acting as left-wing echo chambers for the social democratic parties. Even where, as in Denmark, they adhere to a centrist tradition, greens find themselves tarred with the leftist brush. 'We say that we are in the centre, but they don't believe us,' a Danish friend told me. 'Whatever we say, they think we are on the left'. The reason she gave for this distrust by moderate and Euro-sceptic Danish voters was the pattern of green politics across the EU, notably Germany. There, the type of centrism defended by Danish greens was first defined as 'neither left, nor right, but in front', in other words not a wishy-washy middle ground, but a philosophy that transcended right and left-wing stereotypes.

This founding principle of the German Green Party in the late 1970s was soon swept rudely aside. Left-wing activists – the 'generation of 1968' – took over much of the party. They are more energetic than conservatives because fanaticism and intolerance come naturally to them. Accordingly, they moved it from 'pure' environmental politics, distrusted by the left, to an obsession with feminist critiques of 'patriarchy' and support for Third World Marxist causes. In Britain, the Green Party is older than its German cousin (it was founded, as the Ecology Party, in 1973), but has adopted a raft of left-wing policies and is inhospitable to conservative ecologists. It welcomes defectors from the left of the Labour Party and at times works closely with Marxist factions.

Defensively 'progressive', green politics in Britain follow the same set of Pavlovian reactions as left-wing activism. Tradition is oppressive. The nation-state is dead. Elitism is evil. Men and women are interchangeable.

Change is good. Both in Britain and in continental Europe, greens have derived some benefit from the collapse of Communist parties and the widespread disillusionment with social democracy. But in their Faustian pact with the ‘politically correct’ left, greens have developed a political programme that is inconsistent and contradictory at every level. Their ecological roots enjoin them to conserve local ecosystems whilst their left-wing ideological reflexes demand that they scorn local traditions. ‘Natural’ patterns are to be preserved whilst patterns of human behaviour are to be constantly disrupted.

In this way, left-greenery destroys the holistic basis of ecological politics by reviving ideas of dualistic conflict. Furthermore, it expresses the alienation between Man and Nature that has proved so problematic in Western thought and which political ecology was intended to question. The left-wing orientation of green politics might yield short-term electoral gains by picking up ‘red’ protest votes. At the same time, it boxes Green parties into an electoral ghetto by switching off large swathes of the voting public. This was acknowledged, bizarrely, after the European parliamentary elections of 1989. The British Greens, presenting a moderate face, attracted disaffected Shire Tories and traditional Liberals (i.e. those who actually believe in freedom tempered by civility) and won 15% of the popular vote. Far from being happy with the result, the left-wing militants in the party made it clear that they did not ‘want’ conservative voters. The party’s principal speakers, Sara Parkin and Jonathon Porritt, were denounced as reactionaries and eventually driven out.

It was not always thus. Thirty years ago, Edward Goldsmith and a group of ecological pioneers produced a little book called *Blueprint for Survival* that led to the Ecology Party’s founding. Its critique of economic growth as an end in itself struck chords with those of conservative disposition who worried about the loss of human values in politics and the spread of moral vacuity and materialism. The ‘goal’ of Goldsmith and his colleagues was to shift the balance of Western political culture from an obsession with economic growth, at all human and ecological cost, to a more profound concern with the quality of life, for both individuals and communities. Political ecology, therefore, involves the decentralisation and diffusion of power:

“We have seen that man in our present society has been deprived of a satisfactory social environment. A society made up of decentralised, self-sufficient communities, in which people work near their homes,

have the responsibility of governing themselves, of running their schools, hospitals and welfare services, in fact of running their own communities, should, we feel, be a much happier place. Its members, in these conditions, would be likely to develop an identity of their own, which many of us have lost in the mass society we live in. They would tend, once more, to find an aim in life, develop a set of values and take pride in their achievement as well as in those of their community.”¹

This aspiration has much in common with traditional conservative principles. Indeed there could hardly be a better manifesto for the Tory Party, if it is seeking to revive its localist and voluntarist traditions. For it was Edmund Burke, after all, who spoke of the ‘little platoons’ as the mainstays of civil society. It was voluntary association, at local level, that upheld both individual freedom and social conscience. Centralised institutions, whether state or corporate in origin, tend to undermine both. Historically, conservatives have emphasised continuity and social evolution over radical breaks with the past. They favour experience over utopian blueprints, the organic over the abstract. Conservatism arose as a response to the sweeping neophilic certainties of the revolutionary left. Green politics arose, originally, in response to the industrial age, with its superstitious reverence for the new and its preference for political and economic expansionism. Pioneering green thinkers such as E.F. Schumacher and Leopold Kohr popularised the view that ‘small is beautiful’, that economic and social life should be restored to a human scale. This accords well with the conservative belief in an intelligible political system with strong cultural roots and a sense of proportion. As late as the mid-1990s, the green writer John Pearce acknowledged the connection between political ecology and conservatism. Greens, he wrote, could ‘*borrow from the Conservative tradition the keeping of what is best about the past, namely conserving. This conserving will apply to resources, ancient sites and buildings, forests and habitats, cultures, languages, sports, music and art.*’²

Conservatives today can benefit from the holistic approaches of political ecology. A creative synthesis of Tory and green would champion genuine entrepreneurs – small and medium-sized businesses, skilled craftsmen and the self-employed – against bureaucratic state interference and the homogenising power of the multinationals. Influenced by green thinking,

1 Edward Goldsmith *et al.*, *Blueprint for Survival* (Harmondsworth: Pelican, 1971), p.64

2 John Pearce, *The Little Green Book* (Bradford-upon-Avon: Green leaves, 1995), p. 13

the Tories could plug their electoral gaps without mouthing 'PC' shibboleths they don't really believe. Many Hindus, for example, feel patronised by liberal left-blandishments and dislike being lumped into an amorphous mass called 'British Asians'. Many women, especially the mothers of sons, are repulsed and insulted by gender-bending feminism. Such voters would be attracted to a party that acknowledged the value of tradition and the complexities of life, without trying to force them into simplistic categories. Green thinking, in turn, would benefit from the historical perspectives of conservatism. The connection between preserving biodiversity and valuing cultural diversity would be restored. Without that connection, green politics has become all but meaningless.

Both conservatism and green politics arise out of a search for a spiritual dimension, an awareness that the politics of instant gratification produces alienation and discord. Yet conservatives and greens have usually failed to recognise their shared values. Conservatives have tended, over the last generation, to ally themselves with an ideology once described by a Latin American humorist as 'marketolatry'. This form of fundamentalism or blind worship of market forces has as little to do with genuine free enterprise as the bigoted 'religious right' has to do with Christ's teachings. Far from encouraging choice, it entrenches corporate monopoly. Greens, meanwhile, have tended to embrace Political Correctness, the divisive tyranny of militant pressure groups. Market fundamentalism and Political Correctness are both based on outmoded linear thinking, a simplistic and curiously old-fashioned view of human 'progress'. As ideological certainties unravel, the case for a blue-green alliance becomes stronger than ever.

Aidan Rankin is co-Editor of *New European*. His book, *The Politics of the Forked Tongue: Authoritarian Liberalism* was published in 2002 and is available from New European Publications, 14-16 Carroun Road, London SW8 1JT, price £9.

SUPER IMPERIALISM: SECOND EDITION

By Michael Hudson, Published by Pluto Press 2003

Some thirty years ago Holt Rinehart and Winston Inc of New York published in the United States and Canada the first edition of Professor Michael Hudson's 'Super Imperialism'. The sub-title was 'The Economic Strategy of American Empire.' That strategy was, according to Professor Hudson, to pioneer a new form of imperialism in which the assets of its competitors were employed to American ends. 'Effectively speaking the United States has compelled the other nations of the West to pay for the overseas costs of the U. S. war in Asia.'

The new edition has the subtitle 'The Origins and Fundamentals of U.S. World Dominance,' and has been published by Pluto Press in the U.K. and the U. S. The new, fully revised edition repeats the story of how the dollar became the dominant currency of the world, and includes later material to show how the use of the dollar as the main reserve currency of the world has given the United States the biggest 'free lunch' in history.

British readers may ask, 'What is new about that? Did not the use of Sterling as the world's major reserve currency give Britain the same power? Surely all that the U.S. has done is to copy Britain?' It is true that Britain ruthlessly managed the financial resources of its empire for both beneficial and foolish purposes, and by the use of currency boards ensured that the tactical deployment of the bank deposits of colonials was decided in London. But what America has been able to do is to gather in also the reserves of its strongest industrial and commercial competitors and even of its enemies, and to use them for its own, not always benign, purposes. Remarkably it was even able to use the savings of the citizens of the Soviet Bloc during the 'Cold War' and now uses a large slice of the huge reserves of communist China.

It is an extraordinary story, and needless to say Professor Hudson's is compulsive reading, and because of the vast research he has done his book is also an essential work of reference.

Professor Hudson is an overseas associate of the ERC, and is well-known to several ERC members. He visits London regularly and has spoken to British groups which are interested in monetary theory, including the Christian Council for Monetary Justice. Those who know him well are impressed by the courage with which he publicises views which are very unwelcome to many powerful lobbies, and even more unwelcome to

criminal groups, including, of course, the many kleptocracies of the world today. He directs the Institute for the Study of Long Term Economic Trends, and is a founder, together with several ERC members and others, of the Institute for Creditary Economics. He has organised and reported the sessions of The International Scholars Conference on Ancient Near Eastern Economies for, in addition to being an economist he is also a philologist, and holds a Ph.D. in Bronze Age Archaeology. Currently he has the status of Distinguished Professor of Economics at the University of Kansas, Missouri.

GWG

LETTERS

'Unanswered Questions' raised by Mr Brian Lewis

Dear Sir,

I have been involved in international business for most of my life, and have followed the financial ideas presented in such periodicals as the *Financial Times* and *The Economist* for 45 years with dedication, yet I still have many doubts about the underlying validity of what is presented as a science for boosting *economic* growth.

My first doubt concerns the relationship between the time and talent available for production of wealth and the fact that many of us spend only short periods of our lives actually working productively. I retired at the age of 49 on a quite acceptable pension after an expensive education and considerable overseas experience. Looking back, I see that this was not because I was incompetent or untalented, but actually rather the reverse. I cannot see clearly that society benefits from *economic* laws in use that say we should minimize the use of productive talent. Overall rather ruthless (even primitive) competition short-term between people may improve productivity within bounded business organizations, but I cannot see that society as a whole benefits.

My second doubt relates to our use of resources (assumed to be free for ever?) and our continuing objective of getting richer – or at least hoping that GNP will continue to grow eternally. It seems to me logical that it

must be possible to be happy without always getting richer - at least in the mindless sense of spending more and more. We seem to have forgotten the most basic ideas of philosophy and religion! I was a boy in the period 1942-1952, when my parents' income was very low. We had bicycles, food and shelter. Yet I cannot remember being unhappy or deprived. Does *Economics* really say that we have to become richer and richer for ever, at the same time refusing to help developing countries worse off than ourselves? The way stock exchanges react daily seems to me to verge on the hysterical!

Thirdly, there is a doubt about population growth. Most *Chief Economists* seem to argue that without a growing population an economy will falter. Therefore we need more immigration. But even if an aging population is a problem, it can only be a problem for (I calculate) 75 years, after that equilibrium will be restored and the bulge will disappear. Why cannot there be an *economic* balance in a society that requires no more production? Surely we must achieve a balance soon.

Fourthly, is an aging population really a problem at all when many of us retire after only working 25 years (33% of our lives)? With the help of electronics and improved health, it cannot be true that old people cannot work. If that is the way we choose to run society, well and good, but don't say that is what *Economics* tells us to do I suspect at the age of 70, I would be an excellent administrative manager in a provincial civil service unit. The reason I would not be taken on is because I would be too talented, and would suggest (and against orders carry out!) improvements. Discipline might be a problem with the old! But that has nothing to do with *Economics*.

Lastly, the real world of stock exchanges and high finance has become cut off from *classical economics*, which seems incapable of exerting any positive influence. I watch the BBC and CNN mesmerised by the fact that they almost only report on movements in the last 24 hours, when some exchanges have collapsed by 75% within three years. And they tell me that ostriches hide their heads in the sand to avoid catastrophe! The reason it seems to me is that individuals on Wall Street and the City can make (and manipulate) so much money in a short time frame that there is almost zero incentive to worry about the medium or long-term horizon. Indeed, we seem to have reached a point where the worse the business failure, the more the payment to the man responsible: not a very good example, even in evolutionary terms.

Global stock exchanges seem to be unable to concentrate on more than one thing at a time. Perhaps we ought really to worry when *Markets* have

such a short attention span! Concentration was only on Iraq for three weeks as if the dispiriting financial position of the USA and the plunging dollar had already disappeared off our screens. Now the financial adepts swing wildly back to the bourses again, and encourage us to buy shares with still enormous price/earnings ratios. One wonders whether elementary mathematics is still taught at schools?

In short, we are living from hand to mouth economically without regard to the longer term. If logical arguments are used, they are now simplistic in nature (old people cannot work!), only addressing the problems of the immediate next few years, if that.

One must fear that if we are unable to manage our sophisticated world in a clear and logical way, then retribution will be exacted. The interesting thing is that economic systems take decades to adjust, lulling us into a false sense of security

Quam parva sapienta mundus regitur.

Brian Lewis
15 Calcutta Street
Merville Subdivision
Parañaque MM
Philippines

*A query arising from 'Central Banks, Deflation and Gold' by Mr Robert Pringle
(Britain and Overseas, Vol. 33, No. 1) from Mr J.F. Purdy*

Dear Sir,

I refer to Mr Robert Pringle's talk 'Central Banks, Deflation and Gold' and would like to know how gold is weighed and specifically how many troy ounces there are in a tonne?

John F. Purdy
10 Bath Terrace
Tynemouth
Tyne and Wear
NE30 4BL

In the arcane world of gold measurement the figures are as follows:

24 grains	is equal to one	pennyweight
20 pennyweights	is equal to one	troy ounce
14.583 troy ounces	is equal to one	pound
112 pounds	is equal to one	hundredweight
20 hundredweights	is equal to one	tonne

Now a “tonne” is a metric measurement of 1000 kilograms. There are 32.154 troy ounces in a kilogram and so there are 32,154 troy ounces in a tonne.

A given lump of gold will be so many carats – often 7, 14 or 22. This is the number of parts of gold in 24 parts of another metal. So one ounce of 7 carat gold will contain only about one third of an ounce of gold and a one troy ounce gold coin (such as a Krugerrand or Maple) weighs 33.93 grams even though there is only 31.1035 grams of ‘fine’ or ‘pure’ gold present.

Ed.

NEW MEMBERS

The Council, as always, needs new members so that it can continue to serve the purposes for which it was formed; meet its obligations to existing members; and extend the benefits of members to others.

Members may propose persons for membership at any time. The only requirement is that applicants should be sympathetic with the objects of the Council.

OBJECTS

- i) To promote education in the science of economics with particular reference to monetary practice.
- ii) To devote sympathetic and detailed study to presentations on monetary and economic subjects submitted by members and others, reporting thereon in the light of knowledge and experience.
- iii) To explore with other bodies the fields of monetary and economic thought in order progressively to secure a maximum of common ground for purposes of public enlightenment.
- iv) To take all necessary steps to increase the interest of the general public in the objects of the Council, by making known the results of study and research.
- v) To publish reports and other documents embodying the results of study and research.
- vi) To encourage the establishment by other countries of bodies having aims similar to those of the Council, and to collaborate with such bodies to the public advantage.
- vii) To do such other things as may be incidental or conducive to the attainment of the aforesaid objects.

BENEFITS

Members are entitled to attend, with guests, normally 6 to 8 talks and discussions a year in London, at no additional cost, with the option of dining beforehand (for which a charge is made). Members receive the journal 'Britain and Overseas' and Occasional Papers. Members may submit papers for consideration with a view to issue as Occasional Papers. The Council runs study-lectures and publishes pamphlets, for both of which a small charge is made. From time to time the Council carries out research projects.

SUBSCRIPTION RATES

Individual members	£25 per year
Corporate members	£55 per year (for which they may send up to six nominees to meetings, and receive six copies of publications).
Associate members	£15 per year (Associate members do not receive Occasional Papers or the journal 'Britain and Overseas').
Student members	£10 per year
Educational Institution	£40 per year (for which they may send up to six nominees to meetings and receive six copies of publications).

APPLICATION

Prospective members should send application forms, supported by the proposing member or members to the Honorary Secretary. Applications are considered at each meeting of the Executive Committee.

APPLICATION FORM

To the Honorary Secretary
Economic Research Council
7 St James's Square
LONDON SW1Y 4JU

Date

APPLICATION FOR MEMBERSHIP

I am/We are in sympathy with the objects of the Economic Research Council and hereby apply for membership.

This application is for
(delete those non-applicable)

- Individual membership (£25 per year)
- Corporate membership (£55 per year)
- Associate membership (£15 per year)
- Student membership (£10 per year)
- Educational Institutions (£40 per year)

NAME.....
(If Corporate membership, give name of individual to whom correspondence should be addressed)

NAME OF ORGANISATION
(if Corporate)

ADDRESS
.....
.....

PROFESSION OR BUSINESS

REMITTANCE HERewith

SIGNATURE OF APPLICANT

NAME OF PROPOSER *(in block letters)*

SIGNATURE OF PROPOSER

