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

Autumn 2005 Vol. 35, No. 3

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Published quarterly by
The Economic Research Council
7 St James's Square, London SW1Y 4JU
Tel: 020 7439 0271
www.ercouncil.org

Price: U.K. £15 Australia $35 Canada $35 New Zealand $45 U.S.A. $25 Japan ¥4,000
ISNN 0045-2866

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WHAT IS THE FUTURE FOR CORPORATE BRITAIN?

Extracts from a talk given by Patience Wheatcroft, Business and City Editor of The Times *to members of the Economic Research Council on Tuesday 8th March 2005.*

We need a thriving Corporate Britain and I am by no means entirely pessimistic for its future. But tonight is an opportunity to sketch out an agenda of the less encouraging issues such as increasing regulation, a rising tax burden, new employment laws, education problems and of course the ever growing competition – especially from the Far East.

Before Gordon Brown came to power he said, as people do when they are campaigning, that he would safeguard manufacturing in this country. A noble aim, but one that he has absolutely failed to fulfil. The number of jobs in manufacturing has fallen dramatically year on year – a trend which may be inevitable but nonetheless I suspect there are things which we could have done that might, just might have saved a few of those jobs. And, given that within 20 years China and India will account for half the world's manufacturing exports why shouldn't we export more than the current 1% of our goods to each of those countries?

An example – James Dyson

Let's look at the example of James Dyson. We'll forgive Mr Dyson, as I think we have to, for all his talk about Europe being the only way forward and how, if we didn't join the single currency he might just be forced to quit Britain in favour of Europe. In the event of course, he had to take manufacturing jobs out of this country because that was the only way in which his business could survive. It must be said that he was encouraged to move perhaps more quickly than he would have done by the planning authorities, who made life very difficult for him. They were extraordinarily obstructive when what he wanted to do was build property which really wouldn't have been an eyesore and would have created more jobs, at least in the short term.

But Mr Dyson didn't go to Europe – he went to Malaysia where he is now manufacturing fantastically successful vacuum cleaners. In Malaysia, home to many component suppliers, he has set up his factory within walking distance of many of the suppliers. But he has retained several hundred jobs in this country because that's where the Research and Development is – and they are doing fabulous things.

He came into my office with his latest upright cleaner, and it is an absolute delight to behold. It's great and it sells in America at five times the price of an average cleaner – and some of the value from that is going back to Wiltshire where he is still doing the R&D. Somehow, that is the sort of model that we in Britain have to find a way of duplicating, not the cleaner, but that method of doing business where we out-source the manufacturing wherever it is sensible to do it but keep the R&D, the clever stuff, as far as we can, in this country.

Education

Which brings me to my first issue of concern – will we have the clever people to keep the R&D and other higher paid jobs, in this country? China and India are producing highly educated engineers – for example 150,000 computer scientists graduating each year, in both countries. We don't come anywhere near that and if you look at the sort of degrees we are actually churning out and offer somebody the option of employing a graduate from India or China or one of ours, well, some of you know the answer. We are not educating people as well as we should and this is not just affecting manufacturing jobs. Outsourcing is moving up the food chain at quite a rate; architectural drawing for instance, things that can be done down the net, or analysis for brokers in which numbers can be crunched miles away. Recently I was talking to the chairman of an Indian healthcare company which is working with a group of UK private hospitals. Samples taken in this country can be sent to India where it is cheaper, more reliable and quicker to analyse them – and e-mail back the results. He doesn't want to stop there. He wants people to go out there and have their knees operated on, and their hips, and anything else they want operated on, and he will do the job and pay the transport and save them 40% of the cost of doing it here – and there is no MRSA.

Over-prescriptive corporate governance

Another problem making us less competitive is over-prescriptive corporate governance. So much emphasis has to go on meeting the structure and form of governance that actually it's quite a luxury to get down to talking about strategy – which is plainly ludicrous. Admittedly there have been problems occasionally in companies in this country – but nothing on the scale of what happened in America where there was real fraud at World

Com and Enron. And no matter how many checks and balances you design to keep companies working effectively it will never be enough to stop the really determined criminal. Restrictions on board membership do little more than hinder companies which need the freedom to establish the relationships that they need and that they know will make things work.

The layer upon layer of rules of corporate governance have only been allowed to go through because of the failures of those who actually own corporate Britain. In America 40% of shares are owned by individuals. In this country it is only 15%. Of those institutions who own British business I'd argue, very few actually take their responsibilities seriously. In large part, the institutions are looking after our pension funds and they slavishly follow trends, follow the advice of the various pension fund consultants and stick to their corporate governance rules for the companies in whom they invest. But they don't encourage companies to take long term decisions (although there are exceptions), they don't encourage people to concentrate on the big things, they make it difficult for companies to remunerate people the way they would like without big battles and so they jeopardize our corporate future.

One result is the phenomenal rate at which companies are leaving the quoted sector. The growth of private equity companies in this country is quite extraordinary. The number of quoted companies in this country has gone down almost by half those on the big board in the last twenty years. Now you might ask, does it matter if all the businesses in this country are owned by private equity rather than quoted companies, so long as we've got the business and the wealth in this country? I think that it does matter because the lack of transparency is unhealthy and because it is unfortunate for those individuals who would like to take an interest. The shareholding democracy that Mrs Thatcher wanted to launch upon this country has, as a consequence, not progressed very far.

But of course we don't just need the big companies, we need the little companies to be coming through – the ones that will create employment. In the States I think it's true to say that 30% on those in new jobs are working for companies that have been created within the last five years, and the speed at which new jobs are created there is phenomenal. It's not happening here. Gordon Brown has talked incessantly about the need for enterprise, and an 'enterprise culture'. He's talked about it, he's even, to be fair to Gordon Brown, done quite a lot in the way of cutting taxes for smaller companies, dealing with inheritance tax to a certain extent, etc. So why isn't it working? One answer has to be petty regulations, often via

Europe. It is often of dubious value and there is far too much of it. It is important that we all keep fighting this nonsense.

The overall tax burden

We also need to keep battling on tax. The tax burden in this country has gone up over the last seven years. There have been 66 tax rises and it is not just individuals who know that overall they are paying more through stealth taxes and whatever. Though it may not be a lot, business is paying more and business has to meet the bill for collecting all the tax credits and for dealing with all the other burdens that the complicated tax system now puts on somebody who is just trying to run a company.

Employment legislation

And then there is the issue of employment law. Anyone employing people has to worry about the risks of being taken to court, the risks of finding themselves having to provide cover with people taking advantage of the new family friendly (employer unfriendly) legislation that's being heaped upon them. They naturally have to think seriously about whether they really do need to employ more people or whether they wouldn't be better off outsourcing. I sincerely believe that this is acting against the interests of employment generally and (as in America) acting against the interests of women in the work place - at least in some respects.

I know that the view that women's interests may not be advanced by current legislation is not a terribly trendy one, but I can point you towards organisations in the City that used to employ many more women than they do now, and they have just decided that the risks are too great. Not only the risks of women going off and having children and then taking a year off making it difficult for the firm that has to employ cover and so on but the sexual harassment charges – which are working very much against the interests of women. I think this really is a major problem. For example, there is one firm of brokers (that is, to be fair quite a racy firm) which started in the City about 20 years ago which decided after a few years that they had to get serious and civilised and so they brought women in so that after about five years they were almost 50/50 women and men and the business was thriving. But now there is hardly a woman to be seen there and I asked the senior chap there why this was. He said that was very deliberate because they dare not employ women because, if they did, and

the woman proved actually not right for the job, they would undoubtedly find themselves having to fight a 'discrimination case', which would be costly, time consuming and just more trouble than it is worth.

This is important because corporate Britain would benefit from having a mixed work force. But we are skewing the way things work and even in America employment legislation is not as arduous as it is here.

The enforcement of legislation to protect companies

On the other hand, some legislation which is designed to protect business, is being applied very patchily. We have in Britain some great pharmaceutical companies. But support firms such as Huntingdon Life Sciences have been subjected to the most appalling harassment. There is legislation that is supposed to put paid to this but that is not happening because, at the moment it depends on every individual police force so we risk losing businesses where at the moment we are well in the forefront.

Financial services

Lastly, let me mention financial services. Our financial services industry is the best, it's as good as anything you will find anywhere else in the world and it is a huge employer. But there is a risk that legislation coming out of Europe will make it harder for our financial services industry to thrive. Nobody should ever forget that actually an HSBC doesn't need to be headquartered in Britain. What technology means is that a business can be headquartered anywhere. We need Britain to be an attractive place for business to be based in. If we don't do that, if we for instance say that "your pension will be clawed back if the tax benefits go above a million", then it sends out the wrong signal to HSBC, and to the other businesses like Legal and General who were so appalled by the changes to pension funds that they were almost on the brink of threatening to leave – and they could go. They could go off shore at any stage and it wouldn't take a lot to push some of them.

Conclusion

My views are not so much a matter of looking at the overall economic performance of this country as they are just gleaned from talking to lots and lots of people. Well, whoever talked to an optimistic farmer (and yet

agriculture seems to survive)? But it does seem to me that there are indeed areas of great concern and that corporate Britain does have its hands full.

CHINA AND INDIA

Extracts from a talk given by Lee Kuan Yew at the Shangri-la Hotel, Singapore on 4th April 2005.

China and India will shake the world. Together they are home to 40% of the world's population. Both are among the world's fastest-growing economies: China, 8–10%; India, 6–7%. China is the factory of the world; India the outsourcing service centre, first in call centres and now moving to more sophisticated business process operations and clinical research activities of global corporations.

Evolution of my views on China and India

I have taken a deep interest in both China and India ever since I started my political life in 1950. Like all democratic socialists of the 1950s, I have tried to analyse and forecast which giant would make the grade. I had hoped it would be democratic India, not communist China.

By the 1980s I had become more realistic and accepted the differences between the two. It is simplistic to believe that democracy and free markets are the formula that must lead to progress and wealth. However, I am convinced the contrary axiom is true, that central planning and state-owned or nationalised enterprises lead to inefficiency and poor returns, whether the government is authoritarian or democratic. Moreover, even if China and India were both democratic, or authoritarian or communist, their performance would be different. I now believe that, besides the standard economic yardsticks for productivity and competitiveness, there are intangible factors like culture, religion and other ethnic characteristics and national ethos that affect the outcome.

At the start after World War II, China was behind India. China's infrastructure and population were devastated by the Japanese occupation

from 1937–45. Then a civil war followed. After the Communist victory in 1949, China adopted the system of governance and economic policies of the Soviet Union.

At independence in August 1947, India had ample sterling balances, a good system of governance and many top-class institutions. It had functioning institutions for a democracy, the rule of law, a neutral highly-trained civil service, defence force and proficiency in the English language.

The situation deteriorated over time. India adopted central planning with results nearly as damaging as those of China. India's political leaders are determined to reform but the Indian bureaucracy has been slower and resistant to change. Regional jostling and corruption do not help. Furthermore, populist democracy makes Indian policies less consistent, with regular changes in ruling parties. For example, Hangzhou and Bangalore are comparable cities. Hangzhou's new airport was opened in 2000; Bangalore's has been on the drawing board for years and only given the go ahead by the state government in December 2004.

China, the economically more backward country in 1950, caught up with India and has now surpassed India in several sectors. How did communist China catch up, and why did democratic India lose its lead?

Comparison of the Chinese and Indian public sector

Did China pull ahead because it had better systems of governance and methods of determining public policies?

Ten years ago, China had a complicated tax system. There were provincial and municipal sales taxes, provincial border taxes, excise duties and levies. By imposing a single Value Added Tax on manufactured goods, China has made tax collection efficient and effective.

India has made several unsuccessful attempts to introduce a national VAT, the last on 1 April 2005, when 20 states switched to VAT but eight are still holding out.

Corruption bedevils both, but bureaucratic red tape has lowered India's efficiency and effectiveness more than China's. It takes 88 days to secure all the permits needed to start a business in India, compared to 46 in China. Insolvency procedures take 11 years, as against 2.6 in China. In spite of the disasters of the Great Leap Forward in 1958 and the Cultural Revolution, 1966–76, China pulled itself up after its open door policy from 1978.

Comparison of the Chinese and Indian private sector

On the other hand, India's private sector is superior to China's. India, although not on a par with the best American or Japanese companies because of India's semi-closed market, nevertheless has several near world-class companies, like Tata Consultancy Services, Infosys and Wipro. Indian multinationals are now acquiring western companies in their home markets. Moreover Indian companies follow international rules of corporate governance and offer higher return-on-equity as against Chinese companies. And India has transparent and functioning capital markets.

China has not yet created great companies, despite being the third-largest spender in the world on R&D. Also Chinese corporate fraud is on a much larger scale.

What can China and India learn from each other?

The Chinese are learning English with great enthusiasm. They may catch up with India, even though they may never have that layer at the top, like the Indians do, who are steeped in the English language and its literature. But the Chinese will have enough English to network easily with businessmen and scholars in America and Europe. In technical and technological skills, China is following India's lead and has started to supply software engineers to multinational corporations like Cisco.

India has grown quite rapidly over the last decade with far lower investment rates than China. China must learn to be as efficient as India in utilising its resources.

The Chinese are keen to develop a services sector like India's. For example, they have contracted an Indian company to train 1,000 Chinese software project managers from Shenzhen in etiquette, communications and negotiations skills. Huawei, a leading Chinese technology company, invested in Bangalore to tap its software skills. The Chinese want to attain international standards for the software outsourcing industry and learn how to deal with US and European clients as India is doing.

India wants to be as successful as China in attracting foreign and domestic investments in manufacturing. India must emulate the effective way in which China has built up its extensive communications and transportation infrastructure, power plants and water resources and implements policies that lead to huge FDIs in manufacturing, high job creation and high growth. India's spectacular growth has been in IT services which do not generate

high job creation. But it has now drawn up a massive highway construction programme that is more than half completed.

Challenges facing China and India

China and India have their specific advantages but also face similar challenging social, economic and political problems. China has to restructure its state-owned enterprises, fix its weak banking sector and ensure its economy continues to grow fast enough to absorb the still huge army of unemployed. India has poor infrastructure, high administrative and regulatory barriers to business, and large fiscal deficits, especially at the state level, that are a drag on investment and job creation.

In fifty years, China and the rest of Northeast Asia (Japan, Korea, Taiwan) will be at the high-end of the technology ladder, Southeast Asia mainly at the lower and middle-end of the value-added ladder where there will still be great opportunities for efficient competitors. On the other hand, India will have certain regions at the high-end of the technology ladder but it may have vast rural areas lagging behind, like the Russian hinterland during the Soviet era. To avoid this, India has to build up its infrastructure of expressway across the sub-continent, faster and more railway connections, more airports, expand telecoms and open up its rural areas.

Why the Chinese are ahead

The Chinese are more homogeneous: 90% Han; one language and culture; one written script, with varying pronunciations. Having shared a common destiny over several millennia, they are more united as a people. And they can swiftly mobilise resources across the continent for their tasks.

China's Deng Xiaoping started his open door policy in 1978. In the 28 years since, China has more than tripled its per capita GDP, and the momentum of its reforms has transformed the lives of its people, thus making its market reform policies irreversible.

India's one billion people are of different ethnic groups with different languages, cultures and traditions. It recognises 18 main languages and 844 dialects and six main religions. India has to make continuous and great efforts to hold together different peoples who were brought together in the last two centuries into one polity by the British Raj that joined parts of the Mogul empire with the princely states in the Hindi-speaking north and the Tamil, Telegu and other linguistic/racial groups in the south.

India began liberalising in 1990, and then in fits and starts. However, India's system of democracy and rule of law gives it a long-term advantage over China, although in the early phases China has the advantage of faster implementation of its reforms. As China develops and becomes a largely urban society, its political system must evolve to accommodate a large, better educated middle-class that will be highly educated, better informed and connected with the outside world, one that expects higher quality of life in a clean environment, and wants to have its views heard by a government that is transparent and free from corruption.

China and India are to launch FTA negotiations that may be completed in a few years. I understand Premier Wen Jiabao will be visiting India soon, followed by President Hu Jintao shortly afterwards. Their closer economic links will have a huge impact on the world. ASEAN and Singapore can only benefit from their closer economic links. Many Indians are in influential positions in Wall Street, in US MNCs, World Bank, IMF and research institutes and universities. This network will give India an extra edge. More Chinese are joining this American based international network but they do not yet have the same facility in the English language and culture. And because of Sino–US rivalry, there will be greater reserve when Americans interact with them.

For a modern economy to succeed, a whole population must be educated. The Chinese have developed their human capital more effectively through a nationalised education system. In 1999, 98% of Chinese children had completed 5 years of primary education as against 53% of Indian children. India did not have universal education and educational standards diverge much more sharply than in China. In some states, like Kerala, participation in primary schools is 90%. In some states it is less than 30%. Overall in 2001, India's illiteracy rate was 42%, against China's 14%.

India had many first-rate universities at independence. Except for a few top universities such as the Indian Institutes of Technology and Indian Institutes of Management that still rank with the best, it could not maintain the high standards of its many other universities. Political pressures made for quotas for admission based on caste or connections with MPs. China has repaired the damage the Cultural Revolution inflicted on their universities. Admission to Chinese universities is based on the entrance examination.

China has built much better physical infrastructure. China has 30,000 km of expressway, ten times as much as India, and six times as many mobile and fixed-line telephones per 1,000 persons. To catch up, India

would have to invest massively in its roads, airports, seaports, telecommunications and power networks. The current Indian government has recognised this in its budget. It must implement the projects expeditiously.

The Chinese bureaucracy has been methodical in adopting best practices in their system of governance and public policies. They have studied and are replicating what Japan, Korea, Taiwan, Singapore and Hong Kong have done. China's coastal cities are catching up fast. But China's vast rural interior is lagging behind, exposing serious disparities in wealth and job opportunities. The central government is acutely aware of these dangers and have despatched some of the most energetic and successful mayors and provincial governors to these disadvantaged provinces to narrow the gap.

China's response to these looming problems is proactive and multifaceted. For example, to meet energy needs, China National Petroleum Corporation and China National Offshore Oil Corporation (CNOOC) have moved into Indonesian oil and gas fields. Chinese companies have even gone to Venezuela, Angola and Sudan.

India signed a recent agreement with Myanmar to import gas by pipeline via Bangladesh. The Indian government plans to consolidate their state-owned oil companies and act proactively like China's CNOOC. The ASEAN–China Free Trade Agreement is an example of China's pre-emptive moves. China moved faster than Japan by opening up its agricultural sector to ASEAN countries. India is also negotiating a Closer Economic Cooperation Agreement with ASEAN, but China has gotten there first.

Caveat

The Financial Times, 29 March 2005, wrote: 'The lack of a robust capital market is likely to have a strong influence on the future shape and development of Chinese capitalism. Cheap manufacturing might be China's current competitive advantage but, in the long run, Beijing planners want the country to move more into lucrative high-technology sectors that provide better-paying jobs. China will need a dynamic private sector, run by entrepreneurs who have the drive to build innovative companies. Yet it is exactly these sorts of companies that are being squeezed out by an equity market that caters mostly to state-controlled groups. Private-sector companies can get bank financing, especially if they have good political connections. Yet the lack of an equity funding route is likely to curtail

China's ability to develop a strong private sector. In this area, many argue that India is already ahead, as most of its biggest companies come from the private sector and have grown through raising capital on the equity and bond markets. China needs a robust stock market to stave off a looming pensions crisis. One of the by-products of the one-child policy introduced 25 years ago is that in a decade or so many more people will be retiring than entering the workforce.' This is China's big negative, its rapidly aging population as a result of its severe one-child family policy. There is no precedent for a country to grow old before it has grown rich. India – average age, 26, compared to China's 33 and still with much faster population growth – will enjoy a bigger demographic dividend, but it would have to educate its people better, or else the opportunity will turn into a burden.

OIL PRICES AND INFLATION

By Damon de Laszlo

The end of August brings the realisation that the days are getting shorter. Predictions of doom and economic disaster are now being postponed to 2006 and explanations are being thought of to justify why they didn't happen in the first half of 2005. The problem with this method of predicting is that, like a stopped clock, they come right periodically. Secondly explanations for the lack of a predicted crisis start to generate in some quarters an air of complacency.

I have a feeling the world is going to rock along nicely through 2005 and probably into the beginning of 2006 but imbalances are building that show little sign of being corrected fast enough not to cause a crisis.

Economic systems work as price influences decisions and they work relatively smoothly provided there are no monopolies or governments that stop the 'decisions' being taken. Prices rise and fall influenced by fashion and perception as well as cost; for example house prices rise if there is full employment and rising income and/or falling interest rates, a point is reached where prices continue to rise through fashion even though economics would predict that people are getting out of their depth and then on the whole they will stabilise or drift downwards, as unemployment

rises combined with falling incomes and/or rising interest rates. The market won't collapse however, unless there are a lot of forced sellers. Most imbalances tend to correct roughly in the same way that they build up unless something inhibits the 'decision' mechanism.

Oil or, more generally, energy consumption is proving to be subject to forces outside the normal economic mechanism and a crisis point is being generated. Before the crisis is reached, however, inflation is likely to pick up dramatically, bringing rising interest rates and economic slow-down along with a possible property crunch, all of which is likely, perversely, to postpone the energy crisis point.

Present economic growth trends are outstripping the reliable supply of oil. Added to this is a shortage of refining capacity, causing major bottlenecks. Refinery capacity is, by and large, in the hands of the major oil companies and government regulation in the western world militates against building either refineries or LNG capacity. This same inhibition applies to the only other reliable source of energy, nuclear power.

While there are oil and gas prospects around the world, many of them are controlled by governments, which for political reasons or through pure bureaucratic incompetence are inhibiting exploration. This applies to Russia, most of South America, Mexico and a great swathe of '…stans' in East Europe. China, faced with American protectionism and Congressional parochialism is pursuing a strategy of acquiring energy, raw material and food resources using its dollar resources, directed with a focused government strategy. They are negotiating with governments or buy resources at a great rate in South America and East Europe '…stans' that run along its border.

The rising oil prices have not yet had an impact on inflation, partly because a number of inflation indicators exclude energy and partly because Asian consumer goods are still depressing western prices. China's 'not for profit' economy is shielded from rising oil and energy prices by government regulation. The increase in the cost of plastics derived from oil has not yet fed through into prices. These two distortions apply to a greater or lesser extent to the rest of Asia and the Third World. The free market pricing of oil and energy is really only being felt in Western countries where it is a smaller percentage of the economy than in other parts of the world.

Two consequences of this distortion are building up. The increases are not feeding through to either dampen demand in the Asian area for energy or increase prices of consumer goods in the West. Western inflation in services is being masked as demonstrated by some interesting statistics in

the FT last week. In the period 1996–2005, UK incomes have risen 50%+, while items such as holidays and private education have risen between 50 and 60%. In the same period cars have effectively remained unchanged while items such as clothing have declined by approx. 40%, with electrical and electronic goods declining over 60%.

These unusually divergent statistics are masking what could turn into serious inflation and economic disruption if energy demand is not curtailed or new capacity brought on stream. Bearing in mind that new energy capacity, whether in the form of oil wells or generating plants, takes five to seven years to develop and, in the case of atomic energy, the only real source of non-carbon-dioxide producing power, upwards of ten years to bring on stream.

While I am not gloomy about the next six months to a year, there are some potentially serious economic dislocations that could occur from the lack of the surplus capacity that gives us fuel for cars and aeroplanes and electricity at the touch of a switch, which the West is so accustomed to.

HOW NELSON SAVED THE WORLD

By Russell Lewis

On Oct 21 1805, off Cape Trafalgar on the Spanish coast, Admiral Lord Nelson won the greatest battle in the annals of sail, routing Napoleon's Navy without losing a single ship himself. The Queen launches this year's bicentennial celebrations in Portsmouth today S It's understandable that the British should honour a triumph that put paid to Napoleon's plans for invading their island, and began a century in which Britannia ruled the waves.

Why should anyone but the Brits commemorate the birth of British imperialism? In addition to the French, Americans look back on that era with misgivings. Trafalgar marked the start of the worst period of Anglo-American relations on record that culminated in an unnecessary war in 1812.

The British blockade of Napoleon's European empire – in response to the French emperor's closure of continental ports to British trade – generated friction between London and Washington. Americans were irked by the Royal Navy's policy of stopping and searching their ships and arresting for desertion any American sailor who had previously served on board British naval vessels. (Indeed when I recently visited Nelson's flagship HMS Victory in Portsmouth, I looked at the list of sailors who served at Trafalgar to see if there was a namesake of mine. There was a Lewis but he was American.) President Thomas Jefferson forbade British ships entry to American waters. Britain, in turn, prohibited all direct trade between America and Europe. Washington declared war just as the British rescinded their Orders in Council prohibiting US trade with Europe. Too late! It took a month for news of this conciliatory gesture to cross the Atlantic Thus war proceeded with some notable if small-scale American naval successes, the British burning of the White House and US victories at Baltimore, before peace was restored.

Yet, despite the grievous aftermath, Nelson's victory at Trafalgar was a boon to America as well as to Europe and the rest of the world. America's renowned 19th century naval strategist, Admiral Alfred Thayer Mahan, wrote of the British blockade of France that 'those far distant storm-beaten ships, upon which the Grand Army never looked, stood between it and the domination of the world'.

Jefferson viewed Napoleon with alarm. When the French colony of Louisiana was ceded to Napoleon by Spain in a secret treaty in 1501, the US president worried that the French had wider designs on the American continent. As Jefferson remarked at the time, 'The day that France takes possession of New Orleans, we must marry ourselves to the British fleet and nation'. Fortunately Napoleon's troops were turned back from Santo Domingo (today's Haiti), discouraging him from any more adventures. He sold Louisiana – then about a third of modern America – for $16 million, or 4 cents an acre.

But Admiral Mahan was still right that had Napoleon beaten Britain and established a European empire, his whole career suggests that he couldn't have stopped there. Napoleon once said 'You can do anything with bayonets except sit on them'. America surely, would have been next.

As it happens, after Trafalgar, Britannia did rule the waves for a hundred years, not out of benevolence – except for stamping out the slave trade – but to protect her commerce. In doing so Britain enabled huge growth of world trade and prosperity. Moreover, with the Royal Navy standing guard,

the danger of Continental European nations interfering in American affairs – during the Civil War for instance – was zero. So America was spared the expense of maintaining a large navy for most of the 19th century – and instead got on with opening up its west.

Historians differ as to whether Napoleon could ever have managed to invade England. But English people then took it seriously and flukes happen in history. A great French army was collected at Boulogne with a flotilla of flat-bottomed boats to transport it across the Channel. Boney believed that if his forces could control the crossing for six hours in reasonable weather then the French could swiftly vanquish his chief enemy in Europe.

To that end Napoleon instructed Admiral Villeneuve in command of the fleet at Toulon to break out of the English blockade. The plan was to lure the Royal Navy squadrons over to the West Indies, then return and combine with the French Atlantic fleet emerging from Brest to escort his soldiers to land in England.

The plan failed. The English Channel remained guarded throughout, while Nelson's fleet chased Villeneuve across the Atlantic and back. Instead of heading for Brest, the French admiral, his nerve failing him, turned south and took refuge in Cadiz. He did emerge in desperation, having learnt that he was about to be sacked. He was attacked and crushed off Cape Trafalgar. Villeneuve's flagship was boarded and he was taken prisoner.

Trafalgar was a naval blitzkrieg. Of the combined fleet of 33 French and Spanish ships, 17 were either captured or put out of action People are now apt to think that these wooden ship battles were pretty small beer, A visit to Nelson's 3500 ton flagship, HMS Victory', with its 100 cannons, now permanently anchored in Portsmouth, should disabuse them. The gun power of his fleet at Trafalgar was six times that of Napoleons army at Waterloo. Before Nelson, these guns were never used to their full potential Fleets sailed in line alongside each other and exchanged fire, but casualties were light, and the losers mostly got away with the loss of a few ships.

Nelson believed in annihilation. The completeness of the Trafalgar rout was made possible by his brilliant, unorthodox and risky tactics of breaking the enemy line in two places, and concentrating fire on a few ships at a time before dealing with the rest. This called for central control of the action, made possible through a recently invented, rapid method of flag signalling. This communication system was revolutionary in the same way that radio was in making central control of tank armies effective in World War II. All this, together with superior British gunnery and seamanship, not to mention the Nelson touch, did the trick.

From then on the French navy, apart from a few, small and usually unsuccessful sorties, remained bottled up for the rest of the war, which continued for another nine years. British Prime Minister William Pitt summed up the consquences saying 'England has saved herself by her exertions and, as I trust, Europe by her example'.

That hope of saving Europe at first seemed wishful. Napoleon proceeded to notch up his greatest victories, rolling up the Austrian, the Russian and the Prussian armies. He replied to the British blockade by banning imports of British goods. Napoleon's blockade was eventually undermined by smuggling and the hunger of the whole Continent, not only for cheap British textiles but also tobacco, tea, coffee, cocoa, cotton and spices only available from countries overseas. It was Russia's refusal to keep British goods out that led Napoleon into his supreme folly of marching on Moscow, where he lost half a million men.

British naval power also made it possible for Wellington to take his troops to Spain to support the guerrillas and tie down a further quarter of a million French troops. The disasters befalling the Grand Army breathed new life into the anti-Napoleonic alliance, which was nourished by British gold, and finally brought his defeat and abdication. Control of the sea lanes allowed Britain safely to ship and maintain an army on the Continent.

In a very real sense the battle of Trafalgar made possible the victory at Waterloo 10 years later. So the Europe of independent nations had good cause to be grateful for the one sea power which refused to bow to the French dictator and whose defiance led to his eventual overthrow. Otherwise they might still be vassals in his empire – not exactly the kind of union that even the keenest Europhiles would wish for today. The Battle of Trafalgar preserved freedom in the old world and the new.

SWINDLES AND PERVERSIONS

By Peter Davison

SOME TIME AGO *Britain & Overseas* published a short article I had written on the degradation of the English Language ('The New PPE: Pedantry, Politics, & Economics', Summer 2003). One surprising result was that the *Today* programme of BBC Radio 4 asked me to draw from it a short script for the programme to be broadcast during the non-news month of August. That I was glad to do, of course. I was to write a script around a number of extracts from programmes which illustrated the absurdities to which I was referring and the BBC rang me later to ask me to include one I had not mentioned. I had pointed out how arts correspondents never seemed to arrange 'to meet' people: they had forever '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. I was, therefore, delighted when an assistant for the 'Today' programme told me of an occasion when Martha Kearney had managed to 'catch up' with David Winning in order to discuss the outbreak of SARS in the Far East. Winning was then quarantined in his apartment in Beijing. Did she fly to catch up with him – by magic carpet, perhaps?

Writing something that has to fit into a short time often demands a relatively inordinate amount of effort, but it was done. A car was to be sent to take me to a recording studio. That failed to turn up and, after wasting a morning when no one could find transport, I eventually recorded the programme allowing for the sound-bites to be slotted in later. I was told the programme was excellent and would be broadcast the next morning – but nothing was to be heard. Then I was told the BBC could not find the extracts, not even the one it itself had requested be included. And then silence. A long silence, still unbroken. Needless to say, no apology and, of course, no fee. Was it all to no avail? Probably, but I have noticed, doubtless coincidentally, that the use of such constructions as 'relegate down' and 'promoted back' (to a lower football division – meaning relegated), 'sleepwise', 'weatherwise', even 'what I am saying is' and 'step changes' seem less common. Was what I said too near the bone to broadcast? Or, very improbably, did my strictures have some effect? I don't suppose I

shall ever know. I fear 'basically' is still common and 'across' is – well, across everywhere. This morning, as I write, Mr Naughtie has given us 'across the piece', twice, as did his interviewee.

I have thought, written, and spoken a fair amount about this sort of perversion of our language, spurred on by what Orwell outlined in 'Politics and the English Language' and in the appendix to *Nineteen Eighty-Four*. If I have a bee in my bonnet about this and am, frankly, boring my family and friends, it is because it seems to me vital to our national health that we speak clearly and honestly about politics and economics. The main thrust of Orwell's concern about language was that it should express the truth, especially political truth. There is an important difference between weather forecasters elegantly (or otherwise) varying what may seem to them tediously repetitious ('cloudwise', 'timewise', 'weekendwise') and politicians embroidering the way they speak to conceal the truth. Weather forecasters try to tell the truth about the weather; they are endeavouring to interest us and they do so as truthfully as forecasting can inform them. Can the same be said of politicians answering question on, for example, WMD? As Frederick Forsyth wrote, 'This was, after all, a blatant and deliberate lie' (*Daily Telegraph*, 25 September 2003). Or, as Libby Purves put it more decorously in *The Times* on 15 February 2005, 'Mr Blair led us into war against Iraq with dubious legality, saying explicitly that the aim was not "regime change" but defence against Saddam's weapons; having exaggerated these, he now pretends they were never the point anyway'. Note her use of 'pretends'. Do we have a modern 'Great Pretender'?

Now we have before us the European Constitution and Mr Blair has promised us a referendum upon the outcome of which, it is generally thought, his future reputation and his office as Prime Minister will depend. The European Constitution is not an easy read. I have spent hours struggling with its text and comparing it with its draft and with predecessor treaties, but I cannot claim to have mastered it. There is no question that for ordinary mortals and busy people it is a formidable document. The twelve pages of the US Constitution seems far more comprehensible - as are the now disparaged Ten Commandments. I have read about the Sami people's reindeer-husbandry rights (Article 60; ex Article 1 of Protocol No 3 AA 1994); appreciated that abortion will not be imposed on the Maltese (Article 62; ex Protocol No 7 AA 2003); delighted that the Constitution will promote distance education and 'fairness and openness in sporting competitions' (Article III-282, 1 f and g), that a 'declaration of bankruptcy of a steel company' in the Czech Republic 'shall not qualify as capacity reduction'

(Article 42; ex Protocol No 2 AA 2003, 7), and noticed how petroleum products from the Antilles will be split between Germany, the Belgo/Luxembourg Economic Union (a Union within a Union), France, Italy and the Netherlands. It is unsurprising to see 'best practice' being invoked here and there. (Should not 'best practice' be the norm?) It is hardly surprising that the Spanish people voted in favour of the Constitution given the aim in Article 40 (Protocol No 12 AA 1985) to raise 'the standard of living of the population'. After expending £60bn on Spain, the EU might, however, have expected greater enthusiasm for the Constitution on 20 February than a 31.5% 'Yes' from those entitled to vote (75% of the 42% who voted).

Despite my efforts, I don't think I've grasped every detail. One can see why such an undertaking means a demanding document but I wonder whether it is not made unnecessarily complicated, with every 'i' dotted and every 't' crossed, in order to hinder rather than ensure comprehension. Writing to the *Daily Telegraph*, an American living in New York suggested that the EU might have been misguided in writing such a detailed document rather than the 'skeleton model' of the US Constitution which its Founders produced, one that was generic and vague and which 'could be interpreted and reinterpreted to fit the needs of the time in question' (Cornelius Seon, 21 February 2005). In contrast, the Constitutions for most individual States, have, he said, been written in such a way as to 'anticipate every contingency', leading to New York State's Constitution being rewritten and rewritten, its current version only going back to 1938. It will obviously be most important that arguments for and against are presented honestly by politicians. Will that happen, or will language be used to obfuscate? Is it even possible? Let me start by looking at the Preamble to the Constitution.

The distinguished classicist, Peter Jones (Founder of Friends of Classics), wrote an excellent critique of the Preamble to the Draft Constitution in *The Spectator*, 27 December 2003, pp. 14-15. This Preamble, he said, 'perverts history and geography and is an insult to ancient civilisations'. It gives a 'terrifying insight into the mindset of the people running "Europe" (inverted commas intentional) and the perverted view of history they advance in order to get us to think their way'. It was written by a former President of France (1974-81), Valéry Giscard d'Estaing. When discussing what he had written on the 'Today' programme, Peter Jones said that the Greek was mistranslated but did not give any details.

The Preamble as printed in the Draft Constitution began with a quotation from Thucydides, II, 37. This the EU translated as, 'Our Constitution is called a democracy because power is in the hands not of a minority but of

the whole people'. One might doubt whether power really is in the hands of the whole people, but it was the word 'Constitution' which attracted my attention. Thucydides used the word *politeía*, which means 'form of government': 'constitution' in Greek is *syntagma*, which is not used by Thucydides. An innocent such as I am in such matters could not but wonder whether the EU's translation accurately represented Thucydides. If not, what does it say for openness – and democracy – in the EU? It says much for l'Académie Française that, shortly afterwards, it appointed the author of this travesty to its membership.

The Constitution itself, perhaps mindful of the inappropriateness of this quotation and its misleading translation, dropped the Greek. It also dropped the first foolishly bombastic and inaccurate paragraph of the Draft:

> Conscious that Europe is a continent that has brought forth civilisation; that its inhabitants arriving in successive waves from earliest times, have gradually developed the values underlying humanism: equality of persons, freedom, respect for reason …

So much for earlier civilisations - perhaps the US forces camping on the ruins of Babylon brought about a change of mind. However, as well as minor changes, it added a new paragraph:

> Convinced that, thus "united in its diversity", Europe offers them the best chance of pursuing, with due regard for the rights of each individual and in awareness of their responsibilities towards future generations and the Earth, the great venture which makes of it a special area of human hope.

Jones concludes his article by stating that in the Preamble 'the falsification of Europe's past is in full swing. The nightmare of a future controlled by Eurocrats who think like that lurks in the rest of the "constitution".' Against that we should judge the arguments of the Farages and MacShanes, Clarkes K. and C., Heseltines and Kinnocks, Mandelsons and Blairs. The use of language in this debate will directly affect our future, political, economic, social, and cultural. Whom can we trust?

Part II of the Constitution, The Charter of Fundamental Rights of the Union, also has a Preamble. This starts, ominously as I see it, 'The people of Europe, in creating an ever closer union among them', smacks to me of that current word that dare not speak its name: Federalism. At Bruges on 2 October 2002, Giscard d'Estaing spoke of the EU developing 'along federal lines'. 'Federal' was dropped and replaced in the Draft Constitution

at 1.1 with 'in the Community way'; in the final version, on which we shall vote, this becomes 'on a Community basis'. Words without distinction of intent? The peaceful union of fractured Europe, for ages ever in conflict, is a wonderful ideal, but it cannot be brought about on this basis, nor with this Constitution. It lacks the style and panache – and sheer beauty – that converted Victor Laloux's railway station to the Musée d'Orsay, to me the most magical transformation in Europe.

One must ask what is the point of a Constitution if major powers, notably France, Germany, Italy, and the Union's power-base in Brussels, can ride roughshod over the existing rules? Treaties only work when there is wholehearted adherence to their rules. France, Germany, and Italy have broken the Stability Pact for several years (ironically demanded by Germany in the first place). Greece, it now appears, seriously misrepresented the state of its finances in order to gain entry to the EU and has been allowed to get away with that. There are regular breaches of EU directives – France regularly tops the list of defaulters,[1] and those fined almost invariably fail to pay fines for breaches of EU rules. Explanations and justifications – language – is used to conceal what is going on.

> A Treaty is a writ of mutual promise between two independent states, and the law of promise is the same to nations as to individuals. It is to be sacredly performed by each party *in that sense in which it knew and permitted the other party to understand it, at the time of the contract.* Anything short of this is criminal deceit in individuals, and in governments impious perfidy.

So Coleridge in 1810 in *The Friend*, Essay 10 (p. 273). The italics are mine.

One of the most troubling 'Common Provisions', as I see it, is that defining the Common Foreign and Security Policy, specifically Articles III-294 and 295. In these it is stated that 'The Union shall define and implement a common foreign and security policy' and that 'The Member States shall support' that 'actively and unreservedly in a spirit of loyalty and mutual solidarity'. Further the European Council shall 'define the general guidelines' for this, '*including for matters with defence implications*' (my italics). But what is 'defence'. It is an old joke that a Ministry of Defence can be another name for a Ministry of War. Does defence include pre-emptive strikes such as that on Iraq? Surely the scrapping and ordering of warships and the

1 Most of these points were made by Stanislas Yassukovich, Deputy Chairman of the International Stock Exchange, 1986–1989, in a letter to the *Daily Telegraph*, 22 April 2004.

amalgamation of regiments have defence implications? Is our government 'actively and unreservedly' supporting EU involvement in these?

The Constitution ensures that its Court of Auditors examines 'the accounts of all revenues and expenditure of the Union' and 'of any body, office or agency set up by the Union'. It shall report its findings to the European Parliament and the Council 'with a statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying actions' which is to be published (Article III-384); further, its annual report shall be passed to national Parliaments *for information* (Protocol 1, Title 1, Article 7). But what is the effect if the annual accounts cannot be signed off by the auditors for ten successive years? And what action can national Parliaments take if the accounts are not passed by the Court of Auditors? Personally I should be disinclined to invest in a company that had failed to have its accounts approved by its auditors year after year and whose board of directors had been sacked for dereliction of duty – but that we are expected to do as nations. Where is 'best practice' here?

The EU's civil servants who have pointed to financial shortcomings have been suspended and sacked whereas Commissioners and their acolytes accused of peculation have yet to be tried (though Edith Cresson, a former prime minister of France, is, it is said, to face trial). On 4 May 2004, MEPs, by 515 to 88, absolved the European Commission over rampant fraud at its Eurostat Data Office. As a Danish MEP, Jens-Peter Bonde, said, 'The moral of this story is that every commissioner is untouchable as long as they make sure civil servants keep them in the dark. This is madness.' 'Moral' is not, perhaps, quite the right word. Considerable care is taken to ensure that MEPs and the servants of the EU are granted immunity from prosecution. However, that immunity is not total. There is what seems to be an interesting limitation: 'Immunity cannot be claimed when a member is found in the act of committing an offence' (Protocol 7, Chapter III, Article 9b). Does this mean that if someone is found actually robbing a bank they cannot claim immunity but if they get away with the swag they are immune?

I am less concerned about, say, debt rescheduling for Huta Batory (Title VIII, Article 63, 9, f) and the Ingalina Programme (Title IV, Article 54), mean though that must seem to Poles and Lithuanians, than I am about the proper auditing of the EU's finances and the control of our national defences.

Recently the British people were promised that there would be no more 'EU Directives' seeking to control their lives. Quite true. Put simply, the

language has been changed. The word 'directive' has been replaced by 'framework law' (for the French *Loi-cadre*). As a Liberal Democrat MEP, Andrew Duff, explained, 'directive' sounded 'Bonapartiste', but the effect will be the same. Thus the European Arrest Warrant was 'a framework decision'. In theory this will allow a suspect to have 'the right to legal advice as soon as possible'. The *words* sound fine – but the effect? In the UK that should mean at the outset of a police inquiry, but in EU countries with an inquisitorial system of interrogation the suspect will first suffer questioning without help from a lawyer, and quite possibly a long term of incarceration to go by the experiences of those plane-spotting in Greece. As the House of Lords sub-committee which examined this said, there is a serious risk of 'a fudge and/or the lowest common denominator', which suggests to me lengthy stays in French, Greek, Spanish and other Continental gaols before legal assistance is allowed. What the Constitution offers under Title VI, 'Justice', is 'the possibility of being advised, defended and represented': *the possibility*! (Article II-107). So much for the Preamble's 'with due regard for the rights of each individual'. One cannot but wonder whether the Government's current desperate attempt to avoid a sunset clause that would require the rethinking and rewriting of anti-terrorist legislation, rather than its preference for an annual review that can ensure the old Act is steamrollered through Parliament, is not designed to ensure that habeas corpus dies the death in order that we can be brought into line with Continental practice.

As anyone knows who has waited impatiently at Dover or Calais, the Commission has done nothing effective in the past when France has blocked its ports against British cars and lorries: the onetime Transport Commissioner, now Lord Kinnock,[2] hardly delivered free movement of transport between the UK and France, nor was France effectively challenged and fined. Indeed, the French were able to burn British sheep alive in its streets, protected by their police whilst they did so (as I know from the experience of attempting to pass a police cordon).

To be fair, improvements might be on the horizon. Free movement of transport is allowed for throughout the EU, and, especially since the Treaty of Nice, specific provision is made for those of us on the periphery of Continental Europe. The Treaty of Nice states:

2 Lord Kinnock, it will be recalled, led a party which fought against the UK joining Europe yet was glad to serve two terms as a Commissioner. He scorned the House of Lords, but jumped at the chance to be 'ennobled'.

> Within the framework of a system of open and competitive markets, action by the Community shall aim at promoting the interconnection and inter-operability of national networks as well as access to such networks. *It shall take account in particular of the need to link island, landlocked, and peripheral regions with the central regions of the Community* (Article 154, 2; *my italics*).

The Draft Constitution changes 'Community' to 'Union' twice and removes the hyphen from 'inter-operability' (Article III-144, 2). The Constitution itself repeats this and it is now Article III-246, 2.[3] It seems that free movement through ports such as Dover (on an island) and Calais (situated in a central region of the Union) will, since the Treaty of Nice, be assured. We shall have to see whether, in fact, Calais, and other French ports, will ever again be blocked against us, or UK transport hindered in its passage through the Continent. Whereas this appears to be cast in stone by the Constitution, it seems that some rights, say, to fishing in English coastal waters, can simply be signed away for the benefit of our partners by a Government Minister. Thus, our Fisheries Minister, Mr Ben Bradshaw, in December 2004, banned Cornish fisherman from local waters but allowed access to Belgian fisherman to catch the same fish. As he somewhat naively said, 'You sometimes get details like this which slip through unnoticed' – unnoticed by Ministers if not by the fisherman of Padstow.

It is frequently maintained that the Constitution will not permit the EU to interfere with the UK's taxation. This would be more convincing if it did not maintain control of VAT and if the EU was not imposing the *droit de suite* on Britain from 1 January 2006. On 24 February 2005, the German Advocate General at the European Court of Justice, Juliane Kokott, demanded more VAT be paid on works of art imported for auction from outside the EU, causing yet more damage to the £3bn London market. Next, the EU Commission took the UK to that Court to argue that the UK VAT system was incompatible with the Sixth VAT Directive issued by Brussels as it affected business mileage expenses. On 10 March 2005 the Court declared that the UK's rules were 'too loosely worded and must be changed'. This will cost business £250m a year. Even Dawn Primarolo, the Paymaster General was 'deeply disappointed'; she even vowed to work to minimise the damaging effect of this ruling, a reaction which will doubtless

3 Tracing the evolution of articles is tricky. I doubt if I should have been able to manage this without the successive documents prepared by the British Management Data Foundation, Stroud, for which I am very grateful.

bring great comfort to British business. These are an ever-thickening end to a wedge, motivated, one suspects, by spite and jealousy. We have also seen backdoor interference with the taxation regime of Gibraltar. It has been forced to scrap its company taxation regulations 'after Britain caved in to EU demands' – and 'caved in' is *The Times*'s verb, not mine (19 February 2005). If, heaven forbid, one were of a suspicious nature, one might wonder whether Gibraltar's enforced caving in was not timed to be announced just before the Spanish vote on the Constitution. Gibraltar's tax regime might not appeal to all but it is troubling that somewhere small can be so beaten down. Presumably the Channel Islands will be next. Bring back Thomas Rainsborough! He memorably claimed 'The poorest he that is in England hath a life to live as the greatest he'. Such a little word 'he', but of such democratic significance! So it should be for each member-state of the European Union. It is ironic that Rainsborough, who commanded the warship *Swallow* in 1643 and later a regiment in the New Model Army, should have led *the Republicans* in the House of Commons in 1646.

One of the most disturbing aspects of the Constitution-drafting process was the short shrift given to anyone who disagreed. A minority report was issued by eight delegates, five from national parliaments and three from the EU Parliament, but 'Not one single Euro-sceptic or Euro-realist person was allowed to observe or participate in the work in the Praesidium, nor any of its assisting secretariats' and 'members were refused the right to have their amendments translated, distribute, discussed and voted upon'. This is particularly surprising given the hundreds of millions spent on translation by the EU. Most damning: 'Giscard did not allow democracy and normal voting in the Convention. The draft Constitution runs counter to all democratic principles'.[4]

The poet, Samuel Taylor Coleridge (to whom I shall return) summed up the problem posed by the EU Constitution 200 years ago: 'A constitution equally suited to China and America, or to Russia and Great Britain, must surely be equally unfit for both, and deserve as little respect in political, as a quack's panacea in medical practice'.[5] More subtly this can be seen in a

4 Alternative Report: 'The Europe of Democracies', 19 July 2003; *The European Constitution in Perspective* (December 2004), p. lxix.

5 'On the Principles of Political Philosophy', Section 1, Essay 3, 1809, *The Friend* (1890), p. 111. Extracts from *The Friend* are, for copyright purposes, taken from George Bell's 1890 edition with page references and minor corrections to the edition edited by Barbara E. Rooke, 2 vols *The Bollingen Series, LXXV*, Princeton, 1969 All references are to Volume 1.

passage in Coleridge's Essay 13: 'An American commander, who has deserved and received the highest honour which his grateful country … could bestow on him … once said … "Without local attachment, without national honour, we shall resemble a swarm of insects that settle on the fruits of the earth to corrupt and consume them, rather than men who love and cleave to the land of their forefathers".' [6]

There is nothing new about twisting meaning as in 'federal', 'Community way', 'Community basis'. Very appropriately, Shakespeare puts into the mouth of a prostitute a complaint that language is being distorted. In *2 Henry IV*, 2.4.140, Doll Tearsheet is horrified that Pistol is described by the Hostess as a Captain:

> He a captain! Hang him, rogue, he lives on mouldy stewed prunes and dried cakes. [That is, Pistol lives off the takings of decayed prostitutes; 'prunes' were said to cure venereal disease; and 'stews' were brothels.]
>
> A captain? God's light, these villains will make the word as odious as the word 'occupy', which was an excellent good word before it was ill-sorted [that is, ill-sorted for 'fornicate'].

In looking more broadly at the problem posed by good words that have become ill-sorted in political rhetoric I have been enticed to dig further into the past to see how empty words and phrases have stood in the way of honest debate. After all, 'swindles and perversions' of language, as Orwell called them (*Complete Works*, XVII/425) are not peculiar to English politicians of today, nor, indeed, to English politicians.

Politicians here and abroad historically twist words to give them meanings to suit there own interests. The Duke of Gloucester (later said to be murdered at Calais on the orders of King Richard II – see *Richard II,* I.ii) at peace talks in May 1393, 'complained that the French used ambiguous language, filled with "subtle cloaked words of double understanding" which they turned and twisted to their advantage'. After 'Charles V's manipulation of the clauses of the Treaty of Brétigny, the English had approached – and baulked at – settlements in fear of being gulled. To influence Gloucester by his divine mission and eloquence, Robert the Hermit was summoned to the conference by Burgundy. In passionate words the holy man begged the Duke, "For the love of God, do not longer oppose the peace".' Gloucester replied, 'I wish not to prevent peace, but you Frenchmen use so many coloured words beyond our understanding that, when you will, you make

6 *The Friend*, Section 1, Essay 13, 1810, p. 297.

them signify war or peace as you shall choose . . . dissembling always until you have gained your end'.[7]

Curiously, the problems we face today over terrorism and the fear of Islamist extremists are similar to those which George III's government faced from France when Bonaparte was planning the invasion of England in the 1790s. Lord Grenville, as had Mr Blunkett in his prime, and now Mr Clarke, brought in one measure after another designed to secure our borders. In December 1792 Grenville introduced the Alien Bill to register and supervise foreigners; on 22 May 1794, Habeas Corpus was suspended; on 6 November 1795, he brought in the Treasonable Practices Bill; and that December, a Seditious Meetings Bill. All were enacted. These have a familiar ring today. Even though Mr Blair maintained when shadow Home Secretary in 1994 that 'The liberty of a subject should be taken away not by the act of a politician but by a court of law', ten years later he was promoting incarceration by his politicians (*Daily Telegraph*, 23.2.05). In the 1790s, spies were set upon our own people by our own government, sometimes with hilarious results. Thus, a Home Office Agent, studied an 'emigrant family' which roused his suspicions in Somerset. In a document dated 11 August 1797 he reported his observations:

> The man has Camp Stools, which he and his visitors take with them when they go about the country upon their nocturnal or diurnal excursions, and have also a Portfolio in which they enter their observations, which they have been heard to say were almost finished. They have been heard to say they should be rewarded for them, and were very attentive to the River near them – possibly the River coming within a mile or two of Alfoxden from Bridgwater. These people may possibly be under-Agents to some principal at Bristol.

And these emigrants? These spies? These foreigners, doubtless betrayed by their Cumbrian accents, strange in Somerset, were William and Dorothy Wordsworth, and the man with the camp stools was Samuel Taylor Coleridge. They were not agents of Bonaparte and were not scouting for a French invasion. They were observing Nature *en plein air* (long before the Impressionists) to the end of writing poetry, in particular, what became Coleridge's *Kubla Khan*![8]

Let me examine Coleridge and his analysis of language in a little more detail. No biographer of Orwell mentions Coleridge in connection with

7 Barbara Tuchman, *A Distant Mirror* (1978; 1989), pp. 512 and 513.

8 Richard Holmes, *Coleridge: Early Visions* (1989), pp. 160 and 162.

Orwell and in my twenty volumes, there are only references to *The Ancient Mariner* and *Kubla Khan*. But Coleridge seems a true ancestor of Orwell in his approach to language although not in his attitude to our neighbours – he gave our neighbours short shrift after the ascendancy of Napoleon as Dictator. In his Essay 8 in *The Friend*, 1809, he writes of the French as 'the most light, unthinking, sensual and profligate of the European nations, a nation, the very phrases of whose language are so composed, that they can scarcely speak without lying!' The Duke of Gloucester might have agreed, but it is clearly exaggerated: of all things, one cannot fairly accuse the French ruling class of being 'unthinking'. In Essay 11, he refers to 'the perilous designs and unsleeping ambition of our neighbour, the mimic and caricaturist of Charlemagne'.[9] I quote these comments because it is important to bear in mind Coleridge's bias before looking at the way he analysed language in the context of Napoleon's threatened invasion of Britain.

On Christmas Day 1799 Napoleon wrote a personal letter to George III. He proposed negotiations to end the war between France and Britain. It was passed to Lord Grenville to answer. Grenville did so with the approval of the Prime Minister, William Pitt the Younger. Britain had just completed negotiations with other European countries for a coalition against the French dictator and it was feared that negotiations might fracture this coalition. However, his reply, in tone and matter, was much condemned, notably by Coleridge, then acting as a leader writer for *The Morning Post* (now subsumed in *The Daily Telegraph*). On 22 January Coleridge wrote a leader, 'The Stile [*sic*] of Lord Grenville's Note'.[10] This suggests Orwell 250 years later. The leader starts:

> We think in words, and reason by words. – The man who, while he is speaking or writing his native language, uses words inaccurately, and combines them inconsequentially, may be fairly presumed to be a lax and slovenly reasoner. False reasoning is perhaps never wholly harmless; but it becomes an enormous evil, when the reasoning, and the passions which accompany it, *are to be followed by the sacrifice of tens of thousands* [my italics].

9 The Friend (1890), pp. 33 and 46.

10 Quoted from Essays on His Times, 3 vols, ed. David V. Erdman, in The Collected Works of Samuel Taylor Coleridge (The Bollingen Series), vol 3 (1978), p. 114. Richard Holmes discusses Coleridge's leaders attacking Grenville and Pitt in Coleridge: Early Visions, pp. 62-6, and, in a note, refers to John Colmer's, Coleridge: Critic of Society (1959), p. 79.

Is not this similar to the loose use of words that have caused the deaths of tens of thousands of coalition soldiers and Iraqi people?

It is not practicable to reproduce all Coleridge's leader here, especially his analysis of the placing of a single word – 'also' – which is worth attention on its own merit. It was widely applauded at the time (for example by Charles Lamb, who hoped in vain that it would be a death-blow to the government). Coleridge begins by quoting from Grenville's Note and then comments on three words which he italicised:

> 'The *same* system, to the prevalence of which France justly ascribes all her present miseries, is that which has *also* involved the rest of Europe in a long and destructive warfare, of a nature long since unknown *to* the practice of civilized nations.' Here the connective word 'also' should have followed 'Europe.' As it at present stands, the sentence implies that France, miserable as she may be, has, however, not been involved in a warfare. The word 'same' is absolutely expletive; and by appearing to refer the reader to some foregoing clause, it not only loads the sentence, but renders it obscure. The word 'to' is absurdly used for the word 'in.' A thing may be unknown *to* practitioners, as humanity and sincerity may be unknown to the practitioners of State-craft … but even 'cheese-parings and candle-ends' cannot be known or unknown '*to*' a practice!!

George Orwell, without knowing Coleridge's analysis, would pursue the same technique in 'Politics and the English Language', even to the extent of his analysis of five passages which 'illustrate various of the mental vices from which we now suffer'. Perhaps I might quote the first, which is short (from Vol XVII, p. 422), and which Orwell finds lacking in precision. I have italicised the negatives, which Orwell does not do.

> I am *not*, indeed, sure whether it is *not* true to say that the Milton who once seemed *not un*like a seventeenth-century Shelley had *not* become, out of an experience ever more bitter each year, more alien (sic) to the founder of that Jesuit sect which *nothing* could induce him to tolerate.
>
> Professor Harold Laski, Essay in *Freedom of Expression*.

Earlier I referred to digging in the past to see if empty words and phrases could stand in the way of honest debate. Coleridge's leader in *The Morning Post* of 19 March 1800 devoted to William Pitt the Younger might be a good example. It is not, so far as I can see, mentioned in William Hague's

recent biography of Pitt; 'Coleridge' does not appear in the index and the only two references to *The Morning Post* indexed do not refer to leaders by Coleridge. As I read Coleridge's description of Pitt's oratory I was struck by parallels with that of our present Prime Minister. We are accustomed to caricatures of the surface style of the Prime Minister's oratorical techniques by, for example, Rory Bremner, Craig Brown, and the Vicar in *Private Eye,* but, two-hundred years ago, Coleridge seemed to get to the very heart of Blair's technique. This, even more than of Pitt, struck me as Blair. Coleridge wrote that Pitt

> acquired a premature and unnatural dexterity in the combination of words, which must of necessity have diverted his attention from present objects, obscured his impressions, and deadened his genuine feelings. Not the *thing* on which he was speaking, but the praises to be gained by the speech, were present to his intuition; hence he associated all the operations of his faculties with words, and his pleasure with the surprise excited by them.
>
> But an inconceivably large portion of human knowledge and human power is involved in the science and management of *words*; and an education of words, though it destroys genius, will often create, and always foster, talent … Vanity, early satiated, formed and elevated itself into a love of power; and in losing this colloquial vanity, he lost one of the prime links that connect the individual with the species … His first political connections were with the Reformers … But his sincerity had no living root of affection; while it was propped up by his love of praise and immediate power, so long it stood erect and no longer … A being who had no feelings connected with man or nature, no spontaneous impulses, no unbiased and desultory studies, no genuine science, nothing that constitutes individuality in intellect, nothing that teaches brotherhood in affection! Such was the man – such, and so denaturalised the spirit, on whose wisdom and philanthropy, the lives and living enjoyments of so many millions of human beings were made unavoidably dependent … He heaped period on period; persuaded himself and the nation, that extemporaneous arrangement of sentences was eloquence; and that eloquence implied wisdom …
>
> After the declaration of war, long did he continue in the common cant of office … in an endless repetition of the same *general phrases*. This is his element; deprive him of general and abstract phrases, and you reduce him to silence. But you cannot deprive him of them. Press

him to specify an *individual* fact of advantage to be derived from a war – and he answers, SECURITY! Call upon him to particularise a crime, and he exclaims – JACOBINISM! Abstractions defined by abstractions! Generalities defined by generalities![11]

One must not here assume that Coleridge was right about Pitt, who was facing a Dictator intent on invading England and starving Britain to death through the 'Continental System' – just as later Hitler would wish to do – but substitute Muslim Extremists for Jacobinism and one comes close to a description of Mr Blair's oratory. As a result, we have today what Coleridge called 'the Heresy of expediency'.[12]

What of distinctions between the English and American languages? This is a topic in its own right, and needless to say, Orwell had comments thereon. Independently of those, I very recently came across remarks on the differences between the language and thought processes of these two countries showing how clearly we are divided by a common language (or, perhaps, as Russell Hoban paradoxically put it in *The Lion of Boaz-Jachin and Jachin-Boaz,* ch. 27: 'how many people speak the same language even when they speak the same language'). These stemmed from a phrase which roused anger and fuss following the recent invasion of Iraq.

The US Defence Secretary, Mr Donald Rumsfeld, famously (or infamously) castigated France and Germany for not supporting that invasion. He spoke disparagingly of them as 'Old Europe' and was much criticised for using that phrase. In 1934, Orwell's first book, *Down and Out in Paris and London*, was chosen for publication by Nouvelle Revue Française, Paris. The translator was R-N Raimbault, a Professor of English at Le Mans University. He and Orwell conducted a lengthy correspondence in French which went beyond the immediate concerns of translating Orwell's text. Raimbault was a distinguished translator of two American novelists, Upton Sinclair and, most notably, William Faulkner, doing much to keep alive Faulkner's reputation in the 1940s. This is what Raimbault wrote to Orwell in 1934, and here, 'Old Europe' includes England:

English and American are truly different languages, descended from two different ways of thinking. Our Old Europe, with its ancient Graeco-Latin culture, possesses the traditions of logic and clarity from which we derive such value, such inestimable benefit. When an

11 *Essays on His Times*, ed. David V. Erdman, vol 3, pp. 219-20, 221-2, 223-4. Here the italics are not mine.

12 Richard Holmes, *Coleridge: Darker Reflections* (1998), p. 153.

> American is conscious of writing well, he lapses easily into the obscure, complicates it, and, in short, adopts a pedantic manner which, in the end, bores. Fanny Hurst is for me a classic example of this genre. It is true that, in addition, she is female. For Faulkner it is different. His language is truly scholarly but often to such a degree that it isn't Greek or Latin etymology that has enabled me to render its subtleties.[13]

Like Coleridge on Pitt, Raimbault may be wrong but it is significant that he points to the different ways of thinking expressed through the American and English languages rather than that they are on different political wavelengths.

The Second Iraq War reminded me of a passage in Orwell's novel, *Burmese Days*. Orwell's anti-hero, Flory, is arguing with Dr Veraswami, who is very pro-Empire. Flory dismisses the doctor's 'Pax Britannica' of India and Burma as the 'Pox Britannica' and complains bitterly that the British 'build a prison and call it progress' (p. 41). The contrast between our taking democracy to Iraq and our imprisonment of people without trial springs to mind, and specifically Guantanamo, Abu Ghraib and Belmarsh. It is no defence to argue that the electorate would vote for locking up every suspect. It would vote for hanging, and in public, given half a chance. And wherever are Saddam and his associates gaoled? This passage was undoubtedly suggested to Orwell (a good classical scholar – Latin and Greek were but two of his eight languages) by the Roman author, Tacitus, who, in the biography of his father-in-law, wrote, 'Ubi solitudinem faciunt, pacem appellant' (*Agricola*, 30): the Romans, after conquering a people, 'Where they create a desert they call it peace'. Very recently I saw Fallujah described as now 'peaceful'. Tacitus ironically puts this statement into the mouth of the chief of the Caledonians when addressing his forces facing the Roman army in Scotland before the battle of Mons Graupius. Orwell went so far as to provide a little clue to this passage in *Burmese Days* by using the word 'deserts' six lines later.

The swindles and perversions I have been discussing do nothing to enrich the language, or enhance democratic government: they degrade both. Democracy, which we purport to be taking to other countries, is not made of this. As Flaubert wrote to George Sand in 1871 when the Commune

13 8 December 1934, translated from French. The phrase is used again by Raimbault in a letter of 22 December. Fanny Hurst (1889-1968) wrote rather sentimental novels which highlighted the problems faced by women of different social classes. She served on government committees during the New Deal.

was in its death throes: 'Our lying had turned us into idiots. We had lost all notion of good and evil'.[14]

Anthony Trollope is sometimes dismissed rather sniffily (perhaps because John Major enjoyed his novels and he makes good tv) but he has a gift for providing surprising moments. In *The Last Chronicles of Barset* (1867) Trollope quotes from Horace's *Epistle*s: 'Rem, si possis recte, si non, quocumque modo'. This is often translated 'Money by right means if you can, if not, money by any means'. However, the Penguin Classics edition offers a variant which is relevant to our political scene: 'If you can't be honest, be expedient'.[15] Perhaps, after all, Professor Raimbault had something in his appeal to a Graeco-Latin tradition, but that is largely lost to us now, or at least to our rulers.

A friend has suggested an apposite conclusion to this little essay on the way the degradation of our language affects our freedom. It dates back to about 470 BC and is attributed to Confucius: 'when words lose their meaning, the people lose their liberty'.

LETTERS

A response to 'Family Structure and Economic Outcomes', Economic Research Paper No. 20 by Patricia Morgan from Mr Brian Lewis

Dear Sir

I have just been reading Patricia Morgan's 'Family Structure and Economic Outcomes', which has set me thinking again about whether mankind really makes decisions on rational economic facts, or whether our entry into and position in society are actually the driving forces.

My question today reverts to how we measure wealth and poverty in families. Some years ago I saw a commentary that basically said that you cannot measure income by family assets at one moment in time – perhaps over three generations is the minimum. One moment in time gives erroneous results: namely that the owner of family assets (often the father)

14 Quoted by Rupert Christiansen, *Paris Babylon* (1994; 2003 edn), p. 331.

15 *Agricola*, I. i. 66; Penguin Classics edn (1986), edited by Peter Fairclough, ch. 56, p. 592; notes p. 870.

is immensely rich and the rest of the family are poor in various degrees – the wife may have some assets, but the children, however well-educated and well-fed, are destitute and thus barely survivable.

There is also the age factor. Family assets vary enormously depending upon the age of a married couple – very poor statistically at 25 but very rich at 65. Young adults from rich, well-educated families are also very poor at the moment they get their first job, irrespective of the fact that they drive BMWs four years later.

I have already remarked that when I retired at the age of 49 with 32 years pensionable service the implication was that I had worked since I was 17. Not true of course if you sum 2 years national service, a gap year and 3 years at Cambridge, and a bonus for 12 years overseas service. Anyway at the age of 49, I disappeared off the face of that map managed by the British Government, and became ostensibly unemployed. Now that I am 71 – 22 years later – I must be a considerable problem! I still think that my inability to work in the UK is entirely a social decision with absolutely no reference to my abilities, health or determination.

Patricia Morgan remarks that although 'marriage is a majority behaviour' and 'married people are consistently better off', unfortunately the ethos of government is that 'married couples should not expect fiscal encouragement and (the) intent is (to) make women independent financial actors'.

Sadly she goes on to say 'lone parenthood is often seen as synonymous with child poverty'. On the other hand, families where both parents work 'enjoy a disproportionate share of jobs, incomes and incentives' to the disadvantage of the single woman with children.

All this effort to encourage women to be independent and free of the obligations of marriage, while at the same time having children (without resident fathers), seems to me to overlook the biological urges of young men for sex and the equally important biological urge for men to be free and live an untrammelled life. It is not good that the British Government now sends out the promiscuous message that men have no real responsibilities in society and that with sex freely available, marriage is no longer necessary.

In my old age, I now see more clearly why our ancestors and many modem societies arrange the marriages of their children – because society depends on links and relationships, not only for the good of children so badly needed to maintain a viable population, but also because all national economic benefits must be spread equitably throughout society, not for today only but for future generations.

The message that men serve no useful purpose in society and are free to do what they want without responsibility, and that women must be allowed the freedom to have children without the support of fathers, but with the support of government, is attractively dangerous. But how appealing that message must be to the Alpha Males of 25. My advice to my son is to be very careful about marriage if already getting as much sex as he can! I almost wish I were 25 again with such rules.

15 Calcutta Street
Merville Subdivision
Parañaque MM

A response to 'Bad for Business?', Britain & Overseas Vol 35 No 2, from Mr David Fifield

Dear Sir

May I offer a somewhat philosophical reply challenging 'Bad for Business – are business schools responsible for what is wrong with corporate management', *B & 0 Summer 2005*. I will draw on personal experience, aided by two FT articles, while focusing on opportunity, market match and recognition.

It appears a step too far to suggest that ideas emanating from business school academics, whether based on human behaviour or mathematical models, are responsible for corporate misbehaviour. For a number of years I enjoyed a colleague's explanation for events, 'forget stated reasons and explanations, where is the money?'. Using this approach suggests entrepreneurial academics might have a second agenda when promoting marketable ideas, quasi scientific or otherwise. Those that take root can be expected to bring both recognition and financial benefits. As with all human endeavour, probably more so in business, there are those who will use for personal gain conflicting but fashionable ideas.

A holistic approach can be used to demonstrate a market match. During the 80s using the concept of 'Structuring Business Organisations – according to expectations' I examined a number of business topics. In conclusion I suggested that where ownership expectations, corporate character and market opportunities were matched, contentment and corporate excellence

would exist. A similar view was expressed by Adrian Furnham and David Pendleton in the Financial Times of 7 June 1993. Using the concept of the Holy Trinity they suggested, 'if there is a God of business, he or she also has three manifestations: the shareholders, the customers and the staff. They are different but equal and all demand similar attention. Those who emphasis the worship of any one over the others are today's false prophets. A quality MBA programme provides both an understanding and the intellectual rigour needed to bring harmony to a 'trinity'. In an era of growing specialisation, a product for the present.

In an October 2002 Financial Times article the following question was posed. What do one of the world's most powerful diplomats, most powerful regulators and most powerful businesswomen have in common? The answer (at least one of them), is that they are business school graduates from universities where the list of alumni reads like a 'Who's Who' in international business. They are drawn from programmes with a linking heritage and long history, seventy four years in one case, offered by MIT, Stanford and LBS. This suggests a durable product recognized world wide.

Based on the above I believe a professionally delivered MBA is worth the investment made by participants and employers, ie it is 'good for business'.

Oaklands
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