BRITAIN & OVERSEAS

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

Autumn 2008 Vol. 38, No. 3

Editor: Jim Bourlet

The articles published in this journal do not necessarily reflect the views of The Economic Research Council

Published quarterly by
The Economic Research Council
Tel: 020 7439 0271
www.ercouncil.org

Price: U.K. £20 Australia $50 Canada $45 New Zealand $60 U.S.A. $35 Japan ¥5,000
ISNN 0045-2866

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DEVELOPING CLIMATE CHANGE POLICY LESSONS FROM OUR EXPERIENCE IN DEVELOPING MONETARY POLICY

Extracts from a talk given by Dr Andrew Sentance, Bank of England Monetary Policy Committee Member, to members of the Economic Research Council on Wednesday 20th February 2008.

Monetary policy in the post-war period has not been, in general, a great success story for the UK. The broad objective of monetary policy is price stability to underpin economic stability to provide a good environment for business and therefore for wealth creation. The UK has had a rather poor record of achieving price stability – we were one of the more inflation-prone economies in the developed world during the 1970s and 1980s. But in more recent times we have managed to achieve a degree of stability within an institutional framework that has been set up. We have learned what does and what does not work in the face of challenges and shocks. We have learned that we need a number of key elements to underpin a successful monetary policy framework. We need a clear objective (price stability), some intermediate targets (some countries use an exchange rate target) such as specific increases in the retail price index, and you need to have clearly identified policy instruments – in the UK, mainly short term interest rates. The Monetary Policy Committee sets short-term interest rates in order to achieve the inflation target over the medium term. We recognise that there are lags in that process, so if you are asking us to influence inflation tomorrow or next month or in a few months' time, that would be very difficult, but if you are asking us to influence inflation over a one/two year time horizon, we are likely to be much more successful. We now have a much better understanding, developed over time, of the transmission mechanism of how, when we pull a policy lever, its effects ripple through the economy – which is very important in terms of critical feedback for knowing whether you are on the right track or not. We now know more about the key role of expectations in influencing behaviour. In the 1970s and 1980s expectations of inflation were relatively volatile and could easily be destabilised by events such as an oil price shock or a wage price spiral being set off. Now inflation expectations are more stable. Lastly I need to mention the importance of communication, transparency and accountability. Back in the 1980s, when interest rates were changed, it was often quite difficult to work out exactly why they were changed in the way that they were and why they were changed how much they were.

There was obviously a suspicion of political input. Now we realise that having robust independent and credible processes is very important. Now you can see what happens. There are minutes of the Monetary Policy Committee and the processes are laid out in an Act of Parliament, the Bank of England Act. So now we can claim at least some success in getting monetary policy right.

These factors in developing successful monetary policies are relevant to climate change as well – a clear objective, some targets, the institutions, transparency, accountability, policy levers and a degree of political independence. For example, getting our expectations of behaviour working in the right way will be important, and you need robust processes and institutions to build credibility and consistency so that behaviour will change. Let me talk about some of the common challenges between monetary policy and climate change policy. An obvious point is that in monetary policy we are trying to stabilise prices, and in climate change policy we are trying to stabilise global climate – by trying to stabilise the concentration of greenhouse gasses and the consequent temperature rise. We have got to aim for perhaps stabilising at 450, probably no higher than 550 parts per million of carbon dioxide equivalents – figures above current levels but 50% or 80% below projected levels in the future. We have to find some way to reconcile emissions constraints with economic growth and development. A second parallel that might be drawn between climate change and monetary policy is in terms of the consequences of not achieving this. John Maynard Keynes wrote "There is no subtler or surer means of overturning the existing basis of society that to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which only one man in a million is able to diagnose." Inflation is a very insidious state which, when it gets to higher levels, as we saw in the Weimar Republic in Germany in the early 20s and indeed round about this time in the UK inflation was quite high, begins to undermine the underpinning of the wealth creation society. There is a parallel between that sort of sentiment around the destructive power of inflation if it is taken to extremes and what some people are envisaging in terms of climate change, again if that is taken to an extreme. As Tony Blair has said "It is not in doubt that if the science is right, the consequences for our planet are literally disastrous". As the Stern Review noted, global warming can lead to a build-up of problems – in food and water systems, extreme weather events and so on, reaching perhaps a "tipping point" into the risk of abrupt and basically irreversible change.

But there are some very important differences that we need to take into account as well between the monetary debate and the climate change debate. The first is that in climate change policy we are dealing with a natural system whereas in terms of monetary policy we are dealing with a social system. If prices rise, even over an extended period, we can begin to stabilise them at a higher level but we can't put off climate change policy for twenty or thirty years if over that period of time we are actually creating a destabilising response to the natural environment. Secondly we can stabilise our financial and economic conditions in one country, to a large extent independently from the rest of the world – as the Bundesbank did in the 1970s. In the climate change arena, although we need good national policies, to be effective, they need to be developed in a framework of sound international policies – a much more challenging prospect. Such a thing is possible as in the creation of the World Trade Organisation but the WTO developed over a forty year period. Thirdly, feedback mechanisms in monetary policy operate within the space of one or two years whilst if we get climate change policy wrong we will find out about it in thirty, forty, fifty years – or even longer, so the time horizons are much longer. And fourthly, although we have made some progress in terms of emissions policies, a climate change framework is at a very early stage compared to the situation when the Bank of England Monetary Committee was being set up and we had some models such as the Bundesbank and the Federal Reserve to draw from.

Therefore, lessons for climate change policy can be learned from the development of monetary policy in terms of the process of building consensus on targets, in terms of tailoring a framework for international policy, in terms of the development of policy instruments, and in terms of building up our research, knowledge and credibility over time. To jump in the climate change arena and say Ha!, we need the Monetary Policy Committee equivalent in climate change, let's give it an independent body, is like trying to skip six stages of evolution in establishing policy. We need to allow the framework to evolve and credibility to develop.

In conclusion I would say that climate change policy is not yet well developed. We need a better model of how the various levers that policy makers will have to pull will affect our transmissions in a low carbon economy of the institutions that will underpin this. But I do believe that there are enough parallels to suggest that experience within the development of monetary policy can help inform the development of climate change policy.

REFORMING BRITAIN: PAST, PRESENT, FUTURE?

Extracts from a talk given by Derek Scott, Economic Advisor to the Prime Minister, Tony Blair, between 1997 and 1002, to members of the Economic Research Council on Tuesday 13th May 2008[1]

Rescuing the 'Basket case' economy

Derek Scott began by noting the state of Britain's economy prior to Mrs Thatcher when a series of governments had, despite many subsidies, failed to invigorate the economy, and then moved on to the Thatcher changes which he characterised as 'huge on the economic front, but incomplete, some major macro-economic mistakes and unfinished because she barely touched the public services and in the end rather lost direction with the Poll Tax'. Mrs Thatcher was able to achieve results partly because 'the tide was moving in directions she wanted to go' and her election manifesto had been 'unusually specific about the reforms she wished to make'. He concluded on the sober note that 'The final observation I think on Thatcher would be that, although the reforms of labour and capital markets were very important, they were accompanied more generally by increased centralisation, both of public services and, perhaps more importantly, of local governments, including the abolition of the GLC (which revived the career of Mr Livingstone)'.

Success since 1992

Given that 'it is only really since the mid-1980s that we have had, in my view, the re-emergence of a genuine form of international capitalism for the first time since the 19th century', involving 'a flow of capital around the world which didn't exist for forty or fifty years after the second world war' which makes 'returns on capital more competitive and involves large flows of capital between countries and inter-temporal problems' making it especially difficult for some countries (for example Spain as a member of the Euro-Zone) to set interest rates appropriately. Britain 'either through luck or judgment' has been 'able to set relatively high interest rates (to postpone some investment and increase savings) whilst having a relatively

1 Derek Scott's Research Study Paper "Mending Britain – the Way Ahead" will be published by the Economic Research Council later this year

weak currency (stimulating growth through exports)'. Add to this that Mr Lamont 'put the public finances in order after the exit from the Exchange Rate Mechanism' and in 1997 the Bank of England became independent. These factors, whilst the Thatcher reforms have remained broadly in place, 'led to Britain's relatively good performance'.

Which is now going wrong

But this performance 'has been complicated by a tendency of the present Prime Minister when he was Chancellor of, shall we say, exercising an unhealthy amount of micro-management and this is, I think, fairly fouling things up'. Britain needs to create the right environment for entrepreneurs – which 'has all kinds of implications for tax and regulations which have been going in the wrong direction. Meanwhile we sat on public spending for two years … and then turned on the taps and haven't stopped turning them on since. We have now got public spending and debt going to levels that haven't been seen for many, many years. Spending on the health service has doubled, and on education by about 60%. So we are now in a position where we have moved from a healthy surplus when we first came in to a large and growing deficit.' Since Gordon Brown sees changes in taxation as the way to shift behaviour by individuals or by companies, we have ended up not just with a rise in tax but with a 'very complicated tax system'.

Public sector reform has turned into centralising the public sector. Generally speaking 'reform was to be seen driven from above through a new public spending framework introduced in 1998 which set up public service agreements which specified certain public sector outcomes and actually made the Secretary of State formally responsible for the achievement of these outcomes rather than local managers or people in charge of these services'. So, for example, 'the Police have a Policing Standards Unit based in the Home Office, and in education even the academies are being driven from the centre rather than from below'. The overall result is that 'resources have been badly used'.

So what for the future?

Starting with the premise that 'if we are to get away from failed policies of increasing expenditure and increasing centralisation, we have to take a very different approach', Derek Scott listed:

i ‘On the bigger macro picture we have got to have a new fiscal rule, if I might put it that way, that gradually reduces the share of public spending in GNP from the current 43/44% over the period of a couple of parliaments down to somewhere near the Australian level of 35%.

ii There needs to be a phased programme for the reductions in taxation, not only to improve incentives but to give individuals room to invest in themselves and foster the economic contribution particularly of young people.

iii Public services need to be made accountable, not to the centre which simply doesn’t work, but to their users through choice in areas like health and education, or through democratic means, for example in policing where they should be subject to local authorities or possibly even smaller areas.

iv We need to re-engage the public in politics because we have a major political problem of credibility for politicians and their institutions. We need to be much more bold (this is a criticism of both parties) in reviving local government in one way or another. This needs to be based on things people identify with and I think those are cities and counties. There is an important role potentially for mayors in reviving interest in local government. Parliament also needs reviving – I would cut the number of MPs by about a half, pay them perhaps £200,000 to £250,000 but without any allowances. I would like to see MPs rather than the Whips select the chairmen of back-bench Select Committees.

v The other thing I think we need to do is change the composition or the attitude in Whitehall. Much of Whitehall is about administering things and in management terms they should be accountable – not hide behind the façade of Ministerial responsibility.

vi We have devolved a great deal of power to Europe and there needs to be a great deal more scrutiny about what is going on in Europe by the parliament in Westminster. Strengthening these and other institutions lies at the heart of the debate on British identity. If we fail to do this, people will choose to establish their identity in others ways, through ethnicity, colour, race and tribe.

The difference between reform and change

So, summing up, I think it is important, whatever criticisms you might want to make of the former Prime Minister, Tony Blair, you have got to recognise that he took the Labour Party in directions that nobody else would have taken it and most of the party don't want to go. I always believed in markets, not just because of their economic role but, like Frank Chappell, the old Trade Union leader of the Electricians' Union, I think that markets are an alternative to revolution. The only people that aren't in favour of markets are the entrenched, big corporations and those in employment. It is the outsiders that benefit from markets, and I think it is a pity that parties on the Left don't seem to have gone along with that in Britain. And as I say I think that in many ways we are perhaps not there yet and it is not going to be as dramatic as the economic decline in the late 1970s but I think we are reaching the end-game if you like of massive increases in public spending and too little reform. I think the political climate is still difficult. I think there are people out there who think that the problems in the public sector are too much reform rather than too little and I think they are making a mistake and they don't know the difference between reform and change. There have been a lot of changes but inadequate reform. I always thought that this reform of the public services and the role of markets is an agenda that could have been taken up by the parties on the Left or the Right, and my own feeling, and indicating my political prejudices, I think that the Labour Party has missed the opportunity in this regard and it may well be therefore that it is an agenda that is picked up by the Right.'

PROSPECTS FOR 2009

By Damon de Laszlo

As we are now in the second half of 2008, it is time to raise our sights to 2009. The unwinding of the debt crisis is likely to continue through the end of 2009 as the problems in the banking sector continue to accumulate. The psychological momentum will by the year-end have gone from denial by most economists and regulators that we were heading into economic problems last year, to extrapolating endless gloom and disaster going into 2009.

The debt crisis will next year have a very depressing effect on economic growth as the West's banking system increasingly becomes short of liquidity. The impact will be most painful in Europe as there is hardly any room for Government intervention when compared with the USA. The dollar area also has the advantage that it is the only place that the Sovereign wealth funds etc. of the Middle East and Asia can easily invest.

The USA will also benefit, perversely, from the high price of oil over the next 12 months or so. The appreciating RMB against the dollar and the huge increase in freight rates is starting to have an increasingly beneficial impact on the US terms of trade and the US domestic economy. One can expect that US industry will provide a growing percentage of the US GDP as it gears up to support the domestic market, replacing Asian sources, and increases its exports to the rest of the world. It is interesting that both BMW and Toyota have recently announced planned increases in their motor-car production in the US.

The global increase in commodity prices, coupled with China's growing impact on the global economy as it ceases to be the provider of low cost consumer goods to the West, means we can expect rising inflation for some time to come. However, it is probably unlikely to take hold in the same way as it did in the 70s. The Western economies, particularly the USA, are unlikely to see rampant wage increases as the labour markets in general are not tight.

There is, however, a considerable shortage of skills as there has been a dumbing down of education in most countries over the last ten years or so. The wildcard on inflation is nevertheless commodity prices. We can assume that food production will increase over the next year or so as the price incentive takes hold. Similarly, oil production will increase as the new found wealth of the producers start to get absorbed and they look for more. The recent rapid rise in price has in the short term had the strange effect of discouraging many producers from increasing production as the same amount of oil produced so much more cash.

One can expect this phenomenon to change next year; even countries like Russia will wake up to the fact that their new revenue streams will decline if they don't plough resources back into developing their oil reserves. Added to this there is a likelihood that new exploration and field technology will start to increase production at the same time as Western demand declines. Then excitement of "Peak Oil" will fade for the time being.

In the case of metals, there are longer term issues. It takes considerably longer to increase mining production in the short term and there is much less politically shut in capacity compared with oil. In the case of mining, the potential for increasing production of current mines is, in many areas, considerably reduced by a shortage of electricity generating capacity, South Africa being a case in point, recently in the news.

On the global front, the US economy looks the strongest in the West going forward. Their imports are declining, exports rising and, apart from the now obvious problems in the finance and building sectors, the rest of the economy is looking far stronger than Europe.

In Asia, the Chinese Government, now it is through the Olympics, will endeavour to reinvigorate the economy and get it back on track for a 10% growth rate. It has to be remembered that China's policy is to add in excess of ten million jobs a year as it urbanises its agricultural population.

The uncertainty and lack of direction from the US will continue until the new Administration settles in at the beginning of next year. It is worth remembering this is the most vulnerable time for the US from the point of view of some terrorist outrage. The deterioration in European economies and the pessimism is likely to continue to grow. The outlook is particularly bleak for those of us living in Britain, as our Socialist government, which has squandered the country's resources over the last ten years, is now rudderless and bereft of any idea of what to do.

While the above may sound pessimistic, I think one should draw some optimism from the fact we seem to be getting near the bottom of an economic downturn and the chances are that, looking a year ahead, one will be able to be more sanguine about the future, at least outside Europe.

ARE IMAGINARY LOSSES TAX DEDUCTIBLE?

By Brian Reading

In doing my personal income accounts, I have decided to include changes in the "fair" value of my assets. But I have a problem. What valuation should I put on my 1936 Austin 10 car? It is in pristine condition despite its age. How do I know the extent to which the valuation has changed during the past quarter? I have been studying accounting rules.

I fear Level One valuation will not suffice. There is no actively traded secondary market for 1936 Austin 10s here in New Zealand. Indeed, mine is rumoured to be only one of three "Sherbourne Saloons" left in New Zealand, and may even be the only one. So there are no daily quoted prices.

Level Two valuation seems more promising. I can look for the price of similar or related products under "Classic cars" on the Trade-Me website. Here I find an Austin 7 Special 1935 for a NZ$6,000 ($4,200, €2,800, £2,200) asking price; Austin 12 1937 in crappy condition with starting price NZ$2,500; Standard 8 1946 asking NZ$5,500 and Austin 10 1948 for NZ$8,500. I guess that gives me a ball park figure of about $NZ5,000, but only as an asking price. I cannot find out whether or when these cars were sold and, if so, what the sale price was. Moreover, in three months' time quite different models and dates may be on the market (or the same ones still unsold). But at least this is something to go on.

Level Three, I must mark to model. But it is up to me what model to choose. I can ring around second-hand car dealers (brokers) and see what they would offer, choosing the best. But it is unlikely that any will be interested or willing to quote. They too have no idea what the car might sell for.

I cannot find a rating agency or credit default swap. But then I have a valid "warrant of fitness" issued by an official New Zealand Vehicle Testing station. This could give me a clue. But I know something about testing stations. Almost any garage can be registered to test and issue WoFs. They get paid by me for issuing my warrant. I had a little local garage recondition the engine of a 1962 Singer Gazelle. I give it all my repairs. I seem to have no trouble getting my WoFs from them. I feel I can assume a good price given the approval of the quality of my car that the WoF implies. (It's funny they never noticed the bald back tyres, but they do not sell tyres.)

I am, of course, not in the least bothered about market liquidity. Why care, when I have no intention of selling? I am simply asking a hypothetical question: what is this car worth if I did want to sell it? The answer is quite simply that I have not the faintest idea until and unless I come to sell it. Then I could get a nasty shock – with petrol prices what they are, nobody has any money to buy a vintage car. Liquidity in the market has dried up. It has shut down. I can hardly give my Austin away. But my next door neighbour has a 1938 Morris 12. My fire sale now means he must write down the value of his car under Level Two accounting.

This little story shows the absurdity of fair value accounting rules. The truth is that nobody knows the real worth of complex structured assets. Each one, like my Austin 10, may be different from anything else on the market – if there is a market at all. Nonetheless, valuations have to be made for each and every asset on a bank's books. So, like leapfrogging estimates of market losses, valuations are simply figments of the imagination and extremely sensitive to the assumptions that have been fed into models (all of which must also differ as the structured products being valued all differ).

This whole game is designed to protect the unwary, poorly informed small investor. It is designed to show him what companies, banks and assets are really worth. The fact it does no such thing has been amply demonstrated by the collapse of triple A rated financial institutions.

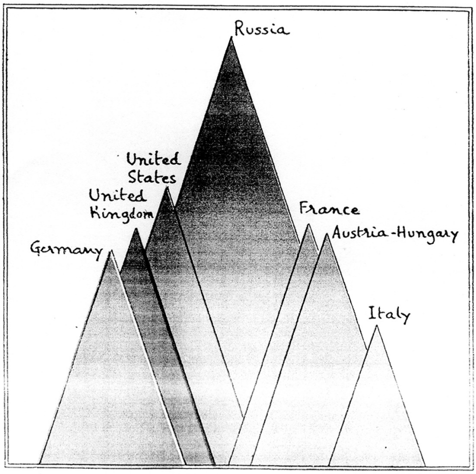
Instead, it makes matters worse by creating feedbacks – merry-go-ups when asset prices are thought to be rising and so inflating profits, misery-go-downs when asset prices and consequently profits fall. Fair value accounting is destabilising. It increases market risk without effectively reducing company risk. Would it be better if assets were valued at their last buying/selling price (historical cost)?

I am putting NZ$7,500 on my Austin: that is my minimum trade-me bid and not the reserve price. After all, the reserve price means, in effect, that I am a bidder in the auction. As such I can value my car at my reserve price. Indeed, I can value my car more or less as I like (within reason) and who is to say I am wrong? Meanwhile, I must ask my accountant whether imaginary losses are tax deductible.

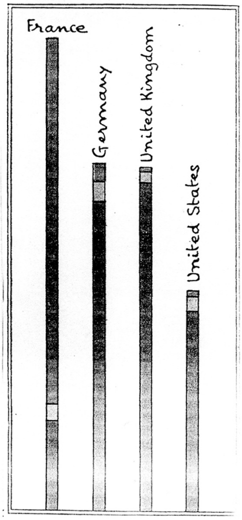
HISTORICAL CURIOSITIES

The 1912 edition of 'The Business Encyclopaedia and Legal Advisor' a book no City professional would have been without, printed the diagrams below, basing them on British Government statistics. Impeccable!

Country.	Consumption per 100 of Population.			
	Spirits.	Beer.	Wine.	Total.
	Gallons.	Gallons.	Gallons.	Gallons.
France	137	750	3080	3967
Germany	143	2630	145	2918
United Kingdom .	91	2770	32	2893
United States . .	126	1680	43	1849



The National Expenditure of the Seven Great Powers. The height of each peak represents the amount stated in the above Table.



Purple—Beer. Blue—Spirits.
Red—Wine.

Consumption of Drink per 100 of Population.

Country.	Revenue.	Expenditure.
	Millions sterling.	Millions sterling.
Russia	267	273
United States	165	177
France	159	155
United Kingdom	152	152
Austria-Hungary	148	148
Germany	137	137
Italy	93	90
Belgium	27	31
Sweden	12	12
Norway	6	6
Denmark	5	5
Total . . .	1171	1186

In this Table the results for the United Kingdom relate to the year ended 31st March 1909.

How the world has changed. In 1912 the Czar's government had revenues perhaps twice as great as the United States, whilst in France wine consumption was 100 times greater than in Britain.

OIL MARKET COLLAPSE WAITING TO HAPPEN

By Chris Cook

After a phenomenal ‘spike’ in oil prices to US$147 per barrel, the price has declined to just over $90. In the USA this led to a ‘spike’ to $4 per gallon of gasoline and placed energy prices right at the top of the US political agenda. Moreover, this political interest rapidly crossed the Atlantic since British trading of US contracts was believed to be instrumental in a speculative oil market price ‘bubble’.

In view of my background in energy markets – I was for several years director of compliance and market supervision at the International Petroleum Exchange (which is now ICE Futures Europe) – I was asked recently by the Britain's Treasury Select Committee to give evidence to them in relation to regulation of oil markets. Such an inquiry is a new direction for the committee, and following this initial hearing they decided to commence a full-blown Inquiry – in the finest US tradition – in October.

I told the committee – and their subsequent initial questioning that day of British regulators implied that my message was understood – that to follow the US approach to regulation of oil futures markets would be to try and solve today's problems with yesterday's tools.

The New York Mercantile Exchange (NYMEX) West Texas Intermediate (WTI) crude oil market price has become almost entirely irrelevant in the real world of physical and forward oil trading, which largely takes place, believe it or not, in Yahoo chat rooms. While NYMEX members still provide a massive pool of trading capital or ‘liquidity’, the inconvenient truth is that oil market pricing power has moved across the Atlantic to the price of North Sea crude oil.

Brent benchmark

The price of North Sea (Brent) crude oil is now the direct benchmark for over 60% of global crude oil pricing, and, through the mechanism of massive ‘arbitrage’ trading between Brent and WTI, it also constitutes an indirect benchmark for most of the other 40%.

Most people – including virtually all mainstream press reporters – believe that it is the price of futures contracts that is used as a benchmark. In fact, it is the reported ‘spot’ market price of ‘dated’ Brent/BFOE (see below) cargo transactions that constitutes the direct and indirect benchmark for most global oil transactions. The massively traded ICE Futures Europe Brent/BFOE Crude Oil contract is merely a financial bet on these underlying prices, and these financial contracts are settled in cash, not oil.

For many years, the production of the Brent oil field has been in decline, and the production of other North Sea oil fields has therefore been amalgamated with it to ensure a sufficient number of transactions to give a credible benchmark price.

We now see four fields – Brent, Forties, Oseberg and Ekofisk ('BFOE') – together supplying the BFOE 'Brent' contract whereby 600,000 barrel 'cargoes' of these qualities of oil may be bought and sold forward for eventual physical delivery.

The problem is that even this extended North Sea BFOE production is still only running at less than 70 cargoes per month, which is a total monthly production of little more than 40 million barrels. Even at $150 per barrel that represents a value of only $6 billion, and at current prices less than $4 billion.

Sitting on this base of physical trading is an off-exchange complex of price risk consisting of the simple forward BFOE contracts themselves, a host of derivative contracts, and an increasing number of 'structured finance' transactions. It is estimated that in total, some $260 billion was recently invested in oil markets one way and another, and this pool of funds was superimposed as an inverted pyramid of risk on this relatively tiny base of physical crude oil.

Could these transactions have been instrumental in causing an oil market speculative bubble?

The answer is obvious: of course they could, and in all likelihood, they did. Unfortunately, because the transactions directly affecting the BFOE price took place off-exchange, not only does no regulator know, but none is in a position to know. Worse than that, even if regulators did know, there are no agreed market regulatory standards to enforce, and any offenders are for the most part smugly immune from enforcement action in offshore jurisdictions in any case.

Don't shoot the piano player

As I pointed out to the Treasury select committee, to blame national regulators, such as the FSA in Britain and CFTC in the US, for problems of a global marketplace does not help, other than in providing a useful scapegoat. This is because the problem lies both in the global scope of the market and in its conflicted structure, where the interests of trading intermediaries or middlemen are diametrically opposed to those of end-user producers and consumers of oil and oil products.

In the absence of a new approach to market structure we will inevitably see repeats of the recent spike in oil prices as waves of hot money swill in and out of the market. In my opinion, that will inevitably lead, sooner rather than later, to a market meltdown – similar to the literally overnight collapse of the tin market in 1985 from $800 to $400 per tonne.

The conventional wisdom is that the ‘central counterparty’ clearing houses of futures exchanges, which guarantee the performance of transactions, backed by a pool of capital and margin, are a strength of these markets.

In my view, they also constitute a single point of failure, where oil price risk is concentrated in exactly the same way that Fannie Mae and Freddie Mac were massively exposed to house price risk.

I made a presentation a couple of years ago in Lausanne to an audience of high-level security experts at a seminar covering the subject of economic terrorism. This fascinating seminar covered the subject of the susceptibility of global markets and commerce to acts aimed at causing economic destruction, rather than physical destruction and death.

I pointed out that current levels of gearing and risk, and the concentration of risk in single points of failure, together mean that the only difference between ‘economic terrorists’ and proprietary traders such as hedge funds is motive. The former would destroy a market deliberately: the latter by accident.

While the oil market survived the recent storm surge of money, the inevitability of future waves of speculative money sweeping into the market, mean that an oil market meltdown is an accident waiting to happen.

Chris Cook is a former director of the International Petroleum Exchange. He is now a strategic market consultant, entrepreneur and commentator.

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TAMING LEVIATHAN

IEA 2008 Edited by Colleen Dyble £12.50

and

CULTURE WAR

The Hampden Press, Sean Gabb 2007 £9.99

There are, it seems, two kinds of people in the world and (leaving aside the quip that those two kinds of people are those who think that there are two kinds of people and those who disagree) they are on the one hand those who set out primarily to improve themselves, trusting in the Hayekian spontaneous order to take care of their circumstances, and on the other hand those who, like village busy-bodies, cannot resist interfering in everyone else's affairs and want to reconstruct their circumstances to their satisfaction. Broadly speaking, one might call these two kinds libertarian and authoritarian. Perhaps 'twas ever thus' and the pendulum through the centuries swings between the two where, with each swing in actual activity an opposite movement takes place to counterbalance this in the world of intellectual thought. An excess of liberty is accompanied by Utopian dreamers and socialist writers whilst an excess of authoritarianism is accompanied by mankind's yearning for freedom and individual liberty. Marx, Shaw and Lenin for the 19th century but Popper, Hayek and Freedman for the 20th Century.

Such thoughts play on one's mind in reading both the IEA's *Taming Leviathan* and Sean Gabb's *Culture War*. *Taming Leviathan* is a fascinating survey of the establishment, growth and work of IEA style market based Think Tanks around the world with 14 separate country accounts each by local authors. This recounts the more gentle, reasoned, mostly just economic ideas-based success story in winning over thinkers, students and opinion formers in many countries. Esca Hayek, daughter-in-law of F. A. Hayek, comments that 'It was F. A. Hayek, who first suggested to Anthony Fisher that he should eschew politics and instead set up an institute to promote a wider understanding of the principles of a free economy to society's intellectuals. He knew that this was the only way to rescue Britain from the socialists of all parties, but had no idea how successful the model would be, both in UK and internationally. This book tells the story of how the war of ideas is being pursued …'

In the Introduction Dyble elegantly concludes that *Taming Leviathan* shows that thanks to the engagement of intellectual entrepreneurs in public debates classical liberal ideas are taking hold and having a positive impact in the public policy arena'. There could hardly be a gentler or more gentlemanly approach to the issue than that!

In contrast, Sean Gabb's *Culture War* is a call for action based on the widest possible ranging canvas of everything from law and philosophy to economics administration and class interest. This is language, thought and story to set the blood racing. It does not so much persuade (because the reader defensively feels there must be 'the other side of the story') as inspire. There is the constant challenge to either admit that the writer is indeed correct on this point or that, or, if he is mistaken then the reader must work out the truth for himself. Mere scepticism will carry one safely from the opening line that 'Those who wish to change the world must first understand it' to the rousing conclusion that 'There is a chance – however remote – that we can overturn the existing order of things. All we must do is genuinely want to be a free people again … Whoever will raise a finger towards this object I will count among my friends.' But the next morning that scepticism gives way to nagging doubts amounting to 'maybe he does have a point there …' So don't read this 100 page booklet if you prefer to be intellectually lazy.

A minor commercial success with sales unusually rising into some thousands, *Culture War* picks up from a point once made to me by Jo Grimond, the then leader of the Liberal Party, that regulation and the state rather than military force was the real threat to liberal traditions. Gabb identifies the new ruling class – that 'loose coalition of politicians, bureaucrats, lawyers, educators, and the media and business people who derive wealth and power and status from an enlarged and active state' and says that 'We are passing, in England and all over the West, into the sort of world that existed in much of Europe before the French Revolution – a world of diverse and conflicting sources of authority, all equally unaccountable'. Numerous footnotes and references accompany this account of our century long descent from freedom to servitude, the methods used and the possible outcomes.

Then comes Gabb's plans for action. The easily bored type of reader should start this booklet by reading pages 53 to 56. 'Smashing the Class Enemy' will involve abolishing most government Ministries and most Quangoes. He says we should 'abolish functions, destroy records, sell off physical assets and sack people by the tens of thousands … at least a third of government should no longer exist after our first month in power'. He comments: 'What makes a sinking ship such good drama is the collapse of hierarchy and every other relationship that it sometimes involves. The connections that normally hold people to each other in effective groups are severed and what was a stable society is dissolved into a terrified mob – some fighting desperately to get into the few lifeboats, others clinging to broken spars, others drowning in quiet despair. That is what we should be planning to do to the present ruling class.' (p. 55) 'Then … the 20th century would be seen as the statist nightmare that it was …' (p. 59)

So far then, so much fun. Gabb's post destruction policies are much less convincing. He has fallen, it seems, for the sillier aspects of tax reform policy including land value taxation. He would have us abolish company limited liability and 'abolish all new criminal offences created since around 1960'. The Constitution, the Monarchy, the EU, political parties – all are examined for surgery and change. Be challenged dear reader, and come back with your own answers.

J. B.

THE COLLAPSE OF COMPLEX SOCIETIES

Joseph A. Tainter, Cambridge, 17th Printing 2007 p/b

Oh dear! This popular book, first published in 1988, is what happens when an Anthropologist Historian misunderstands some elementary economics, bases hints about our modern future on events in Ancient societies and cashes in on our current appetite for doom and gloom. Reading it is a most frustrating experience.

Tainter reminds us that there have been a number of societies or empires in the past (he gives details on Mesoamerica, Peru, Egypt, The Harappan Civilization, Mesopotamia, Mycenaean Civilisation, The Roman Empire, China, Spain, The Netherlands amongst others) which have 'collapsed' in the sense that their central administrative and political institutions folded leaving their populations to fend for themselves in their (mostly agricultural) activities. Central support for cultural expenditure – on arts, games, high living or conquest disappears and 'ordinary folk' are relieved to be able to live their lives in a new 'dark age'. 'Collapse' is thus a 'bad thing' or a 'good thing' entirely depending on whose point of view you are taking. This theme is developed (though the reader has to wait until the last chapter for this interesting insight) and makes a valuable point.

Difficulties arise when Tainter uses economics to analyse decline and when he tantalisingly implies that something along these lines is the fate of our modern world.

A summary of his economic analysis would be that economists have identified 'U' shaped cost curves where costs at first fall as scale increases (as fixed costs are spread over more units of output), then later rise as diseconomies such as higher production, finance and administrative costs make further output more and more costly. This is a more or less correct reading of Economics Textbook, Costs, Chapter 1. Tainter then goes on to show from a great variety of impressive statistics that many activities in advanced societies – education, health care, scientific discovery etc follow this 'law of diminishing marginal productivity' – the up-slope of the economist's 'U' curve', until everything becomes such a burden on the resource supplying population – in today's terms, the tax payer – that everyone revolts or at least down-tools so that decay sets in. Collapse can be postponed by invading another country to steal their resources, or by a 'cluster' of societies in a similar position allowing the authorities in each to use fear of another to maintain efforts, or by a country finding a new natural resource, or a new profitable trading partner (today's 'China effect') but collapse eventually seems inevitable.

The problem here is that somewhere buried in Economics Textbook, Costs, Chapter 1 is a line which says *on the assumption that fixed costs are 'given'*, that is to say, the factory size, the infrastructure in place etc remain a given size, *then* the application of more and more variable factors such as raw materials or manpower can eventually only increase output at greater and greater unit costs. It's obvious enough – one is overloading the outfit. Economics Textbook, Costs, Chapter 2 however, goes on to relax this assumption – scale can be increased so that the first half of the 'U' curve can resume its downward trend and we don't know if unit costs ultimately rise. Mighty General Motors is indeed in trouble, but equally large Toyota is still reducing costs. Chapter 2 goes on to point out that *competition* drives organisations to find ways to cut costs – on pain of insolvency – and ruthless cost cutting Chief Executives are much in demand.

Thus, if Tainter wishes to use economic analysis in understanding the public sector of complex societies (where 'complex' is simply a euphemism for a society which is advanced for its day and age) he need merely say that public administration is likely to face the same fate as any private sector monopoly. It will become inefficient, flabby, self-serving and in need of drastic reform. That reform must involve introducing fear through competition and reducing the rump of anything that *must* be a monopoly to the smallest possible size.

What then of the implication that 'collapse' is in store for our modern world? One's first thought is that his prime evidence must surely be the collapse of the Soviet Union. The whole of this book feels as if it is about planned economies such as a Communist State. But Russia or the Soviet Union do not even appear in the book's extensive index. The next point that arouses suspicion is that Tainter's political philosophy seems curiously one sided – plenty of mention of Plato, Hobbs and Marx but not a word about Smith, Popper or Hayek. Thus this book is really a study of societies that pre-date Hayek's 'great' or 'open' societies built on the concept of the 'spontaneous order'. There is no mention of 'markets' or of private sector competition; no mention of Schumpeter's 'creative destruction' of firms and institutions. In short, if an author willfully ignores the very factors that revitalise successful modern societies, he can paint a worrying picture, but it is not a picture which is intellectually convincing.

J. B.

LETTERS

A Response to the Review of 'A Farewell to Alms' by Gregory Clark (Reviewed in B&O Vol 38, No 1) from Mr David Fifield

In times past I have tended to muddle the names of Malthus and Maslow. Looking to the future, such muddling might be excusable!

Gregory Clark's book 'A Farewell to Alms' draws attention (following Malthus) to the controlling influence food availability had on the pre-1800 human population. After the Industrial Revolution, at least in the 'developed' or 'western' world, the influence of food availability on population diminished.

Maslow suggested that Man's working motives fell into classes according to a 'hierarchy of needs' starting with simple/survival needs, followed by social and affiliative needs, then for self-esteem, independence and autonomy and lastly self actualization or a sense of maximizing personal resources.

With the Malthus hypothesis holding true for all species bar (maybe) one, is there a sustaining technology available to humans worldwide allowing them to buck the norm? The world's population has expanded by around 150% over the last 70 years and is expected to grow by a further 50% by mid century – an explosion. It seems horribly possible that Malthus' hypothesis will re-assert itself as food supplies struggle to meet human needs whilst those at the top of Maslow's hierarchy will seek to protect the wealth that they have created.

Small wonder that Gregory Clark felt unable to offer any magic solution!

Oaklands
Western Underwood
Olney
Bucks

A Response to 'The Revenge of Gaia' (Reviewed in B&O Vol 37, No 4)
from Mr Brian Lewis

I have recently been teaching 'Business Ecology', and indeed one of my classes deals Professor Lovelock 'Gaia' theory. It is rather a sweet idea, but I am not sure why human beings are not part of the theory. The globe should surely deal with a dangerous upstart being (man), just as easily as it did with other species in the past.

Whatever happened in the past was for the best until man came along. Evolution, by definition controlled by 'Gaia', produced the optimum results. It is less clear what we mean by 'optimum'.

Still when all is said and done, I tell my class that there are mechanisms at work which will eventually solve all problems. These are famine, drought, disease and violence. But I am also less clear whether these are the tools deliberately wielded by a benevolent 'Gaia' to reach a solution.

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ON THE RECORD – SPEAKERS AND TOPICS AT THE ECONOMIC RESEARCH COUNCIL 1987–2008

1987

Bryan C. Gould M.P.	Secretary to the Treasury	'Britain's Industrial & Economic Outlook for the Coming 10 years'
Richard Wainwright	Liberal Party Spokesman on Employment	'Macro-Economics – Fading Away'
Richard Freeman	Chief Economist, ICI	(Stand-in Speaker)
Teddy Taylor M.P.	Chairman, Conservative European Reform Group	'Japan, the EEC and Reform?'
Jon Woronoff	Economist	'Japan's Economic Miracle, Fact or Fantasy'
Sir Fred Atkinson	Economist	'Unemployment: Can it be Cured?'

1988

Sir Hugh Cortazzi	Hill Samuel & Former British Ambassador to Japan	'The Internationalisation of Finance'
Christopher Harding	Chairman, British Nuclear Fuels	'Managing under Challenge'
Prof. The Lord Peston	Economics, University of London	'The Role of Markets in the Mixed Economy'
Ian Byatt	Dep. Chief Economic Adviser to the Treasury.	'Economic Policy in the European Community'
Rt. Hon. Enoch Powell	MP	'Exchange Rates and Inflation'
Brian Reading	Economist	'Here We Are Again: A Cautionary Tale of Three Chancellors'
Dr. David Raybould	Economist	'Merger Policy in the UK & the European Community'
Prof. K.A. Chrystal	Economist	'Why People Don't Save Anymore'

1989

Prof. Michael Chisholm	Prof. Fellow, St. Catharine's College, Cambridge	'Inner City Decay – The Blight of Unused Land'

Lord Ezra	President, Economic Research Council	'Industrial Policy'
Rt. Hon. John Smith	Shadow Chancellor of the Exchequer	'An Economy for People'
Sir Maurice Hodgson	Industrialist	'Strategic Vision & Market Forces: Are they in Conflict?'
Brian Reading	Economist	'The Assassination of British Industry'
Miss Fiona MacTaggart	Councillor	'The Economics of Local Government & how it looks from Wandsworth'
James Bourlet	Joint Hon. Sec. ERC & Editor of Britain & Overseas	'The Global Impact of Aspects of Japanese Economy'
1990		
Prof. David Llewellyn	Loughborough University	'The Conduct of Monetary Policy'
Peter Rogers	City Editor, *The Guardian*	'Take-over Bids and Short Termism'
Mr. Corelli Barnett	Historian & Writer	'Education for Industrial Decline'
Alan Beith, MP	Treasury Spokesman for Lib/Dem Party	'The Future for Britain's Free Enterprise Economy'
Robert Malpas	Chairman, Powergen	'Management and Energy Supply Policy'
Prof. David Marquand	Prof. Contemporary History, Salford University	'Recent Developments in Eastern Europe'
Stephen Timewell	Ass. Editor, *The Banker*	'The Economic Impact of the Gulf Crisis'
Dr John Adams	Geography, University College London	'Transport Policy'
1991		
Sir John Leahy	British Ambassador to South Africa, 1979-82	'Prospects in South Africa'
Ian Thompson	Economic Adviser to Engineering Employers' Federation	'The Engineering Industry in the UK Economy'

Dr. John Eatwell	Economic Adviser to the Leader of the Opposition	'Current Monetary and Industrial Policy'
Prof. Kenneth Minogue	Political Science at the LSE	'Economics and the Moral Life'
Prof. Geoffrey Wood	Economics, The City University Business School	'United States Monetary Policy'
Mr. Tetsuo Yagi	Dep. Chief Rep. at the Bank of Japan	'Monetary Policy & Practice in Japan'
Anthony Werner	Publisher – Shepheard Walwyn	'The Economics of Publishing'
1992		
Fred Harrison	Journalist & Writer	'Land & Money'
David Kemball-Cook	Economics, London Business School	'Green Economics'
Geoffrey Gardiner	Writer, ERC Member	'The Plight of the Small Business'
Anatole Kaletsky	Economics Editor of *The Times*	'Exchange Rate and the UK Economy'
Christopher Huhne	Business Editor *The Independent*	'Europe's Money: Where Now?'
David Kern	Chief Economist & Head of Market Intelligence National Westminster Bank	'Economic Prospects in the 1990's'
Sir Geoffrey Owen	LSE	'The Modernisation of British Industry'
1993		
Stephen Timewell	Editor *The Banker*	'Islamic Banking'
Dr. Christopher Doyle	Senior Research Officer, Cambridge University	'What Can Russia Learn From the Experience of Transition in Czechoslovakia, Hungary & Poland?'
Bryan Gould, MP	Shadow Secretary of State for Environment	'Can We Achieve Full Employment?'
Professor Martin Ricketts	Economist – University of Buckingham	'Profits and Economic Performance?'

Robert McGarvey & Anthony Baron	Economists	'The Creation of a Civil Economy in Russia'
Stephen Hill	Managing Director, LICA Development Capital	'Our Present Discontents'
John Davison	Head, Nationwide B/S Group VAT Section	'VAT: Whose Fraud?'
The Hon. Sir Kenneth Jupp	High Court Judge	'Privatising Land in Russia'
1994		
Alan Spence	Town Planner & Architect	'The Garden City: A Sustainable City'
Will Hutton	Economics Editor *The Guardian*	'The Unequal Couple – City & Industry'
Paul Turnbull	Stockbroker	'The Economic Cycle – Inflation & the Financial Markets'
Sir Peter Tapsell	M.P.	'The Economy and our Relationship with Europe'
C.Gordon Tether	Economic & Financial Journalist	'The Twilight of Meaningful Economics'
John D. Allen	Journalist & Economist	'Taxation: Practice-Principles-Prospects'
1995		
Stephen J. Lewis	Director of Research, London Bond Co.	'Financial Innovation & the Economy'
William Cash	M.P.	'The Maastricht Treaty and the proposals for a European Single Currency'
William B. Jamieson	Deputy City Editor & Econ. columnist, *The Sunday Telegraph*	'Britain Beyond Europe'
Andrew Smith	M.P.	'Economic Renewal with Labour'
Dr. Walter Eltis	Economist & Author	'What Britain Can Learn From the Success of Germany's Counter-Inflation Policy'
Rt. Hon. John Redwood	M.P.	'European Union'

1996

Sir Bryan Carsberg	Sec. Gen. International Accounting Standards Committee	'Fairness in a Free Market'
Prof. Theodore C. Barker	Prof. Economic History, now engaged in research	'Economists and Economic Historians need to work together again'
Rt. Hon. Norman Lamont, MP	ex-Chancellor of the Exchequer	'Nationalism and Euro-Jingoism'
Ray Whitney	M.P. and author	'The European Union'
David Shaw	Director of Strategy, Legal & General Investment Management	'Asset Allocation through a Business Cycle'
Dr. Alan Sked	Historian, Leader UK Independence Party	'Conservative Government's Approach to Europe'

1997

Brian Hindley	Reader in Trade Policy, LSE and author	'Better Off Out'
Miss Noriko Hama	Economist, Mitsubishi Research Institute	'Europe & Japan: At the Turn of the Century and Beyond'
Michael Lewis	Senior European Economist, Deutsche Morgan Grenfell	'Pension Funding in Europe & the European Union'
John Mills	Secretary, Labour Economic Policy Group	'The Economic Challenge Facing Labour'
Prof Tim Congdon	Economist	'Is Inflation Really Dead?'
Henry McLeish MP	Minister for Home Affairs Scottish Office	'The Economic Implications of Devolution'

1998

Prof Peter Davison	ERC Executive Committee. Sen. Research Fellow De Montfort University	'Unscrambling the Omelette – The Effect of Devolution and Regionalisation on England'
Dr Sir Rhodes Boyson	Economist	'Education: A Private or Public Good'

Steven Norris	DG Road Haulage Association	'Governance of London – A Personal View'
Michael Fallon MP	Shadow Treasury Spokesman	'End of the Honeymoon'
Michael Rowbotham	Teacher and Author	'Stop Bankrolling the World into Chaos'
Ivan Hall	American Economic Historian	'Cartels of the Mind'
Michael Ancram QC	Chairman Conservative Party	'Current Conservative Policy'
1999		
Christopher Meakin	ERC Committee Member	'A Fresh Look at the Origins of Economics'
Sir Alfred Sherman	Economist and Journalist	'Conservatism Adrift. How the Lessons of 1974-79 throw light on The post-1997 era'
The Rt Hon Francis Maude	Shadow Chancellor	'A Commentary on Economic Policy'
Peter Warburton	Economist	'The Credit Bubble and its Aftermath'
Roger Bootle	MD – Capital Economics	"The New Paradigm – Miracle, Mirage or What?"
2000		
David Boyle	Author and Broadcaster	'Funny Money'
Professor John Kay	Director of London Economics	'Is there a New Economy?'
Janet Bush	Director of New Europe	'Europe Yes, Euro No!'
Christopher Fildes	Financial Journalist	'Dollars and Pounds: Euros and Yen'
Simon Buckby	Britain in Europe	'The Case for the Euro'
Ruth Lea	Institute of Directors	'Threats to Business
2001		

The Lord Saatchi	Saatchi & Saatchi	'Holding Governments to Account'
Stephen K Green	Executive Director HSBC	'Financial Markets in Europe: All Change'
Ian Spence	International Taxation, Inland Revenue	'Tax Wars Worldwide, in USA and the EU: whither tax harmonisation In EU post-EMU?'
Jay Walder	Transport for London	'Financing and Rebuilding the London Underground'
Professor Ian Fells	University of Durham	'Does Britain need an Energy Policy?'
Martin Wolf	*Financial Times*	'The Backlash to Globalisation'
2002		
Liam Halligan	Channel Four News	'The European Union and Globalisation – the UK's role'
Duke Maskell	Author: The New Idea of a University	'Who should pay for the Universities?'
David Saunders	Government Officer	'Reflections on the Role of Regions in England'
David Marsh	Journalist	'The German Economy and the EU'
Robin Oakley	European Political Editor For CNN	'Is the 'Right'on the rise in Europe?'
John Whitaker	Oxfam GB	'Aspects of Fair Trade and Giving to Charities'
Anthony Browne	*The Times*	'Does Britain need Mass Immigration?'
2003		
Robert Pringle	World Gold Council	'Central Banks, Deflation and Gold'
Martin Weale	National Institute of Economic and Social Research	'What has happened to the Balance of Payments?'
Dr Tony Wright	MP	'British Political Change'

Wendy van den Hende	Chief Exec of Personal Finance Education Group (PFEG)	'Why Schools should teach children about personal finance'
John Mills	ERC Executive Committee	'Energy and the World to 2050'
Howard Flight	Shadow Chief Secretary to Treasury	'Taxpayer Value'

2004

Patricia Morgan	Inst. For the Study of Civil Society	'The Economic Implications of Family and Community Breakdown'
Lindsay Jenkins	Author & Broadcaster	'The Reform of Local Government and the EU Regions'
Dr Theodore Dalrymple	Prison Doctor and Columnist for *The Spectator*	'The Decline of the Public Service Ethos'
Dame Patricia Hodgson	Independent Television Commission	'Culture and Communications in the 21st Century – An Oxymoron?'
John Mills	ERC Executive Committee	'A Critical History of Economics'
Sir Robert Worcester	Chairman of MORI	'Impending Elections: US & UK'
David Smith	Williams de Bröe	'The Effects of Public Spending and Taxes on Economic Growth'
Joachim Fells	Morgan Stanley Euro Economics	'Back to the 1970s: Will Stagflation Return?'
Patience Wheatcroft	*The Times*	'What is the Future for Corporate Britain?'
Vincent Cable MP	Treasury Spokesman	'A Liberal Democrat view of the Nation's Finances'
Prof Stephen Glaister	Imperial College (Transport and Infrastructure)	'What Price Congestion?'
Prof. Christie Davies	Reading University, Sociology	'The Economic Basis of Britain's Moral Decline'

Prof. Norman Stone	Author	'The Economics of War on the Eastern Front 1941-45'

2006

Kate Barker	Bank of England Monetary Policy Committee	'The Economics of Housing in the 21st Century'
David Smith	*The Sunday Times* – Economist	'From Here to Mediocrity – Has The UK's Economic Performance in Recent Years Flattered to Deceive?'
Philip Coggan	*The Sunday Times* – Investments	'Markets and the Law of Unintended Consequences'
Trevor Baylis	Inventor of Clockwork Radio	'Invention'
Nicholas Boles	Director of Policy Exchange	'Housing Policy for the 21st Century'
Dr Eamonn Butler	Adam Smith Institute	'Adam Smith's Relevance Today'
Irwin Stelzer	*The Sunday Times* – Economist	'British and American Economies'
Tim Harford	Author, Journalist and	'Tales of an "Undercover Economist"'
Ed Vaisey	Member of Parliament	'A New Conservative View of The Economy'

2007

The Lord Lamont	ERC President 2008	'Is Bank of England Independence The End of History?'
Vince Cable MP Mark Hoban MP Martin Lewis Phil Tinsley		Debate: 'Britain's £1.2 trillion Personal Debt Mountain – Crisis or Scare Story?'
Prof D Blanchflower	Bank of England Monetary Policy Ctte.	'Happiness Economics'
David B Smith	Author and Economic Forecaster	'Economic Diversity and Inequity of the UK's Regions'

Sir Digby Jones	Skills Envoy, former DG of the CBI	'Skills and the British Economy'
Prof Garel Rhys	Centre for Automotive Research. Professor Emeritus of Economics at Cardiff University	'21st Century Motor Industry'
Eric D Beinhocker	Senior Fellow McKinsey Global Institute	"The Origin of Wealth; Evolution, Complexity and the Radical Remakings of Economics"
Michael Stuermer	Economic Advisor to Chancellor Kohl	"The Ebb and Flow of Population, Power and Prosperity"
Dr Liam Fox MP	Shadow Defence Secretary	'Rethinking Energy Security'

2008

Larry Elliott & Dan Atkinson	Economics Editors The Guardian	'Fantasy Island'
Dr Andrew Sentance	Bank of England Monetary Policy Committee	'Tackling Climate Change: Are there Lessons from Monetary Policy?'
Prof Lord Giddens Peter Lilley MP John Bird CBE Peter Oborne		Debate: 'The Welfare State – Success or Failure?'
Derek Scott	Former Economic Advisor to Prime Minister Tony Blair	'Reforming Britain: Past, Present, Future?'
Paul Ormerod	Economist and Author	'Why Most Things Fail'

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.

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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.

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Student members	£15 per year

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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   Date......................................
Economic Research Council
Baker Tilly
65 Kingsway
LONDON WC2B 6TD

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	Individual membership (£35 per year)
(delete those non-applicable)	Associate membership (£20 per year)
	Student membership (£15 per year)

NAME..

ADDRESS...

....

....   TEL. ....

EMAIL ....

PROFESSION OR BUSINESS ....

REMITTANCE HEREWITH ....

SIGNATURE OF APPLICANT ....

NAME OF PROPOSER (*in block letters*)..

SIGNATURE OF PROPOSER ....