BRITAIN

British go begging to the EMS

As the world center of monetarism, the British economy well reflects the results of monetarist economic policies. Each week, the Executive Intelligence Review's *Britain column brings a report highlighting the deterioration of the United Kingdom's economy.*

It is not often that a beggar comes to the table brandishing a big stick and threatening to overturn the banquet table. Yet that is exactly what Britain is now doing. After claiming for months that it did not "need" the European Monetary System, the British government is now first on line to demand access to the new system's credit facilities.

According to sources in Brussels, quoted in the March 7 *Guardian,* Britain is now seeking a share in the major European Community credit scheme under which the less prosperous members of the EMS can borrow at reduced interest rates. In fact, at the EEC Finance Ministers meeting March 19, British Chancellor of the Exchequer Denis Healey demanded that Ireland and Italy—which have been granted interest rate subsidies of some $1.35 billion to ease their entry into the EMS—should be dropped if necessary to make way for the more needy British. Healey said flatly that Britain would veto the EEC resolution providing for the release of funds to Ireland and Italy unless it was altered to specify that Britain would be entitled to the same special treatment if the government changed its mind on joining the EMS.

Ain't too proud to beg

British authorities appear to have realized only belatedly that if the U.K. did enter the system, it could be on the receiving end of a similar veto from a blocking minority of other EEC governments. EMS heads of state are none too pleased with Britain's petulant behavior and bullying tactics in Brussels and are not in the mood to extend any special concessions to the British, who until the actual launching of the European Monetary System were claiming that the proposed credit arrangements were a mere "bookkeeping device." Nor did Britain wish to participate in the currency stabilization scheme, lest this prevent the pound's value from reflecting the true strength of the British economy.

Are the British ready to beg for membership, if they cannot disrupt the EMS by other means?

Even British bankers now admit that the present boomlet in North Sea oil production which is accounting, in large part, for the unexpected upsurge in sterling masks a far more serious syndrome. The strength of sterling, confessed the *Financial Times* Feb. 14, is more a liability than an asset and "does not reflect underlying strength, but a strange combination of luck and bad management." This mysticism has been translated by industrialists to mean that the over-valuation of sterling could erode Britain's export competitiveness.

A director of Morgan Grenfell & Co., a London-based international bank, remarked in a *Journal of Commerce* interview that the improvement in Britain's balance of payments situation based on North Sea oil "would be matched by a deterioration elsewhere ... so that a progressive loss of industrial competitiveness is likely."

Britain's statistical entrails are also wriggling in a most unseemly manner. All four of the government's cyclical indicators—ranging from one looking ahead to turning points 12 months ahead to one lagging behind 11 months—have fallen this year. Prime Minister Callaghan told Parliament this week that Britain faces an inflation rate of 10 percent this year. Retail prices climbed up by 9.6 percent from a year earlier as compared to increases of 9.3 percent in January and 8.9 percent in December.

Although unemployment figures just released show Britain's jobless rate down 12,000 from February at 5.7 percent, the British press is filled with daily reports of plants closures and layoffs. Exemplary are the decisions by the Goodyear and Dunlop tire companies to close down their antiquated plants in Scotland and the announcement by British Steel Corporation that its iron and steelmaking plants at Bilston and Corby will be shut down within 12 months, at a cost of 4000-4500 jobs.

An official at the British Embassy in Washington thought it "quite right" that Healy should demand treatment "on a par with Italy and Ireland," since it had been originally agreed that the "less prosperous" countries in the EEC would be accorded special arrangements to ease their transition into the EMS. Apparently Britain is now admitting that it has joined the ranks of the underdeveloped European countries. The Embassy economics spokesman complained that Britain needed funds for "infrastructural development" as badly as Italy and Ireland do.

—*Marla Minnicino*