

has begun by an assault on the sacred Common Agricultural Policy.

It is increasingly apparent that the structure of the EEC, which seemed so effective during the 'super-growth' of the fifties and early sixties, is completely unequipped to respond to the stagnation and crises of the seventies and eighties. The 'neo-liberal' philosophy of unfettered competition in industrial markets suited the needs of big business while there was plenty of scope for expansion; in a period of massive over-production this is no longer the case. The main exception to the competitive dogma, protection and subsidy for high cost agriculture on the continent, made for stability and could be afforded with relative ease while the industrial and service sectors of France and West Germany were forging ahead. In a continuing recession, with the transfer of manpower from the land to the towns slowed down by unemployment, agricultural expenditure is spiralling out of control — and the entry of Greece, Spain and Portugal, all with large numbers of small farmers, into the EEC will not help matters.

Britain, arriving a decade too late for the economic 'miracles' of the boom, was still in good time for the crisis. Mrs Thatcher has drawn everyone's attention to the problem of our budgetary contributions — it is reported that her persuasive advocacy of Britain's case at the Dublin summit even put German Chancellor Schmidt to sleep — but has obtained little response from our 'Community partners'.

Basically we put more than our share *into*



THE EEC AND RECESSION

The recent rejection of the EEC budget by the European Assembly is only one example of increasing dislocation in the Common Market's institutions. Although agreement between the Brussels Commission and the Strasbourg Assembly can probably be patched together in time for next summer's season of butter-mountain building, the Commissioners must be particularly pained that the directly elected Assembly — designed to throw a veil of democratic respectability over their administration —

the EEC because (1) we still import over 50% of our foodstuffs from outside the Community and pay high tariffs and levies on them direct to Brussels; (2) we have a very extensive trade in other goods with non-EEC countries and therefore pay a disproportionate amount (27%) of the Common External Tariff — again straight to Brussels; (3) Britain's stagnant economy has a smaller share of investment and thus a higher share of consumption in total output than the other members, but consumption goods attract VAT, of which the EEC again takes a cut.

We take far less than our share *out* of the EEC budget because nearly all EEC expenditure goes in agricultural subsidies and we have a very small agricultural sector. The result is that our *net* contributions, the difference between what we pay and what we get back, was £840 millions in 1979, by far the largest of any of the EEC countries, while our actual production per head is lower than any of them except Italy and Ireland. The figure is expected to jump to £1,215 million in 1980, of which we might get a quarter remitted back as a result of Mrs Thatcher's brave performance in Dublin¹.

The reward for such generosity is of course that British consumers are permitted to buy EEC food at CAP prices, which costs us around £300 million a year more than would buying the same goods on world markets².

All the fuss about the budget and the CAP, however, should not distract us from the most important aspects of our membership of the EEC, that is what it is doing to our trading performance in manufactured goods. This is a lot more difficult to measure than our losses on agriculture, but a recent article by three Cambridge economists makes some attempt to assess the damage³. If they are even approximately correct as to orders of magnitude it is a very serious business indeed.

The difficulty is that Britain's trading performance has been deteriorating anyway due to other problems besides the EEC. But after allowing for these factors as accurately as possible, the article concludes that our imports of manufactured goods may have increased by about £2,000 million in 1977 as a result of EEC membership while our exports have increased by very little, if at all. (This figure is at 1970 prices, at present day prices it would be considerably larger — an adverse swing of about 6% on our manufacturing trade).

The real cost of all these losses — on budget contributions, farm prices, manufacturing trade — is substantially higher than their direct effect on the balance of payments, because of the traditional approach of British economic policy, which is to respond to a deteriorating balance with deflationary measures. Thus we get more unemployment, stagnation and less domestic production.

One further aspect of our membership is worth mentioning. This is the way in which the Thatcher-Joseph industrial policy is playing into the hands of the EEC Commission and giving them some relief in their attempts to manage the crisis — needless to say at Britain's expense. The Commission's industrial policy has shifted some way since the 'competitive' bonanza of the sixties; interventions of various kinds are being tried, cartels of big firms hit by overproduction are

being tolerated or even encouraged, protective measures against Third World and Comecon products adopted. In all this there is one big problem facing the Commission — excess capacity. If the recession continues, as it will, then productive capacity will have to lie idle in many industries — steel, motor vehicles, shipbuilding, shipping, chemicals, textiles and others — reducing profitability and inhibiting new investments.

The EEC wants to eliminate productive capacity in these industries, but each of the member states naturally thinks that the others are in the best position to make such sacrifices. That is, apart from Britain's government which has turned its back on support for industry at the very moment when our 'partners' are breaking all the neo-liberal rules in the book to make the burden of the crisis fall elsewhere. No wonder industrial Commissioner D'Avignon was ecstatic at the closures recently announced by British Steel — it means he will have less trouble with the French and West Germans.

All in all, it's quite a hefty bill for membership of a crisis-ridden organisation, but the Tories are of course proclaiming themselves 'the party of Europe'. Political parties representing the British people will find the arguments pointing to a more negative conclusion.

¹*Labour Party Economic Review*, No 2, 1979.

²*Cambridge Economic Policy Review*, No 5, 1979.

³Fetherston, Moore and Rhodes, 'EEC Membership and UK trade in Manufactures' *Cambridge Journal of Economics*, No 4, 1979.