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16 professors assess crisis

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Are you feeling bright and cheerful this morning? Have your shares just doubled in value? Have you at last got a mortgage? Have you finally won a pay increase?

Then protect your good humour. Do not, whatever you do, pick up a copy of Crisis '75, the latest spine-chiller from the Institute of Economic Affairs. It will plunge you into bottomless depths of gloom.

Crisis '75—or rather to give it its proper, more flesh-creeping, name, Crisis '75 . . . ?, is a collection of essays on the state of the British economy by an assortment of 16 economists. As you might expect from 16 economists, there are at least 17 different views of exactly what is wrong with us and what we should do about it.

The most concrete suggestion comes from Professor Harry Johnson, who until recently taught at the London School of Economics. Writing from the University of Chicago, his advice is simple:

"If the British Government would surrender its sovereignty for, say, the next 10 years and let the Government of Hong Kong administer the United Kingdom without fear or favour (and, to avoid contamination, without any governmental visiting in either direction) the situation might possibly be straightened out."

All the economists agree that we are in for a grisly time in the next few years. Professor Michael Parkin of Manchester University sums up his view thus: "1975 will be the biggest 'stop' year we have had since the war; 1976 a bigger 'go' year than hitherto; and 1977 will break new inflation records. The political mood of the country by then will be at best desperate and at worst mutinous."

But when it comes to the causes of our plight, there is widespread disagreement. "The first thing that needs to be said about our present troubles," says Sir John Hicks, winner of the Nobel prize for economics in 1972, "is that they are not of a monetary character, and are not to be cured by monetary means."

Professor Alan Walters, of the London School of Economics, says: "The proximate cause of the crisis, and imminent decline of Britain is the expansion of public spending and money supply that began under Mr Reginald Maudling, Conservative Chancellor of the Exchequer, in 1963-64 and which continued, with only a short pause in 1969, for 10 years."

Many economists draw attention to the impact of the oil price rise. Most of them, though, would broadly agree with Professor Wilfred Beckerman of London University that "the crisis has been coming for a long time."

Some are concerned about the power of trades unions. Professor James Meade of Cambridge University points out that there is an impossible paradox in running our monetary and fiscal policies to maintain full employment "regardless of what happens to money, wages and prices" while at the same time maintaining that "there is one set of powerful monopolies (namely the labour unions) each one of which must remain completely free to exercise its monopoly power in order to settle its own money rate of pay."

But the range of diagnoses does not stop here. Professor Victor Morgan, of Reading University, is alarmed by the expansion of employment in the public sector. Mr Ralph Harris, the director of the Institute of Economic Affairs, is concerned that too many short-term forecasts of the economy encourage Governments into policies of stop-go.

What is the cure? Sir Alec Cairncross, who has had far more experience of advising Governments than any of the other 15 economists, insists that the only hope is for private consumption to be reduced to channel resources into the balance of payments.

"If consumption took the whole shock of the adjustment," he argues, "it would have to fall by 4 per cent. So large a reduction in a single year . . . is unheard of since the war. If, simultaneously, output were to fall which is by no means out of the question, the reduction would be even larger."

In other words the problem of adjustment — the cure for our present crisis — is essen-