

COMMON MARKET CONTROVERSY

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DURING the many years when British entry into the Common Market has been a matter of current concern, public discussion has been handicapped by the fact that many of those in positions of influence in the press and elsewhere are dedicated Europeans. As a result the public has received a very biased picture. Typical of this bias is a booklet, *The Common Market* by Patrick Brogan. This booklet untrue to the reputation of its publishers, *The Times*, produces a distorted picture by overestimating the advantages from entry and underestimating the disadvantages.

When Britain first applied for entry in 1961 we were told by supporters of entry that although there were political disadvantages the economic advantages were such that entry was essential. Now supporters of entry are often willing to admit that there are economic disadvantages but claim that the political advantages are such that we should have to enter the Common Market. This change in emphasis casts doubt upon the strength of the arguments produced by supporters of entry.

Although man should not be ruled solely by economic considerations, they are of primary importance in this debate because it is clear that so few people welcome the political implications of the Common Market. Thus although the motive influencing supporters of entry is basically political they hide this argument under a mass of often specious economic arguments. It is therefore necessary to examine well the economic arguments.

Supporters of entry argue that growth has been faster within the EEC and claim that if we had been within the EEC our rate of growth would have been greater. Thus Mr. Brogan in his pamphlet states: "If we had joined the EEC when it was formed, we would have enjoyed as high a growth rate and as high a standard of living . . . the larger the market, the faster the economy's growth."

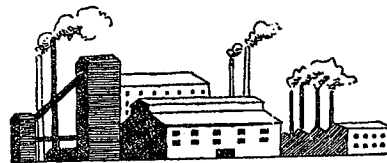
This is far too simple an explanation both of differences in growth rates and of the difference between the rate of growth within the EEC and the UK. It ignores several important facts. First of all, growth within the EEC countries was faster than growth in the UK before the EEC was set up. It is probable that this historical trend would have continued whether or not we had joined the Common Market. The belief that it is the size of the market which determines the rate of growth is patently absurd. The United States has the largest home market but a disappointing rate of growth. Japan with a much smaller home market has a much more exciting growth rate than the United States or the Common Market

countries. Similarly Hong Kong has enjoyed a more rapid rate of growth in recent years than the States or the EEC countries. These facts should dispel the illusion that there is a positive and automatic correlation between the size of the home market and the rate of growth.

Supporters of this hypothesis claim that there is a correlation between the size of a firm and its efficiency; that only large firms can survive in the technologically advanced industries and that only a large home market can permit the development of large firms. This faith in the virtue of size has been shaken by events. It is true that the large firm can enjoy the economies of scale. But the importance of these varies between industries and is often less marked in some of the rapidly growing service industries. In any event although the large firm can enjoy the economies of scale it often fails to do so. Frequently the Monopolies Commission has found that the largest firm in an industry is not the most efficient. As Professor Jewkes has pointed out the small firm has often been the source of innovation whilst the large firm may well be complacent. In fact if there were a positive correlation between the size of firm and the rate of growth then our rate of growth would have been much greater.

Whilst size may be necessary for some projects (*e.g.* Concorde and the European Air Bus) these problems can be overcome by co-operation which can be effective whether or not we enter the Common Market—as happened with Concorde.

Supporters of entry claim—quite rightly—that entry would act as a stimulus to British industry. But industry could be stimulated externally by tariff cuts and internally by a stronger policy towards restrictive practices and the elimination of Government assistance. Fortunately the new Government has indicated that it intends to stimulate industry by its internal economic policies. If it



wants to stimulate industry by entering Europe a more effective stimulus would be across-the-board tariff cuts.

The major economic arguments for entry can be seen to be of dubious value and fail to take account of the serious drawbacks connected with entry.

The major economic problem is connected with the

Community's agricultural policy—and it is clear that we would be subjected to it without the long transitional period which was the pious hope of ardent Europeans in this country. This "policy" is one of dear food, import



levies and the protection of high-cost and inefficient farmers. It has three harmful consequences for the UK : it would worsen the balance of payments substantially; it would aggravate the problem of cost-escalation: it would allow inefficient producers to survive and thus hinder economic growth.

The main impact of the policy would be felt immediately by the balance of payments. We should have to replace cheap imports from the Commonwealth and elsewhere by imports of more expensive foods from the Common Market countries. This would automatically increase our import bill. At the same time those foodstuffs we import from outside the Common Market will be subject to an import levy. These levies payable by us will then be paid to the bureaucrats of Brussels as part of the Community's budget. This will involve a substantial drain on the balance of payments. At the same time it will involve us in paying a disproportionate amount of the EEC budget. The cost of this policy will be at least £300 million and has obliged Mr. Barber to deny that we will have to devalue if we join the Common Market.

Supporters of entry have tried to stifle discussion by saying that the issue cannot be discussed until the exact terms of entry are known. This is purely a delaying device so that opposition to entry is minimised and entry is rushed through before people can count the cost. It is quite clear that the terms which the Common Market countries will offer will be very harsh—the French will see to that! We should have to accept terms which will have grave economic consequences.

The political effects of entry are well known. Many decisions which were formerly made in Britain will now be made in Brussels. There will be a common external tariff (which is anathema to those of us who would like greater liberalisation of trade), a common transport policy, a common currency policy (what will happen to the international role of sterling?), and a common regional policy.

It is claimed by the proponents of entry that these political changes will bring Europe closer together. This is highly dubious. If anything entry would increase the number of subjects about which we would argue with the Europeans and this would increase the scope for disagreement. This would create tension rather than

promote friendship.

Whatever the outcome of the current negotiations one final point has to be made. At the last Election the Common Market was a minor issue because all three Party leaders were in favour. Although certain politicians were fully committed, many—particularly those in marginal seats—adopted a "wait and see" attitude. As a result many who were opposed to entry voted Conservative. The question of whether or not we should enter the Common market is the most momentous we have had to answer for many years. It has created much division of opinion within political parties. The country as a whole would seem hostile. It is surely right that the British people should be allowed to decide their own destiny. Only a referendum with the issues clearly and honestly stated can decide this because at any General Election there would be pro-marketeters as candidates from all three parties and there would be anti-marketeters in all three parties.