

## Nervousness on money

**Even well-heeled governments are hostages of global markets, and should band together for greater strength.**

FIRST, the good news: the US Congress and the Japanese Diet have both ratified the international treaty negotiated at the end of last year that will bring into effect the Uruguay round of the General Agreement on Tariffs and Trade (GATT) and, at the same time, replace GATT by the World Trade Organization. That removes the prospect that the GATT agreement might languish in a legislative limbo, at the mercy of Mr Jesse Helms and his allies in Washington, and that the world would be denied the benefits of the further liberalization of world trade for which the agreement legislates. Indeed, if this agreement had not been delivered, the chances that existing GATT agreements would have begun to unravel would have been substantial.

The other side of that coin is the continuing nervousness of the world's major governments about money. It is a curious situation. In the United States, where it appears that the recent recession has given way to economic growth, every sign that growth may be sustained is the occasion for anxiety. People start worrying that the Federal Reserve will increase interest rates, the bond market takes another dip and the population edges onto tenterhooks. This week's alarm is that the number of people estimated to be out of work has again fallen. Next week it will be something else.

Britain is in worse case. The government's budget for the year beginning next April, read out to the House of Commons last week, hangs on the expected reduction of unemployment benefit that recovery from the recession will bring to reduce the government's annual borrowing, but the budget also relies on a planned increase of value added tax on fuel by 10 per cent to raise roughly 2 per cent of the government's annual spending. Now there is a chance that the 2 per cent will not be forthcoming. A group of the government's own supporters plans to sabotage the pre-planned increase (and may have done so on Tuesday this week). In that case, the government argues, there will have to be a significant increase of interest rates, perhaps by 2 per cent, so as to reassure the financial markets that the government is serious about interest rates. Some of the same sensitivity is evident in Germany and France. Italy, whose budget is still the hostage of its pensioners, could yet take a tumble on the markets.

The reason for governments' sensitivity to the markets is a simple consequence of an old phenomenon: globalization in the money markets. Britain's exit from the European Monetary Union two years ago was the consequence of scepticism among international moneybags about its capacity to hold to the agreed exchange rates. Some of Britain's prosperity in the past year, on the other hand, is a consequence of US purchases of shares in British companies (estimated at an extra £12 billion over the year), which could easily melt away again if US investors became nervous about Britain's prospects. But that is only one reason why the government has to be resolute in battling against inflation.

And exactly the same is true of the United States, where government debt is still largely represented by overseas holdings of government securities.

Life would be simpler if governments' finances were part of a larger pool. Not only would overseas investors be less able to bet against the stability of individual currencies but they might find that they had nowhere else to put their money but in large and thus more durable investment pools than there are at present. In Europe, that is a case for a commonly managed currency, of the kind that the European Union is committed to make a reality at some point in the near future — and out of which Britain has won the right to opt. That now seems a hollow victory, as the delicacy of this year's budget balance shows. □

## Public understanding

**Politicians have a responsibility to say openly where they stand on the activities of the research enterprise.**

As motherhood used to be regarded as a universal virtue, so now is the public understanding of science. The research community is one of the principal supporters of the cause, and for good reason. There are two potential benefits to be won: a more sympathetic and general understanding of the purpose of research, and thus a more generous view of the scale on which it should be supported, and a greater enthusiasm among young people for careers in research.

In the United States, the government supports the cause directly through the National Science Foundation and indirectly through the programmes mounted by the national laboratories for involving schoolteachers and even students in scientific activities. In Britain, the Office of Science and Technology now (to its credit) directly supports (on a very modest scale) the work of well-intentioned voluntary organizations, the British Association among them. Echoes of these activities are found elsewhere.

In the event, the benefits of these arrangements are not easily defined. Entrants to the research professions continue to dwindle in number, while gross misunderstandings of technical issues continue to be issued by pressure groups of various kinds — and often pass unchallenged by the organizations at which they are malevolently directed. The result is that the modest efforts by the research community to win the battle for understanding are usually offset by meretricious efforts in the opposite direction.

The missing element in this argument is the positive engagement of governments in the argument about the benefits that may yet be won from understanding. To be sure, governments are ready enough to defend their spending on research by reference to the wealth that will ultimately be created, but they studiously avoid engagement on matters as various as the dangers of the emergence of new genetic knowledge and the safety of nuclear power plants. Nowhere, now, are there politicians ready to speak up for science in the particular, not just the general. That is why the campaign for understanding languishes. □