

Preface

This *Review* examines the medium-term prospects for the British economy. It is one of a series of *Reviews* which, over the past eighteen months, have also examined the prospects for world trade and finance and the main economic problems of the European Community. These have helped considerably to increase our understanding of the difficulties confronting the UK and to shape our views about policy. Later this year a further *Review* will examine regional problems in the UK, particularly in the context of continued stagnation. These *Reviews*, though on different themes, represent an attempt to develop a complete and coherent analysis of the main strategic issues for economic policy at the regional, national and international level.

In addition to a policy assessment and a chapter on overall economic prospects for the UK under different assumptions about policy, this *Review* contains three chapters examining key issues in more detail and a fourth which reviews the economic strategy of the Mitterrand government in France. Chapter 2 analyses the trade performance of UK manufacturing industry, which is vital to the prospects for any recovery. Chapter 3, on France, is by Pascal Petit who is visiting Cambridge from the Centre d'Etudes Prospectives d'Economie Mathématique Appliquées à la

Planification (CEPREMAP) in Paris. It describes the main elements of the new French government's policies for expansion, adopted in reaction to the failure of very similar policies to those now being followed in Britain, and assesses the prospects for success of a strategy which contains many features similar to those included in the main alternatives to Mrs Thatcher's policies being put forward in Britain. Chapter 4 describes the 'New Cambridge' approach to economic policy and explains why budgetary policy, in the form of the PSBR, and foreign trade performance, in the form of export growth relative to import penetration, are the key determinants of output and employment. Chapter 5 considers the predominant views among economists about the reasons for stagflation (the coincidence of high inflation and high unemployment) and the policies proposed to alleviate the problem. It assesses, in particular, the proposals now being advocated by James Meade for a system of wage fixing to contain inflation and promote growth and shows why they will not work.

Although the principal authors of each chapter are named, this *Review* is very much the product of collaboration between all members of the Group.