BRITAIN

British production figures belie the promise of the North Sea boom

The latest set of figures from the Government's Central Statistical Office reveals that during the fourth quarter of 1978 the British economy virtually froze. Based on Gross Domestic Product figures published by the Department, the British economy not only stopped growing last year, but actually contracted. The drop was sharpest in productive sectors even before the current wave of strikes disrupted output. Manufacturing stood a mere 2.7 percent above the 1975 level.

It is not exactly news that the British economy has been in fundamentally senile shape for many decades. What is worth underlining is the accumulated evidence against the past several years' torrents of claims that the speculative North Sea oil development would do great things not only for sterling, but for the United Kindom's economy.

Gross Domestic Product, based on total output data, declined by .2 percent between the third and fourth quarters of 1978 and stood only slightly above the second quarter level. In the last three months of 1978, GDP stood at 108.4 (at constant prices, 1975 = 100) compared with 108.3 and 108.6 respectively in the previous two quarters. According to the *Financial Times*, most economists expect total output to be even lower this year while the Confederation of British Industry's monthly trends for inquiry, published last week shows that demand has further weakened in the last two months.

The underlying level of industrial output has changed little since a sharp rise between the spring and early summer and the all-industries output between October and December fell 1.2 percent from the level of the previous three months. Manufacturing production was down 2.1 percent from the third quarter.

Overall, domestic output grew by about 3.5 percent during the whole of 1978, but there was a gain of only .7 percent in manufacturing production.

The detailed breakdown shows that in the last three months of 1978,

GOLD

Gold prices reflect dollar stabilization

The spot price of gold continued to hang fire below the $254 an ounce peak three months ago, though it reached $251.50 at Feb. 28 deadline, reflecting heightened fears over the Mideast and China's war.

Not only has the interim dollar stabilization produced the ordinary countereffect — under extraordinary conditions — of slowing gold demand, with Bankers Trust senior vice-president Gordon Curtis the latest to stress the dollar's firmness. As well, a margin of flight money has flowed into silver rather than gold in the past few weeks, as well as into sterling. Silver futures have also jumped.

The latest U.S. Treasury gold auction sold a million ounces at $252.38 an ounce, up from $219.71 at the January auction. Dresdner Bank, one of the prime movers in creating the new gold-backed European Monetary System, bought almost the entirety.

James Blanchard's latest *Gold Newsletter* is full of smug projections that "there will be a *perpetual* atmosphere of world crisis," to cite Blanchard himself, emphasis his; but the newsletter also carries a more sober, if not better-intentioned, appraisal of the EMS's gold remonetization by Robert Guy of N.M. Rothschilds, along with Guy's expectation that Japan, which has not officially upvalued its reserves like the Europeans, will follow suit. Guy added that this brand of "pro-gold" sentiment is emphatically not anti-dollar.

—*Alice Shepherd*