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## A Catalogue of Error

THE physical conditions in which people live throughout the world have become a favourite subject for dissertation, investigation, political campaigning and blame apportioning. In every continent the range of problems is much the same. Poverty is accompanied by squalid slums; individual enterprise is constantly eroded by high taxation and by increasing governmental control of the economy. But political promises continue to be made which hold out visions of a better life to come.

Yet anyone who reads but a fraction of the literature produced annually on social and economic problems can be left with only one impression: in spite of all the accomplishments of civilised man there has been a complete failure to solve basic problems. The thesis of contemporary politicians is that men, left to themselves, have failed to evolve complementary systems of technical development, communal responsibility and co-operative mutual assistance. To improve upon the past it is advocated that governments must adjust the process of evolution and channel man's efforts in socially desirable directions. The philosophy of state paternalism is, however, based upon false premises and a misinterpretation of cause and effect.

Taking Britain as an example of a nation aware of problems but not of their causes, it is not difficult to find examples of recent legislation motivated by good intentions but full of false assumptions. The 1965 Rent Act recognises financial hardship, assumes that the market mechanism is incapable of meeting real needs, but will produce side effects that will only add to pressures for more government intervention. The Land Commission Bill recognises that large profits are reaped by the few at the expense of the many, assumes that

only state acquisition and dispersal of land can put matters right, and introduces a levy that will in fact make the land market less efficient than it is at present. The Control of Offices and Industrial Development Act, together with the Building Control Bill, recognises that more effort is being put into commercial development than into public improvements and house building; it assumes that the pursuit of commercial development is motivated entirely by a desire for large speculative profits, but it will have the effect of slowing down the rate of commercial expansion and of increasing rents for urgently required floor space in short supply. In introducing the capital gains tax, the Government recognised that large profits have been made from shrewd investment in a period of rapid change and assumed that capital gains are "bad things" in themselves. The tax will have the effect of discouraging the activities of those who stimulate expansion and industrial reorganisation.

Arguments about the need for a supply of cheap housing, and about the relative virtues of commercial and domestic property development, and all the talk of bringing the supply of land forward at "the right time and in the right place" are unrealistic while the land tenure system is monopolistic and inflexible. The present system of land tenure, coupled with disruptive controls, has thrown up an unbalanced market in buildings and an unbalanced pattern of individual expansion. Further legislative control will only undermine the market to a greater degree.

The alleged failure of the market in the past to satisfy social needs is attributable to the background against which it has had to work. The failure to recognise this has led to the assumption that only government planning and control can provide an answer to the "deficiencies" of the free market. Until the real nature of the problem of the inequitable distribution of wealth is understood, the future for individual liberty and enterprise is bleak.

## Economic Anarchy

AT THE ROOT of all this prices and incomes nonsense, with its threats and coaxing, lies the "problem" of inflation. And there is only one remedy for that—to stop it.

The prices and incomes policy, the new Prices and Incomes Bill and the selective employment tax constitute the real economic anarchy, not free enterprise. How can the Government expect to damp down demands for wage increases when at the same it is stimulating price increases by its own policy of inflation? The answer appears to be by veiled threats and velvet gloved legislation. But they will not work. They cannot work. And if this lesson remains unlearned the Government will be driven to yet more direction and control.

But perhaps this flight into economic unreality may yet be halted. Government policies have already split opinion right across the party political divisions, and Frank Cousins finds himself beside Enoch Powell in opposing

the prices and incomes policy. Treasury officials appear to want to get back to sound money principles, or at least to get closer to them, acknowledging the real cause of inflation. "According to some well-placed observers, there is a deliberate reluctance by senior Treasury officials to examine any new measures," says the political correspondent of *The Observer*, July 3. "They remain privately convinced that the only way of holding the pound is to increase indirect taxation and impose new restraints on credit, *taking another £500 million or £600 million out of circulation.*" (Our italics).

Of course, this money should not have been into circulation in the first place. "Most people are agreed that inflation is regrettable," says Russell Lewis in *The Daily Telegraph*, July 4 (putting it rather mildly). "Some moralists regard it as yet another symptom of British decadence."

But, it will be asked, if monetary inflation is responsible for increased prices, demands for higher wages, hardship to those on fixed incomes, adverse trade balances, "overheating" of the economy, incomes policies, restraints on trade coercion, cajolling and castigation of producers, then why do it? The answer is that the Government has not yet seen the real answer to unemployment and has committed itself (as have previous governments) to the Keynesian policy of "inflation for full employment."

Says Russell Lewis: "Since the war, the political objective of full employment has commanded almost universal assent. The method of achieving it has essentially been to release sufficient monetary demand (print more money—Ed.) to create the number of jobs required to absorb the mass of the working population."

Of course it works. Ask any drug addict if his drugs are effective. He will tell you yes, if he can get enough. And he will have lost all interest in examining what caused him to take drugs in the first place.