

PREMIER John Major hopes to win the election in 1996 on the back of cuts in income taxation, even though voters will still be paying a larger proportion of income to the government than they were 20 years ago. Next year the government will spend over 42% of national income.

Despite the tax burden, the Chancellor of the Exchequer expresses his fiscal policies as if he were Father Christmas. But the rhetoric from the Treasury is not matched by the facts in factory and field.

- "Helping people back to work" is one headline-catching slogan. There will be a 0.6% cut in employers' national insurance contributions for employees earning less than £205 pounds a week. This miniscule change will not make the slightest difference to total labour costs. NIC is a £44.5 billion burden on employers. The cut is a "saving" of £250m!

- "More family credit" - an extra £10 a week for people working over 30 hours - is presented as a generous gift. The money will barely buy a fish-and-chip meal for a family of four.

- The threshold for VAT registration is raised by £1,000 - as if that will make a difference to small businessmen worrying about the state of their order books.

At the same time, increases in spending are presented as victories. Farming under the Common Agricultural Policy is to benefit by an extra £2,910m. The Minister of Agriculture omits to point out that the main beneficiaries are the owners whose acres are increased in value, while pushing up the price of food for families who, at the lower end of the income scales, struggle to make ends meet.

ORWELLIAN language is used by Treasury speech writers to reassure people that their political chief has the country's interests at heart. The Chancellor identified three priorities:

First: "to keep the economy on track to achieve the great prize of sustainable growth". That prize is

ORWELL DOUBLE-SPEAK TO DISTRACT US FROM OUR WOES

beyond the reach of present policies.

Second: "use this recovery wisely, to encourage the creation of more jobs". In between budgets the Tory government attacks its Labour opposition on the grounds that governments do not create jobs!

Third: "strengthen the economy in the longer term" - a repetition of the first priority. This does not deter Treasury mandarins from claiming that they are aiming for "a modern economy in which the growth of enterprising companies will give people a greater sense of confidence in the flow of new jobs". That confidence has now evaporated.

DOUBLE-SPEAK has been developed by policy-makers who wish to distract people from the real causes of our economic woes.

On inflation, the Chancellor speaks in high moral tones about the need to restrain this evil. "Nothing would be more damaging than if we let inflation off the leash again, only to need another dose of bitter anti-inflationary medicine," he warns. He does not point out that governments are the prime agents of inflation - the generalised rise in prices on the back of an expansion of the money supply.

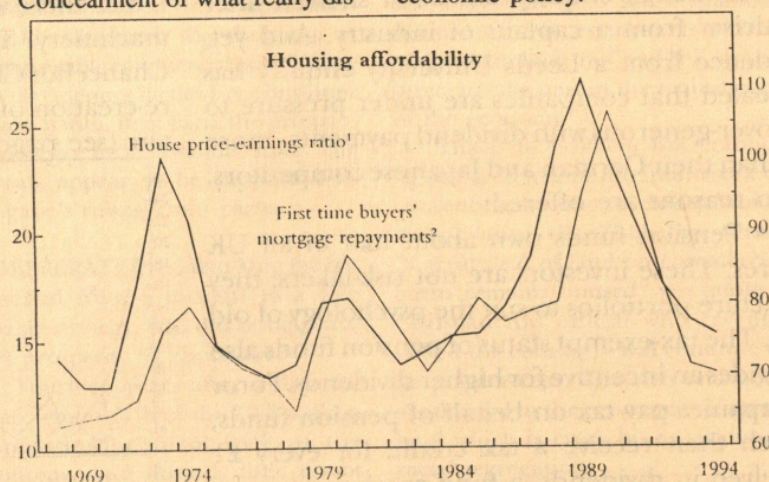
Concealment of what really dis-

rupts the economy has been developed to a fine art. "The British experience is that high inflation has brought economic recovery to a halt three times over the past twenty years." That is not true. They were primarily caused by failure in the land market, with a little brutal intervention from the Thatcher government in the early '80s.

Two graphs illustrate the conflicting interpretations. The first one, on inflation (see p.1), shows that the general rise in prices followed the market-based forces that were undermining output. The second one (below) shows that people's incomes were squeezed by cyclical rises in the housing market. House prices (the costs of construction are downward) have to be taken as a proxy for the land market (for the government fails to track the rising trend of land prices for macro-economic analysis).

Time and again - including periods of long-run price stability in the 19th century - the land market has disrupted the economy. Treasury chiefs were persuaded to look everywhere for the problems of economic instability except the land market!

1984 has come and gone; but Orwellian language continues to shape economic policy.



¹ 1990=100, right hand scale.

² Per cent of first time buyers' average income, left-hand scale. 1994 average of first 3 quarters.