

own alternatives based on the assumption of a radical reorganisation. He has said many times that his aim is to strengthen local government; if he has found a way, let us hear it.

Meanwhile he should abandon his public criticism of the rating system to avoid provoking general discontent of the type that the rate instalment provisions in his current Bill are meant to assuage.

STOP - GO, PUSH - AND - PULL

By B.S.C.

TO BE GIVEN the task of explaining inflation in only 250 words is a severe discipline for the modern economist, but it has distinct advantages for the reader. The writer has to stick to the essentials and forego the numerous qualifications and irrelevances with which many textbooks abound.

It is helpful to the critic also; he has less fear of being side-tracked, and can pin an author down, if needs be, with much less effort.

The definition of inflation given in the newly published *Penguin Encyclopedia*,* although by an anonymous author, may be taken as authoritative, and indeed it expresses the orthodox view with comparative clarity. One should not quarrel with the definition insofar as it fairly explains what is generally understood (by economists) by inflation. But one can question what is generally understood.

My dictionary, the *Concise Oxford Dictionary* (1956), is very concise in its definition of inflation, thus: "abnormal increase of the currency, e.g. by the issue of inconvertible legal tender notes." The *Penguin Encyclopedia*, however, puts the blame elsewhere than on those responsible for the issue of money, and says, noting an effect of, and not the nature of, inflation, that it is "rising prices or a fall in the purchasing power of money."

It then goes on to relate inflation to full employment policies. Fair enough, for an expansion of the currency or purchasing power is the pre-requisite to "creating" employment; but when demand goes up as a result of the extra paper money put into circulation, it is then called "demand inflation" — another effect. And, of course, we have all heard of the other effects of putting more money into circulation, each of which is described as another form of inflation! Examples are "cost inflation," "wage inflation" and "price inflation." We have, too, the elegant variations of "cost-push" and "demand-pull" inflation.

"The most patent cause of inflation," says the encyclopedia, "is now considered to be in manufacturers' prices

Rates are a very useful tax which Mr. Crossman will find it difficult to discard in a hurry. Rating is receiving more than its fair share of blame for conditions arising out of the economic circumstances of the country, and extreme criticisms of it are by no means borne out by the Allen Committee Report. It should be given a fair chance to operate more smoothly and it should not be undermined until it is quite clear that there is a workable alternative.

and costs, and the main force behind it is seen in the tendency for wage increases to exceed commensurate rises in production." One can only assume from this that increases in productivity are the only criteria for wage increases.

But do men work harder to increase production? Do they work more skilfully, or for longer hours? Just how do they increase productivity? Let's face it, capital, invention and management alone are responsible for increased productivity, and when management has taken its rightful share, the rest (the bulk) of increases in production



is (or should be) passed on in cheaper prices through the competitive market — that is, of course, unless rent gets in first, as it does, of course, sooner or later. Thus workers should get the benefit through the lower prices of products, not through higher wages.

The trouble is, of course, that through putting the wage-cart before the money-horse (demands for increases in wages follow the fall in the value of money due to inflation), the whole reasoning is lopsided and we get an effect treated as a cause, with resultant demands for pay pauses, wage freezes and incomes policies.

To attempt to control wages is to attempt to control prices, and this in turn must lead to attempts to control production. A few more steps and we have a completely controlled economy. All this because we have corrupted the meaning of inflation. If we were to define indigestion as the result of eating unwisely, would we set out to control the stomach? Hardly.

I prefer my *Concise Oxford Dictionary* any day!

Note: Inflation apart, this new encyclopedia is splendid value for money.

**The Penguin Encyclopedia*. Edited by Sir John Summerscale. (Penguin Books Ltd., 647 pp. 12s. 6d.)