



Inflation—The First Hurdle

POLITICS may be the art of the possible, but fortunately there is more than one possible course that can be followed by the present Government in an attempt to pull the country out of its present economic mess.

It is now generally admitted, if more in private than in public, that monetary inflation is at the root of our present troubles. A solution to this particular problem, though top priority, will not put everything right - indeed, it will sharpen the need to find solutions to the very problems that inflation was supposed to cure.

Debasement of the currency by successive governments - and more particularly by the recent Heath Government - has demonstrated clearly and conclusively that we cannot print our way to prosperity. The question now is, how to stop inflation without aggravating our other economic troubles.

The fact that has to be faced is, to use an analogy, that the only real solution to drug addiction is to stop taking the drug.

The beginning of the hard way back is to balance future budgets with money raised by taxation and not by deficit financing, and if (and it is by no means inevitable) a contraction of the economy followed, this could well be the lesser of two evils which now confront the country. Indeed, in the long run, if inflation is persisted in, we might well get both at the same time.

Not the least of the harm that persistent inflation gives rise to is the corruption of the minds of economists and wise statesmen who had originally been uncompro-

missing in their condemnation of currency debasement. Like the drugtaker, they fear the withdrawal symptoms more than the ultimate consequences of continuing. Commenting on this weakness, John Dickson White, in *Fiat Money Inflation in France*, said, "Even statesmen of the greatest strength, having once been drawn into this flood (of paper money) were borne on into excesses which, a little earlier, would have appalled them."

Mr. Healey, Chancellor of the Exchequer, has more than once when in Opposition, shown that he is aware of the problem but, in his first Budget, though at least covering new expenditure by additional taxation, he has done nothing to reduce the huge gap between public spending and public revenue that now exists and that leads inevitably to inflation.

If monetary inflation and the consequential evils that follow from it, which include ever-rising prices, loss in the value of savings, decline in the exchange rate of the pound, adverse balance of payments, price and wage controls, battles with trade unions, etc., are to be brought to a halt, then proper means must be found to promote the full use of our resources of land, labour and capital.

Taxation has the power to destroy, but it also has the power to build, when it falls, not upon labour, industry and trade, but upon land - which has no cost of production and no power to shift the burden elsewhere. The taxation of land values, when applied to all land, whatever its state of use or non-use, has the very reverse effect to taxation that falls upon the active factors labour and capital. As Professor Paul Samuelson has truly said of land values, "they are in the nature of a surplus which can be taxed heavily without distorting production incentives."

The financial and economic benefits to be derived from this tax shift would not be limited to those indicated above - and this is not surprising, for land use is a pre-requisite of all economic and social endeavour. Not a furrow can be turned, not a hospital built, no machine set in motion nor a hammer wielded, without prior arrangement being made or a bargain struck with those who own and control the natural resources of the country.

The problems of lack of housing, unemployment,

FOUNDATION OF FORTUNES

IF SIZE of fortunes is taken into account it will be found that perhaps 95 per cent of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies.

Prof. John R. Commons,
The Distribution of Wealth.

land speculation, unethical windfall gains, immobility of labour, narrow opportunities for many, etc., do not result from "blind economic forces" or the greed of capitalists, they arise from maladjustments in our society. At the root of these are government-sponsored and maintained privilege and monopoly, the greatest of which is land monopoly - described by Sir Winston Churchill as "the mother of all monopolies."

Inflationary policies arise from attempts to deal with the effects of economic and social maladjustments in society. They not only fail to do this but create even more acute problems, so that the halting of inflation is but half the problem.

Politicians must do what is politically possible, indeed, but they must not confuse this with their own political unwillingness or, sooner or later, probably sooner, they will realise that economic forces have no regard for what is politically possible.