ity of rights to nature has been established, free enterprise becomes not only intensely productive but also satisfying for individuals, all of whom enjoy the maximum amount of freedom and opportunity, and the ability, through their choices, to influence economic decisions.

The possibility that trade union militancy could lead to spiralling costs does not worry the author, for he has his own views about the causes of inflation. He admits that wage increases *can* lead to price increases but argues that there are so many other factors that also do so that it is unfair to hold trade unions responsible for inflation. To begin with, earnings matter more than basic wage levels and these are rarely negotiated by trade unions. Changes in import prices, and the growth of monopolies, can cause general price increases and certain uses of labour are inflationary because they increase the ratio of wages to output. Dr. Allen contends, as later did Professor Galbraith, that large business firms become reluctant to engage in price competition and so have to force their products on the public by high-pressure techniques which require more and more salesmen, advertising agents, and so on, whose activities are superfluous and inflationary.

This is a most useful assumption for the author's purpose, for, given increasing concentration in industry, it proves that inflation is inevitable in a modern capitalist system, and that the only way to be rid of inflation is to be rid of capitalism. At one point, Dr. Allen does briefly draw the distinction between money wages and real wages, but he completely fails to understand the crucial importance of money supply in any discussion of inflation.

Production properly includes all processes from the first modification of nature by human agency to the transfer of the finished product to the possession of the consumer, and the distribution workers and even the advertising men play a part in this. If the author and Professor Galbraith are right in their belief that there are too many people engaged in distribution the remedy lies in the restoration of competition. The situation does not stem from the capitalist system but from the dilution of the capitalist system.

For the reader who remains alert there is a certain amount of enchantment in this book. I liked the condemnation of refusal to act under duress (on the grounds that every market situation implies duress), the description of shop-floor rebellions against "official" trade union authority as "informal trade unionism", and the analysis of the status of sterling. The assertion that trade unions should distinguish among employers by seeking to milk the most efficient is another way of saying, tentatively, that company or plant bargaining is in the interest of the workers. Finally, Dr. Allen goes into the recent history of the relationship between governments and trade unions with tedious thoroughness, and his account shows that calls for wage restraint were as prevalent in the late forties as they are today. Incomes policies, apparently, are nothing new.

And Never the Twain Shall Meet?

FOR A NUMBER of years now "capitalism" and "communism," as economic systems, have been drawing closer together, and the pace is accelerating.

In the "free" world government control of prices and incomes has been hailed as a breakthrough in the fight against inflation. In the communist bloc a return to a market price system has been hailed as a breakthrough in the fight against inefficient production.

What a wonderful world we live in!

The latest thoughts from the communist side of the fence are contained in a new I.E.A. booklet called *Pricing in Hungary**, an edited recording of a series of lectures given at British universities by the chairman of the Hungarian State Board for Prices and Materials. He says: "Administered prices restrict the rational behaviour both of the consumer and the producer. This curbs economic efficiency and so economic growth too . . . I prefer a market price system."

Monopolistic organization has been found incompatible with the new mechanism and is to be discontinued. A degree of competition, both between enterprises and between products, will be introduced.

"In recent years it has been found that imports have a stronger influence on the modernisation of productive processes and on the improvement of quality than competition between domestic enterprises," says Professor Csikós-Nagy. "We shall strive to increase imports and to participate in the international division of labour."

Central programming is to be abolished; so is central allocation of investment, administered prices and wages, and rationing. The profit motive is to be restored, and profits will belong to the enterprise. Contrary to orthodox Marxism, rent and interest are to be regarded as costs.

The final aim of this economic reform is faster growth and better living standards, greater freedom from bureaucratic control, and greater scope for international trading.

Perhaps this move towards economic freedom in Hungary may cause economic planners in the West to stop short in their tracks. One wonders what Mr. Wilson's advisers, Messrs. Balogh and Kaldor, make of it.

**Pricing in Hungary* by Béla Csikós-Nagy. Occasional Paper 19. Institute of Economic Affairs Ltd., 6s. 0d.

Twin Evils Linked

WAR has provided both ancient and modern societies with a dependable system for stabilizing and controlling national economies. No alternate method of control has yet been tested in a complex modern economy that has shown itself remotely comparable in scope or effectiveness.

Report from Iron Mountain.