being the only free agent. "The Government," said the Chancellor, "is thinking of a system whereby it would specify how much the nation could afford in higher wages and leave it to unions and management to distribute the cake."

This is a nonsensical and dangerous concept that not only assumes perpetual monetary inflation (the initiating cause of the demand for wage increases) but proffers a six-inch nail for the coffin of individual liberty.

Workers in powerful unions can demand and get larger increases than the weak and non-unionised, but although this is a completely separate issue from that of wage-earners generally trying to keep pace with inflation, the issues are not kept separate and the confusion engendered is used as an excuse for wages control under the subtle guise of "guide-lines".

The best thing is to let the free market in wages operate—where it can—and thus isolate the problem of union monopoly power where it exists. As for a free-for-all in wages sending up prices, this is inevitable once the vicious circle of inflation is initiated and maintained by monetary debasement, which must be allowed to work its way through the economy.

At least, higher wages and higher prices are no worse than lower wages and lower prices, and would have the advantages of freedom and flexibility. Such a policy should of course be accompanied by strict control of the money supply.

* * * *

THE National House-Building Council has warned the Government that there could soon be an upsurge in land and house prices.

In evidence submitted to Mr. Peter Shore following the Government's discussion paper on housing policy, Mr. Andrew Tait, the Council's director-general, says, "There are recent signs that land prices are rising dangerously in some areas. If planners over-react to the inner city fashion by refusing to zone new land around the cities, the result will be a land and house price explosion."

The "suspicion" that exists between the local authorities and builders has restricted the availability of house building sites and has increased costs through delays in planning approval, says the Council.

On the subject of the Development Land Tax, the Council says that the bill for the tax will ultimately be footed by the purchasers of new houses, not by the builder nor the landowner. This, it says, introduces an inequity between purchasers of privately built houses and tenants of local authority housing, since council development is exempt from the tax. It is suggested that this could be remedied by means of a subsidy paid out of the proceeds of the tax. The subsidy would be used to reduce the rates paid over the first five years by the purchaser of a new privately built house. This, it is argued, would create a bigger demand for houses, so creating more jobs and reducing unemployment in the building industry.

This measure might indeed have some such effect in the first instance, but ultimately the rates subsidy will be reflected in increased prices for new houses which will in turn lead to higher prices for residential development land. Clearly this will help neither the builder nor the house buyer.

Surely a better way of eradicating inequities introduced by the Development Land Tax and at the same time helping builders and house buyers, would be the abolition of this harmful tax and the substitution of an annual *ad valorem* charge on all land, excluding improvement values. Given an abundant market supply of land which this would lead to, builders could really get on with their job.

* * * *

EVER since the aim of assisting the poor in the "third world" has existed, policy has in the main centred around the idea that boosting the gross national products of the under-developed nations would of itself improve the lot of the poverty-stricken.

Now, in a recent address to the governors of the World Bank, to which *The Economist*, December 31 1977 referred as "so stunningly simple a statement of the obvious . . . ," Robert McNamara has shattered this illusion.

"Economic growth," says Mr. McNamara, "cannot assist the poor if it does not reach the poor." *The Economist* concurs, pointing out that even where high growth rates have been realised, the poorest have been by-passed when it came to sharing the benefits. Mr. McNamara says:

"The truth is that in every developing country the poor are trapped in a set of circumstances that makes it virtually impossible for them either to contribute to the economic development of their nation or to share equitably in its benefits. They are condemned by their situation to remain largely outside the development process. It simply passes them by."

The new conventional wisdom in approaching the problem incorporates, says *The Economist*, the "basic needs" approach wherein the poor community is itself encouraged to participate in the provision of needs such as food, health-care, housing, education and jobs. Mr. McNamara points out that experience has shown that without "effective government policies to moderate skewed income distribution," this approach does not work either, and that to make it work would involve tricky political decisions "which may cut across the personal interests of a privileged minority."

Indeed! The world should be grateful to Mr. McNamara for his ability to question accepted orthodoxy. What political decisions and manner of income redistribution he envisages we do not, of course, know. But we suggest that a good starting point would be an examination of the ways in which the systems of land tenure in the poorer countries affect the distribution of wealth, the nature of production and the availability of employment or means of self-employment. If this were done and the acquired knowledge put into effect, then perhaps the *developed* nations could begin to learn from their poorer neighbours.

NEW SUBSCRIPTION RATE

We regret that we are obliged to increase the annual subscription to Land & Liberty to £4.00 or $7.50 U.S. The new rate will take effect as subscriptions fall due.