seem trivial at first sight, it is far from trivial when we trace back that extra credit to its source – the expansion of the money supply by the government.

For if the extra £1,000 had not been introduced into the system, the banks would not have obtained their extra deposits and their eightfold expansion of credit could not have taken place.

*Surplus credit is consequently caused by expansion of the currency, but once it has been created it proves to be a far more efficient vehicle of inflation than the extra currency itself.*

APPEALS to the banks or the public not to make use of it by exercising restraint after the inflationary act has taken place must inevitably fall on deaf ears. Nevertheless the remedy is in the government's hands: it simply has to stop resorting to the printing press.

An apt example in Britain of the process which is triggered by the expansion of the money supply was provided by Nigel Lawson during a television interview with Brian Walden.

Lawson then protested that he had released £4 bn of extra money through tax reductions but that the British purchaser had turned this sum into £40 bn of extra credit. His successor announced in the House that the extra credit amounted not to £40 bn but the £54 bn.

Yet, if the Treasury had held the money supply static when making its tax cuts, little or no inflation would have occurred.

Indeed, Lawson's point that the tax cuts were a mere blip in the system would then have proved correct.

True, there would have been a momentary increase in demand, but when that was satisfied no further credits would appear because there would have been no inflationary process to feed them.

Instead, money would simply have been transferred from the government to the tax-payer's pocket with – and this is the important point – no increase in its quantity.

To compound the damage, the ex-Chancellor subsequently allowed nearly £2 bn of extra currency to be printed between January 1988 and August 1989, and even afterwards in 1990 the figure continued to rise.

But to continue the earlier argument, we note that £6 bn of extra liquidity (four of tax reductions and two of extra money) when subjected to a normal eightfold multiplier will quickly produce £48 bn of extra credit. *Little wonder that M4 smartly leapt out of control, house prices roared upwards, and inflation doubled.*

WE MUST nevertheless stress the distinction between the £4 bn tax-cut in 1989 and the additional billions of freshly minted money.

The tax-cut was not inflationary, though naturally it could for a short space of time suck in extra goods from abroad. This was, however, the result of a short-term adaptation of the market which suddenly found itself having to supply goods for the people instead of goods for the government.

The billions of extra money printed, on the other hand, must raise prices across the board on a permanent basis, or at least

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# Ironic risk as Land Acts go

**PRESIDENT de Klerk has struck at the heart of South African apartheid with the decision to scrap the Land Acts, which restrict black ownership to 14% of the country's land.**

**All the other iniquitous laws separating man from man on the basis of colour were meaningless without the forcible deprivation of able-bodied men from land.**

**For with land, people are independent: and by being able to enjoy competitive living standards, they emerge as the social rivals of any elitist group. That is why the Land Acts, passed in 1913 and 1936, were the lynchpin of apartheid.**

**The 1936 Act set aside 13.6% of land for black occupation – the area comprising the "independent" and "self-governing" homelands.**

- **Over 11m blacks live in the homelands, with over 80% earning incomes below the minimum economic level.**
- **About 60,000 white farmers occupy 70% of the land, and it is this group that has begun to mobilise against the government's actions. The Transvaal Agricultural Union immediately announced a protest campaign by white farmers.**

**Dismantling the laws does not mean an automatic share-out of the land, for black people do not have the capital to buy out white farmers. The Pretoria government has announced plans to make credit available to blacks, however.**

**Ironically, the immediate risk is to black-owned land. White speculators could buy land in the homelands. According to Patrick Laurence, writing in the *Johannesburg Star*:**

**"The major beneficiaries on the free sale of land will be the large landholders and giant corporations, accentuating rather than rectifying the maldistribution of land."**

**Leaders of the non-independent homelands have agreed measures to protect tribal land from being bought by speculators.**

- **The land question was one of the first causes championed by the African National Congress after its formation in 1912. The ANC regards redistribution as crucial to any negotiated settlement with de Klerk.**