

coverage, and instantly intelligible to the layman, the booklet puts responsibility for inflation squarely where it belongs: "The real cause of inflation is the accelerating money supply, and that is under the control of the government. The politicians are the guilty men."

In proving his conclusion the author deals with the question of motive and argues that it is governments' commitment to full employment and their fear of the electoral consequences of a rising tide of unemployed that induces them to tinker with the money supply and then, when the inevitable inflation leaves them holding "a tiger by the tail" to try to repress its effects by controls and restriction.

But the cover-up, he insists, is worse than the original crime. Pursued effectively for any length of

time, so-called incomes policies would call for rationing as those goods which become unprofitable to produce go off the market or under the counter. And the whole process would lead to a drastic decline in output, as experienced in pre-Erhard Germany and in Allende's Chile. Perhaps it is just as well, as Mr. Heath and his Canute-like colleagues now know to their cost, that the tide of inflation cannot long be held back by controls on prices and wages.

Understandably, perhaps, the author ends on a gloomy note. Inflation can be slowed down only by reducing the supply of money, but this would usher in a two-year period of retrenchment with the level of unemployment inevitably rising. Professor Walters accepts that this would not be a popular electoral policy for any political

party but there is, he suggests, no alternative.

But is he right? Is there no measure which will save us from the cyclical slide into unemployment yet call for no meddling with the money supply? Until economists of Professor Walter's standing have fully studied the effects that land-value taxation (as opposed to labour, capital and consumer taxation) would have on our economic affairs — on the benefits it would bring to labour and the incentive it would give to employers — they have no grounds for concluding that the only solution to our present ills is one which, in its essentials, would merely put the clock back to the 1930's.

* *Money and Inflation*, A. A. Walters, Aims of Industry, 15p.

Local Authority Reaction to Whitstable Survey

The Land Institute has recently held a number of private meetings with senior local government officers to test the reaction to the Institute's report on its site-value rating research project at Whitstable. Frank Othick, Secretary of the Institute, reported as follows in *Local Government Chronicle* May 31.

THERE WAS fairly general agreement on the need to save local government through an effective finance structure, but there were differing viewpoints on the means of achieving it. A local income tax had limited support, but greater hope was placed on a general reform of income tax so that means-related benefits of all kinds, including rate rebates, could be abolished, leaving people in a position to pay the market price for services provided. A royal commission found favour as the time involved would, or could, be well spent if at the end of the day there was massive publicity for a report on a searching enquiry.

It was agreed that it was essential to strengthen local finance as one hope of local independence, or as much as central government

would permit anyway. It was a myth to think of "wriggling out of central control", but this comment was followed by a plea that it was really a doctrine of despair and it was timely to look at site-value rating as a worthy candidate to help achieve reasonable financial freedom. Indeed, political pressure ought to be applied to ensure that it was properly considered. Another view was that local government was entitled to a share in total taxation as distinct from grants.

It soon became clear that the incidence factor could be decisive in any scheme to replace or supplement rating as we know it. Relief to selected groups of ratepayers was always achievable, and site-value rating might well provide the extra cash to make imaginative

incidence changes possible. To spread the present load was essential in view of inflation and rising costs. To some, site-value rating as a supplement was the best bet, but any changes had to satisfy some very stringent political tests of acceptability.

There was general agreement that on its own the recent site-value exercise was insufficient because it was undertaken on too small a scale and in an insufficiently representative locality. But at least it had proved that it was a practical proposition, and more evidence might even indicate a possibility of replacing the present system. It had provided fresh evidence of tangible benefits, including, in some people's minds, a splendid way of complementing taxation with planning. The exercise had also provided fresh evidence of its comparative administrative and technical simplicity, although there were plenty of tricky questions.

It was suggested that the pace at which changes to a new system were made was crucial. A gradual changeover found favour once the merits of the system had been established.