

Imperial Rome's Planned Economy

DURING THE THIRD CENTURY, that is between the years 200 and 300 AD, the finances of the Roman Empire utterly collapsed. The *denarius* and the *antoinianus*, chief silver coins of the realm, lost more than ninety per cent of their silver content: in effect, they were copper coins washed with silver.

We of the United States are today, for the first time in our nation's history, being introduced to quarter dollars of somewhat similar composition; and if I understand correctly, in 1966 our dimes and half-dollars will also be reduced in silver content.

We are further told: "Inflation gripped the money market, and the price of goods soared." In Egypt "bankers refused to handle Roman money." This affected Roman prestige, and "the value of Roman citizenship declined with it."

Centralisation of government power "called for an increase in officials and paper work, as the enormous government establishment grew and grew some more. As the monetary chaos increased, bureaucratic power in finance increased." The Roman government attempted to fix prices, then wages, and a black market was the result. Prices so increased that "a peck of wheat price-fixed at 100 *denarii* sold for 10,000 *denarii*." Then the Emperor Diocletian, in an attempt to relieve the country's financial dilemma, introduced tax reforms. In the end, the once free citizens of the Roman Empire, through taxation, became the slaves of the government that they once governed.

During these years over a million people lived in the city of Rome. They "complained about the housing shortage, soaring rents, congested traffic, polluted water, crime in the streets and the high cost of living. Unemployment (within the city of Rome) was a perennial problem; it increased as farm families dispossessed by changing agricultural methods (imposed by government) flooded the city. To keep some semblance of order, the government created a civic service with a multitude of agents — police, fire wardens, building inspectors and public health officials."

We have in these words, I think, a fairly accurate picture of the United States today and tomorrow, if what one reads in numerous papers and publications is correct.

After such a government, what was the final chapter? Nothing more than the complete collapse of the Roman Empire, the greatest nation in all world history.

The United States, one may say, has never been an empire and never expects to be. This may be true in the sense of governing other nations; but in the more general sense of government by indirection, are we not today an empire? Compared with the population of the Roman

Empire in the year 250 AD, the number of citizens of the United States in 1965 is about the same. Certainly the complexity of economic problems which in that day beset Rome are the same which now beset us. They are nothing new. The lesson is clearly written on the pages of history, that whoever may wish to may read.

— Frank Peyton in *The Pensacola News-Journal*,
November 21

What Next, Mr Crossman?

Local Government Chronicle, December 11

SINCE he became Minister of Housing, Mr. Richard Crossman has never attempted to hide his dislike of the rating system. He has been consistent in expressing this view and in his use of the epithets "vicious" and "regressive" to describe it; he added a few others when he moved the second reading of his Rating Bill on Monday.

On this occasion, however, he went very much further. He committed himself to "a planned operation for first demolishing rates and then replacing the system with a new local tax, fair, intelligible and capable of being administered reasonably efficiently." On this, as he sees it, the survival of local democracy depends.

But what is this "fair, intelligible" tax to be? Can Mr. Crossman produce any indication of how this grand-sounding idea would work in practice? For years fiscal experts have exhaustively examined alternatives to the rating system and have been unable to agree; the chief objection to most alternatives is their insufficient yield. Site-value rating is promising and should not be entirely ruled out. A local income tax could only be a supplement and would be unfair in its incidence over the present local authority areas.

In this context Mr. Crossman's outburst makes sense if, in fact, he is going to proceed with a radical reorganisation of local government on the lines he first indicated in September to the editor of this paper and at the A.M.C. conference. But he will have to wait a long time for democratic regional government to emerge from this — and even longer for a regional income tax. No Chancellor will lightly let out of his control any part of such a major source of revenue as income tax, now yielding over £3,500 million a year. And with the standard rates at 8s 3d. in the pound, where is the additional revenue to come from? Not only local government but the whole fiscal system may be involved here.

It would help if Mr. Crossman would explain exactly what he has in mind to local authority representatives at an early stage and give them the chance to produce their

own alternatives based on the assumption of a radical reorganisation. He has said many times that his aim is to strengthen local government; if he has found a way, let us hear it.

Meanwhile he should abandon his public criticism of the rating system to avoid provoking general discontent of the type that the rate instalment provisions in his current Bill are meant to assuage.

STOP - GO, PUSH - AND - PULL

By B.S.C.

TO BE GIVEN the task of explaining inflation in only 250 words is a severe discipline for the modern economist, but it has distinct advantages for the reader. The writer has to stick to the essentials and forego the numerous qualifications and irrelevances with which many textbooks abound.

It is helpful to the critic also; he has less fear of being side-tracked, and can pin an author down, if needs be, with much less effort.

The definition of inflation given in the newly published *Penguin Encyclopedia*,* although by an anonymous author, may be taken as authoritative, and indeed it expresses the orthodox view with comparative clarity. One should not quarrel with the definition insofar as it fairly explains what is generally understood (by economists) by inflation. But one can question what is generally understood.

My dictionary, the *Concise Oxford Dictionary* (1956), is very concise in its definition of inflation, thus: "abnormal increase of the currency, e.g. by the issue of inconvertible legal tender notes." The *Penguin Encyclopedia*, however, puts the blame elsewhere than on those responsible for the issue of money, and says, noting an effect of, and not the nature of, inflation, that it is "rising prices or a fall in the purchasing power of money."

It then goes on to relate inflation to full employment policies. Fair enough, for an expansion of the currency or purchasing power is the pre-requisite to "creating" employment; but when demand goes up as a result of the extra paper money put into circulation, it is then called "demand inflation" — another effect. And, of course, we have all heard of the other effects of putting more money into circulation, each of which is described as another form of inflation! Examples are "cost inflation," "wage inflation" and "price inflation." We have, too, the elegant variations of "cost-push" and "demand-pull" inflation.

"The most patent cause of inflation," says the encyclopedia, "is now considered to be in manufacturers' prices

Rates are a very useful tax which Mr. Crossman will find it difficult to discard in a hurry. Rating is receiving more than its fair share of blame for conditions arising out of the economic circumstances of the country, and extreme criticisms of it are by no means borne out by the Allen Committee Report. It should be given a fair chance to operate more smoothly and it should not be undermined until it is quite clear that there is a workable alternative.

and costs, and the main force behind it is seen in the tendency for wage increases to exceed commensurate rises in production." One can only assume from this that increases in productivity are the only criteria for wage increases.

But do men work harder to increase production? Do they work more skilfully, or for longer hours? Just how do they increase productivity? Let's face it, capital, invention and management alone are responsible for increased productivity, and when management has taken its rightful share, the rest (the bulk) of increases in production



is (or should be) passed on in cheaper prices through the competitive market — that is, of course, unless rent gets in first, as it does, of course, sooner or later. Thus workers should get the benefit through the lower prices of products, not through higher wages.

The trouble is, of course, that through putting the wage-cart before the money-horse (demands for increases in wages follow the fall in the value of money due to inflation), the whole reasoning is lopsided and we get an effect treated as a cause, with resultant demands for pay pauses, wage freezes and incomes policies.

To attempt to control wages is to attempt to control prices, and this in turn must lead to attempts to control production. A few more steps and we have a completely controlled economy. All this because we have corrupted the meaning of inflation. If we were to define indigestion as the result of eating unwisely, would we set out to control the stomach? Hardly.

I prefer my *Concise Oxford Dictionary* any day!

Note: Inflation apart, this new encyclopedia is splendid value for money.

**The Penguin Encyclopedia*. Edited by Sir John Summerscale. (Penguin Books Ltd., 647 pp. 12s. 6d.)