

Letters to the Editor

INFLATION AND THE MONOPOLY IN BANKING

SIR, — In your leader in the March-April issue, you write that the present huge gap between public spending and public revenue leads inevitably to inflation. This deserves examination. If the government bridges the gap by borrowing at home, no inflation results: the government spends instead of the lender. If the government borrows abroad, inflation may result, but it will be temporary, and its inflationary effect is reduced by interest payment. Moreover, inflation has occurred in countries that have long been in surplus in their balance of payments. You then suggest that the government has inflated the paper currency. Would you give evidence of this? The volume of notes, which is the only area in which the government can inflate, has increased but little in the past decade, merely responding to the growth in the volume of trade.

I agree that land monopoly drives prices up; but land being itself a commodity, is vulnerable to a general inflation of prices. Evidently then we must look elsewhere for the cause of general inflation, and I suggest that the cause is the present universal monopoly in banking. The banks provide the means by which enterprise secures access to the community's savings. When banking is monopolised, there is less incentive for banks to take risk in lending, and it becomes more difficult for fresh enterprising men to set up in competition with the present giant mergers, although research shows that the most economical producers are found among the small and medium-sized firms. It should be of interest to you moreover that any measure of land reform must be supported by adequate access to capital if the community is to benefit. Cheap land is of little use without cheap capital.

How did this bank monopoly arise? It was legislated into existence by the Bank Charter Act of 1844. My old friend, Professor Wyld, used to say that if a man knows what he is talking about, he can put his views on a postcard. I could put the story of this legislation on a postcard; but the result would be as incomprehensible to the average reader as though one tried to explain logarithms in the same space. If you think the subject would interest your readers, I could explain bank monopoly in another letter of about this length.

Yours faithfully,

HENRY MEULEN

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The volume of notes in circulation increased between Dec. 1963 and Dec. 1973 by £2,338m., the 1973 figure being £4,988m. (Bank Return). This is monetary inflation whatever the real or ostensible reason for doing it and whatever the euphemistic terms used to describe it. (Editor)

VALUE JUDGEMENTS VS. MARKET FORCES

SIR, — The article "Fair Wages" in your last issue raises an interesting question about whether a free market wage is "fair" or whether it is something else. In my view (since "fair" implies a moral dimension which is absent from the market mechanism) a freely negotiated market wage is something else: put crudely, it is what a person is willing to "accept", given a multiplicity of factors.

Now, part of the conflict between trade unions and governments over whether wage deals are fair or not is generated by confusions. Recent governments have (rightly or wrongly) tried to inject a degree of moral decision-making into the market place.

Unions have rejected these decisions as being "unfair", when what they have meant was "unacceptable", purely and simply, in the face of the multiplicity of factors which govern what they considered to be acceptable wage deals. These factors, of course, include their monopoly power, where it exists.

Can we talk of a free market producing a "fair" result, if we understand "fair" to mean "morally correct"? Not necessarily. For instance, nurses get paid a great deal less than the women who clean my office. Both classes of workers "accept" their wage rates. But are we therefore bound to deny ourselves the right to exercise some kind of evaluative judgement on whether this is fair or not? I think we do have to make such decisions. But, of course, having taken this attitude, it places an enormous burden on me (and those who agree with me) to find a solution to the problem of working institutions which enable us to realise decisions based partly, on moral evaluations.

One of our society's major problems, today, is that politicians will not accept that we have a very long way to go before the right solutions are produced: they ought, in the meantime, to tread more warily before they distort the free market in arbitrary fashion.

Yours faithfully,

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Twickenham,
Middx.

BRITAIN'S ENTRY INTO THE E.E.C. A GREAT ADVENTURE

SIR, — The view expressed by Mr. Peter Tracey in his letter (January and February 1974 issue) is pure wishful thinking - he states only 31 per cent of the British people are in favour of the Common Market according to an Opinion Poll recently carried out.

I think after the last General Election, it would be wise to take what Opinion Polls say with a pinch of salt.

The facts of the matter are quite