

Letters to the Editor

EXCHANGE RATES

SIR.—It would be interesting to know the grounds on which Mr. Martin (*LAND & LIBERTY*, June & July), bases his assertion that "If the price mechanism were allowed to operate in free trading conditions, there would be no need for intervention, and the balance of payments deficit would disappear." Mr. Martin was arguing against Mr. Samuel Brittan's advocacy of floating exchange rates.

Under fixed exchange rates for foreign currencies, we compel exporters to surrender to the government, at a fixed rate, the foreign currencies they earn, and we sell those currencies at the same fixed rate to importers. The result is that when we are importing more than we export, we enable importers to go on merrily importing regardless of balance of payments difficulties, until the drain on our reserves compels us to impose a credit squeeze. This can occur under a perfect free trade system wherein no tariffs are imposed anywhere.

If we allowed the price of foreign currencies to follow the market demand and supply conditions, any excess of imports would be followed automatically by a corresponding increase in the price of foreign currencies, resulting in a delicate governor to produce a balance between supply and demand, similar to that in any free commodity market.

Yours faithfully,

HENRY MEULEN

London, S.W.19.

Stephen Martin comments:

When introducing his proposal for a floating, *but managed*, exchange rate for the pound, Samuel Brittan stated with approval that "the primary economic tasks of any modern government are to regulate demand and keep the economy in external balance. This is a protectionist device, as indeed publicised concern about variations in the balance of trade has been since time immemorial.

In his last paragraph Mr. Henry Meulen admirably states the case for the abolition of exchange control, but Mr. Brittan wants control retained, floating *but managed*, and vainly imagines that an honest price mechanism can function under such conditions.

Any attempt to regulate demand and supply must affect the price

mechanism and result in artificiality. Currency, the component of price, must have an intrinsic exchange value in proportion to that of all products and this value must be beyond suspicion.

Incidentally, Mr. Brittan is a Keynesian, and supports a managed currency by issuing unbacked paper money.

TOWN PLANNING

SIR.—In his review of Richard F. Babcock's book *The Zoning Game*, concerning the operation of U.S. planning legislation, Mr. P. R. Hudson comments that "it would appear that the resident of suburbia is more concerned about whom, rather than what, he wishes to see permitted next to his home."

I see nothing wrong with this; indeed, there are very few people who are free of bias concerning the char-

acter and behaviour of their neighbours. Although Mr. Hudson does not mention it, I feel sure that instances of opposition on racial grounds are given in the book.

For my part the answer is quite simple. All I want is a just system of land tenure whereby if I do not like the "cut of his jib" or the colour of the skin of my new neighbour, I can readily move elsewhere.

While Mr. Hudson rightly observes that a sound land taxation system is the best answer, he still seems to support "public land use control."

The crucial problem in authoritarian planning is that arbitrariness is unavoidable; therefore it follows that land-value taxation could not operate effectively under such conditions.

The economic rent of land can be accurately assessed only if all men are free to use land according to their personal ideas and initiative.

Yours faithfully,

STEPHEN MARTIN

Fordingbridge, Hants.

Miscellany

Saved!

LARGE urban land owners are to be spared the break-up of their estates after all. The Government has decided to reinstate the £400 (London) and £200 (elsewhere) rateable value limits under the Leasehold Reform Bill. This means that houses with rateable values higher than those figures will be exempt from the provisions of the Bill, which gives leaseholders the right to buy their freeholds.

Declining Pound

A £1 Premium Bond bought in 1956, when they began, was on June 1, worth only about 15s. 2d. said the Financial Secretary to the Treasury in a written answer in the Commons.

Victory for Free Trade!

THE EFTA (Origin of Goods) (Amendment No. 2) Regulations published today (S.I. 1967 No. 932) amend Schedule 1 of the Regulations by introducing a product heading and qualifying process for potato crisps . . .

The effect of these amendments, which take account of EFTA Council Decisions, is that potato crisps may

now qualify for EFTA tariff treatment when made in the Area from non-EFTA potatoes . . .

—Press Notice from the Board of Trade.

Share and Share Alike

ACCORDING to Andrew Alexander, writing in *The Daily Telegraph*, June 9, direct and indirect taxation paid by a single person earning £21 a week in Britain amounts to approximately £500 a year, or half his income. This is based on figures provided by the Central Statistical Office.

BOOKS RECEIVED

The Politics of Financial Control—the Role of the House of Commons by Gordon Reid. Hutchinson. 27s. 6d.

Copyright and the Creative Artist by Denis Thomas. Research Monograph 10. Institute of Economic Affairs, Ltd., 6s. 0d.

Education: A Framework for Choice by A. C. F. Beals, Mark Blaug, E. G. West, Sir Douglas Veale. Readings in Political Economy 1. Institute of Economic Affairs Ltd., 15s. 0d.

Paying for the Social Services by Douglas Houghton. Occasional Paper 16. Institute of Economic Affairs, Ltd., 3s. 6d.