

# Letters to the Editor

## A GIANT STEPS DOWN

**S**IR,—As your readers will know, Germany has been through a government crisis because the Liberals suddenly left the Erhard coalition.

It is strange that it is the Liberals who have sacked the only liberal economist of world fame in our days. And this shows the weakness of our Liberals in political life. In some of our Länder they are in coalition with the Social Democrats, in others with the Christian Democrats (C.D.U.), and whenever they revolt against their greater partner the effect usually is a coalition of the two great parties. Then the Liberals are in opposition and begin again to gather all discontented people.

But even this function is ceded temporarily to meteoric radicalist parties. We have already had two of them that vanished like a mist. Now a new one has had some success in Hessen and Bavaria, and, of course, all enemies of Germany in East and West triumphantly shout that this proves that Germany is sticking to national socialism. Quite the contrary is true. It can be seen from the swift end of these parties. The first two are long forgotten, and the third, the NPD, will also vanish. At present it is only a rallying-point for the discontented,—a common apparition in all democratic countries.

Erhard is, or was, a true Liberal, a pupil of Oppenheimer, who advised a free economy and a 100 per cent increment tax on land value. Erhard was already well known in the Parliamentary Council of Tri-Zonesia. Originally he had wanted to join the Liberals, i.e., Heuss's party. But Heuss, seeing the importance of Erhard's social market economy in the reconstruction of Germany, told him to join one of the big parties, because only a big party could give him the political platform for his grand idea.

So Erhard joined the CDU/CSU and made his way because of the immediate success of his free market policy. He gained world fame and was soon the best election horse of the Christian Democrat stable. At first it seemed as if he would change the character of this originally neo-conservative party, or at least into a liberal one in economic respects. They even made him Chancellor when they were tired of authoritative Adenauer.

But Erhard's popularity waned when he began to preach moderation and an adaptation to the changed conditions in the world market. And when he failed in foreign policy and when the difficulty about the 1967 budget arose, not only the Liberals but also his own party abandoned him. Fortunately he did not simply resign, as is the custom in such cases in most democracies. Faithful to our constitution, he remained in office and forced the Bundestag to form a new stable and strong government under a new Chancellor. So his last service to Germany was to protect our young democracy from falling into a succession of fruitless elections as we have seen in France and in the Weimar era, and to force the democratic parties to co-operate. So, though he eventually failed as a politician, I think he was the greatest statesman in West Germany during the epoch which is now coming to its end.

Yours faithfully,

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## INCOMES POLICY

**S**IR,—The Government's Prices and Incomes Policy—now referred to more briefly and pungently as the "squeeze and freeze"—aims at halting the rise in the cost of living and the fall in the value of money. At least, that is what we are frequently told by Government spokesmen and economists. The argument seems logical and plausible, but there is just one thing wrong with it.

In a free market, wages and prices rise and fall naturally according to variations in markets, tastes and supplies; some goods become scarce and command relatively high prices, others in plentiful supply cost little. But this is not what we are all worrying about. It is when we have a general and continual rise in wages and prices that we have a real problem.

If the amount of money in circulation remains constant, we have the normal situation, and we can adjust ourselves to it. But if we have a general and continual rise in the cost of living, this can only mean one thing, and that is that the amount of money in circulation is somehow being increased, creating an increase in the demand for goods and services, which consequently, and quite

naturally, rise in price. Hence the vain exhortations from successive governments for greater efficiency, cutting out restrictive practices, and increased productivity.

The clarification we need, therefore, is simply achieved by reversing the two parts of the oft-repeated statement that constantly rising wages and prices cause inflation. We then have a perfectly logical explanation: that *because* of a continual weakening of the £ (by increasing the money supply) the cost of living is continually rising.

Now who can increase the money supply? None other than the government, through the Bank of England. So it is logical and reasonable to conclude that government is directly and solely responsible for inflation and a general and continual rise in the cost of living.

Wage earners and consumers are expected, and compelled, to play their part in the "freeze" by being denied further rises in wages; shopkeepers are expected and required to observe their part by refraining from increasing prices; employers must meekly bear increased taxes on staff. We are therefore entitled to expect an assurance from the Government that it will observe its obligations by stopping any further dilution of the currency.

Yours faithfully,

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## THE REASON WHY

**S**IR,—It is often asked why, if site-value rating policy is all that is claimed for it, it has not been accepted and adopted although it has been before the public for so many years.

In October LAND & LIBERTY you showed an example of the kind of opposition that has prevented the adoption of this policy. You printed an article from *Public Service* referring to the Whitstable report. The writer had made a gross mis-statement—that shops and houses would have to bear increased rates—which is simply not the case. He had then concluded that the Whitstable valuation proved conclusively that site-value rating would not work!

The Whitstable valuation proved conclusively that site-value rating is just and practicable. While many people are desperately searching for an alternative to our present absurd system it does them no "public service" for writers to pose as experts and get everything wrong through in-