

of the economy, including wages and prices, the report adds.

But maybe before the U.S. Government begins to adopt such Canute-like measures, events in Britain will have proved how futile it is to legislate against economic laws.

*The Committee for Economic Development is a non-profit research and education organisation of two hundred business executives and educators who study major national and international economic problems with the purpose of promoting high employment with stable economic growth.*

## Creeping U.S. Inflation

HARLAN TROTT

NEXT to the war in Asia and how to get out of it with all speed and honour, people today are worried about inflation. True, they don't call it that. Beyond the name, it is this intimate, personal crisis that every housewife, every mother, every breadwinner calls the high cost of living.

To assess the mounting menace of inflation—the creeping decline of the U.S. dollar in terms of what it buy—you have to relate it to the growing concentration of federal power on responsibilities and duties that rightly belong to the states. By looking to Washington for hand-outs, we are inviting a political climate here just like that which brought the young Weimar Republic down in ruins. The inflation that wrecked the German republic must not be allowed to ignite here.

In barely twenty-five years, our monetary managers have succeeded in changing the dollar into four copper-based *dimes*. True, this is nothing like the ruinous inflations that have hit other currencies; but it is bad enough for a country that has the responsibility of maintaining a key currency that presumes to provide the free world with a stable monetary unit.

For some time prior to the German Republic's collapse the Berlin government lavished funds on public works, and subsidies to privilege of many kinds. Behind the facade of outward prosperity, the pillars of the Republic were eaten away. The parallel was fairly close with Rome, where, Ferrer tells us, little by little the state let itself be persuaded to do for each of its cities what it had done for Rome. For one thing, it took public works in hand in every direction, regardless of the utility. The intensification of the trouble was met by an increase in the dose of the very remedy that aggravated it—useless expenditure in the cities, ruinous taxes.

Much of the same fears are expressed here today about President Johnson's desire to keep up domestic spending, namely that the social ills we would like to exterminate are only being met by an increase in the dose of the very remedy that aggravates it.

Some of the largest companies in post-war Germany benefited by the fall of the Weimar Republic. Those who borrowed vast sums simply paid it all back with worth-

less marks. The term became synonymous with wallpaper. At the same time, the German people by and large did not recognise inflation for what it was. They did not complain that the mark was getting cheaper and cheaper. They only complained that prices kept going ever higher.

It is wrong-headed to assume that a powerful centralized government can *tax and spend the government into prosperity*. This is not the way our free enterprise system has grown. The Tax Foundation recently calculated that the average man pays more than a third of his income in taxes today, most of which are hidden in the cost of things he buys. Without some straight thinking on this question of public integrity in fiscal policy there can be no correct action. But where there is right thinking, right action will follow.

## OBJECTIVE BIAS

A NEWLY PUBLISHED booklet, *The British Banking System*, produced by the Central Office of Information, has "all the virtues I mistrust, and none of the vices I admire."

As a Central Office of Information publication it is written with an air of grand historical inevitability, as if the full evolution and the finest flowering of the system is now at hand, but if one considers exchange control, post office giro, the relationship between the Treasury and the Bank of England, one sees this is just not true.

It is particularly instructive to see that when it comes to the business of this relationship, the report of the Radcliffe Committee is quoted as an authority. Now many people just do not accept their findings. One of the most important works published by the Institute of Economic Affairs was their *Not Unanimous*, giving the views of some six commentators who disagreed with Radcliffe. Even the previous report (MacMillan Committee of 1931) was roundly condemned by one member (Bradbury) and another submitted a written note of dissent.

By being official and uncontroversial, important problems are glossed over as if everything was in perfect working order. In the same way that a pamphlet on the National Health Service would not give much about the actual mumbo-jumbo of the healing process, so this pamphlet, while describing the blasted heath and the weird sisters, does not say much about the technical witchcraft of banking.

M.D.K.T.

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—The Publishers