

simply an organisation for receiving peoples' savings and lending them out on mortgages, well secured on property 'suitable for building society mortgage'. That is our prime, but not exclusive, role.

"The function of the modern building society movement is ever expanding and assumes greater importance as the movement allies itself with national and international concerns. These include better designed housing, the best use of the quickly dwindling acreage of available building land and the arrest of the rising spiral of house prices.

"Let building society practitioners, at least, examine the problem of property values and exchange their views through these columns. It is a matter that should concern every building society director and executive. Ultimately, it is a matter affecting the nation's economic structure."

In his letter to the editor, Mr. Blundell wrote in part: "Since the largest single factor that is pushing up the price of houses is the cost of land, it is from this angle that the problem should be approached. If building societies 'curtail drastically' the sums lent on mortgage, they will be responding naturally to the laws of supply and demand, but they will in no way be easing the problem of home seekers. Having the interests of these people at heart, building societies must look for and support measures to bring down land prices.

"A number of propositions have been made to deal with this problem, e.g. land nationalisation, price control and capital gains taxes. But these are sterile and defeatist remedies for a situation which cries out for radical treat-

ment. The best and surest way to ensure that speculation in land comes to an end, and that all usable land is brought into use or on to the market for others to use, is to render it uneconomic not to make maximum and immediate use of land resources — for this is where the trouble begins.

"The surest way to do this is to put a stiff tax on land values irrespective of whether the land is well or poorly used, or whether it is used at all. Land, having this liability attached to it would become 'hot' to hold idle or under-developed.

"The revenue derived from taxes levied upon land values would then enable us to reduce the present taxes now falling upon labour and capital.

"The fact that economists divide the factors of production into *mutually exclusive categories*: land, labour and capital, is not without its significance in looking at this particular problem. Taxes upon the products of land tend to decrease production, while taxes upon land have the opposite effect.

"Building societies will be doing a service to their borrowers and to the community generally, if they will exert their influence in favour of the taxation of land values, for until this specific remedy is applied, land prices will continue to climb and the fruits of material progress (of labour and capital) will continue to be siphoned off in the form of high premiums for land use and the ambition of most people to own their own house will remain a permanent pipe-dream."

Mr. Nigel Birch On INFLATION

Forthright Speech by Tory Ex-Treasury Minister in The 'Little Budget' Debate

"**T**ODAY we are mourning the sixth foreign exchange crisis since the war. There have been three under each Government." The main reason was that after the war, Britain had set out to do a great many things. "We set out to make a great figure in foreign affairs, to have a great financial policy, to be armed with the latest atomic weapons, to have the best social services in the world, to secure a vast expansion in our educational policy, to sustain under-developed countries and we sought to lend and invest in developed and under-developed countries all over the world."

We had taken on rather more than our resources would really allow. Fundamentally that was why we had so often got into difficulties. Things

would have been better had we been willing "To scorn delights, and live laborious days;" but we were not.

"Although Conservative freedom has worked and has been more rational than Socialism, under both systems there has been inflation and we have had crises in our balance of payments. On top of this overstraining of our economy, we have, by agreement with both Front Benches, done things which really do not make economic sense.

"It is a fact that in this country we cannot expand faster than our increased exports allow and the whole of our export trade is carried out by private enterprise. The capital needed to expand those industries has been pre-empted by nationalised industries, which really have been bad

bargains to the country. For example, coal.

"Since nationalisation, capital expenditure on coal has amounted to £963 million. In 1960 the output per man year was lower than it was in 1937 and today one can import coal to South Wales coming from West Virginia more cheaply than it can be produced in South Wales. Neither Front Bench, as far as I know, is keen to import coal from West Virginia — so, up goes the price of steel. I think that the humanity of the House will allow me to draw a veil over the record of British Railways.

"On top of all this there has been a tendency to back the losers, to subsidise declining industries — cotton and the new Cunarder, for example.

I never thought it made very much sense to subsidise firms to go to uneconomic locations. I believe that we shall bitterly regret that in the end but, here again, it was supported by both Front Benches.

"Then we come to the position of over-full employment, where there are more unfilled vacancies than unemployed. Every time that happens we always get into foreign exchange crisis and, as Colin Clark pointed out in the *Financial Times*, production will never rise in such a situation. But again and again we have allowed it to happen.

TARIFFS

"And, on top of all that, we have fairly high tariffs so that business in this country is not only protected by constant inflation but by tariffs as well. It is not very surprising that we have had the troubles we have, looking at the way we have run the show."

There were two escape routes, both popular with Opposition M.P.s. The first was of "growth". Of course it was essential. We should have more growth had we not had constant inflation. We could not grow faster than our exports grew. One could not do much about planning exports because many factors were outside our control.

"Sir Oliver Franks said earlier this year something which I believe to be profoundly true. He said:

'Expansion which is bought at the cost of the exchange reserves and the stability of the currency can only harm us in the long run; to put 'sterling second' and go all out for the expansion is not a possible policy for Britain'

The second escape route was to preach about the moral evils of the age. There were certainly plenty about. A great many sprang from inflation. Lenin had said:

'If you want to destroy a country you must first debauch its currency.'

"He was right. What are all the complaints about? They are about easy profits, speculative gains without risk, the attitude of 'couldn't care less', high wages without effort, defeat of the hopes of savers, and demoralisation of the gilt edged mar-

ket. All these things are the direct results of inflation. It is no good preaching against it.

FRAUD

"Not only have we had this continuing inflation but what is rather sinister is the increasingly cynical acceptance of it, particularly by the younger economists — often younger Socialist economists, I am sorry to say. The *locus classicus* here was an article by Alan Day in the *Observer*, of 29th November, 1959. Needless to say, he has now been promoted to higher things. He said:

'Periods of stability are a good thing in that they suggest to some people that price stability has come to stay so that confidence in the currency is restored.'

"Fraud is a good thing — that is what that means. I am constantly surprised at the way the silly clever people believe that people less bright than themselves are necessarily bigger fools. They are not. Everybody knew that price stability would not last. But to suggest that one should carry out a deliberate fraud on the people shows how far the rot has gone . . ."

If the Chancellor was to hold the House and the people with him in a reasonable financial policy, they must understand what was going on. When trying to control expenditure, one was always up against defeat in detail. People said: 'This inhuman Minister denies us some paltry £20 million for this or that.' However, if one added up all the other £20 millions involved, one got an impossible situation.

"We have to put to the people the totality of the position. If they are then not prepared to wear the rate of taxation required, we must cut back in general, or, if expenditure on some services must rise, we must cut down on others, or else finance things outside the Budget. But to let things rip is dishonest and hopeless . . ."

MUST BE EARNED

Some industries were efficient, others were not. Until recently they had all been protected by both inflation and tariffs. "A sensible econ-

omic system is one that sweats the business man; and that has not been happening. What we have to do is to produce a situation where there is no domestic inflation, and proper competition owing to the reduction of tariffs. In these circumstances the businessman has to work to earn his money. If he is working to earn his money, good luck to him. It is not wrong for these people to make well-earned profits, because they are in the profits business. If we try to stop them making profits, the whole system is impaired. What we have to ensure is that the man genuinely earns his profits".

Wages policies overseas had not worked very well. They always broke down when pressure for labour rose beyond a certain point. "It is not really entirely a matter of unions. Professor Lionel Robbins made an interesting point the other day, that where wages have gone up more than anywhere else is in the field of domestic help. None of those concerned is in any union at all. It is simply the demand."

SILLY AND VULGAR

If the Chancellor got the enthusiastic support of the T.U.C. Chairman, Mr. Ted Hill, and his colleagues it still would not make any difference if the demand for labour was too great. They would be swept aside. "It is no good dealing out to trade union officials a hand containing all trumps and then telling them that it is their moral duty not to play trumps. That is not only silly but vulgar — insufferably vulgar."

These moral appeals were not much good. Mr. Gaitskell, when he was Chancellor, "made a tremendous moral appeal to the miners, and he got so soused with his own verbosity that he burst into tears. But it made no difference . . ."

"If we can produce a situation where inflation has been ended and there is a reasonable state of competition in the country, I think that we shall find that the wages problem will not be too difficult. No doubt, with industry expanding fast, and productivity going up, we should get good rises in some wages. If the total demand is not too great, the problem is perfectly soluble."