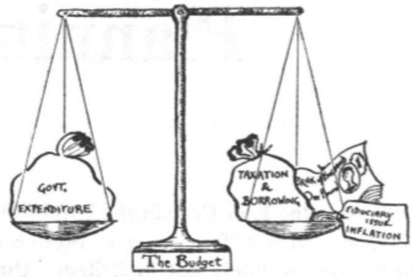
# Hands Off The Pound!




**Although Budget Day has come and gone we feel that the following open letter to Mr. Selwyn Lloyd from the Council for the Reduction of Taxation should go on record as the best advice the Chancellor got.**

Since 1951 taxation has increased from £3,977 million, or £79 10s. per head, to £6,440 million, or £124 per head. At the same time the National Debt has increased from £25,802 million, or £516 per head, to £27,735 million, or £534 per head — an increase of no less than £1,933 million. These are tremendous figures and are the root cause of progressive inflation of the currency.

If the value of the pound sterling be taken to have been 20s. as recently as 1948, today it is worth only 13s., a reduction of more than one-third in fourteen years. The increase in public expenditure, now absorbing nearly 40 per cent., of the gross national product, is the primary cause.

Before you produce your Budget in a few weeks' time we should like to remind you of the following words from your last Budget speech:—

"The borrowing problems set by this overall deficit were substantially increased by the need to finance both the rise in our gold and foreign currency reserves and other external transactions.

"Over the year our total requirements, after employing receipts from extra Budgetary funds, was £560 million, £155 million of this came from the increase in the note circulation. £300 million was raised by borrowing from the public and a further £145 million was provided by Treasury Bills held by the Bank of England against the special deposits called from the banks.

"I have been greatly encouraged by the achievements of the National Savings Movement, an achievement helped, I am certain, by the improvements introduced by my predecessor a year ago. Net receipts to the Exchequer from National Savings of all forms amounted to £275 million during the year.

"The success of National Savings and the rise in holdings of Tax Reserve Certificates left me with practically no need to borrow on the market, that is by Treasury Bills and gilt-edged stock."

So far as special deposits are concerned, this money belongs to shareholders and depositors of the banks. That you should seek to reduce the credit base by requiring the banks to make special deposits with the Bank of England is, in our view, as unsound in principle as that you should then borrow the money so deposited and use it to finance public expenditure. When, if ever, are the Government borrowings to be repaid to the Bank of England? When, if ever, are the special deposits to be repaid to the banks from which they have been taken? If you find yourself short of money again, as it would seem you are most likely to be in view of your failure to curb the growth of public expenditure, will you call for further special deposits from the banks? If so, what is the limit? When you have borrowed and spent all the money in the banks where will you go next?

Perhaps the answer is to be found in the National Savings Movement. It would come as a shock to many people to know that short-term borrowings, mostly repayable on demand or at very short notice, are being used to finance long-term capital expenditure and losses on the nationalised industries. What happens when the surplus on the National Savings Movement begins to dry up and possibly turns itself into a deficit? Where will the money come from to repay the withdrawal?

Here we reach the nub of the whole issue, the use of the printing press. Last year you had to print £155 million of new notes to pay for the expenditure you could not finance in other ways. There is no statutory limit to the notes that can be printed. The regular increases in the fiduciary issue are purely a matter of form. They are not even debated in the House. When other sources of money run dry, the printing presses will no doubt be set to work. Then a classical inflation will set in, to be followed by devaluation of the pound in the foreign exchanges and untold misery for many millions of old-age pensioners, holders of Government securities and others with no means of increasing their income to keep pace with the loss in value of money.

In the view of this Council, the Government has failed disastrously in its understanding of the over-riding importance of reducing public expenditure, and we ask you once again, with the help of the First Lord of the Treasury and your other colleagues, before any further harm is done to the economy and to the people of this country, to take the first ruthless steps towards reducing the burden of taxation.