

Britannia in Disarray



ONE of the best thought-out contributions to the subject of inflation appears in a recent booklet sponsored by the Unservile State Group of independent liberals. It is by Heather Harvey and is entitled *The Wealth of the Nation**.

In it the wide range of effects of inflation are admirably stated, although one is left with some doubt as to the author's full appreciation of the fact that inflation proper (the increase of the money supply) is entirely the responsibility of the Government and that demands for increases in wages are largely a result of inflation rather than the cause.

In spite of this Miss Harvey does show a far greater understanding of the problem and its implications than most other writers on the subject, and considering the controversy that exists among the experts, and the general confusion and ignorance in journalistic and political quarters, it can be said that she comes down heavily on the side of logic, if not heavily enough for the present writer.

The incomes policy is subjected to critical analysis and doubts are cast on the wisdom and practicability of almost all government plans to extricate the country from its chronic economic difficulties.

Rather than attempt an overall review of this twenty-two page booklet (which we recommend) we give below the opening paragraphs, which apart from whetting the readers' appetite, deserve space in their own right as a masterly piece of economic description by analogy.

LET US begin in the Victorian manner by apostrophising our "dear readers" — in this instance the female ones.

Floreat Britannia

Have you among your acquaintances a woman who achieves a superficial and meretricious dash and style in her dress but whom you know to be a slut who neglects the fundamentals of fastidious elegance and lady-like attire? We refer to the type of person constantly overtaken by time and improvidence who, finding a hole in her stocking, twists it in the hope that the hole will show less, and strains her suspender in attaching it. The worn suspender parts, so she repairs it with a safety-pin. Her petticoat hem, unmended, shows below her dress — so she skewers it up with a further pin. Alas, an essential fastener is missing from the dress, and she covers the deficiency with an inappropriate brooch. She puts on her

topcoat and is ready at last — but no, her fingernails will not bear inspection, so she daubs on nail varnish to conceal the worst. Picking up her odd gloves (never a pair), she crushes on a fashionable hat to cover unkempt hair and is ready in all her glory — the very picture of the British economy!

Thus arrayed — or disarrayed — Britannia aspires to keep her place in international economic society. It is not surprising that her severest snubs come from Paris, traditionally the arbiter of elegance and the home of haute couture. But others, more sympathetic and less arrogantly complacent, are uneasy over the old trollop's decline. For one thing, they recognise some of her symptoms in their own economies; for another, sterling is still a key currency in international transactions.

Mumbo Jumbo

To translate the safety-pins, split seams and nail varnish into economic terms, we can make a list of familiar troubles and the names popularly applied to them. The rising cost of living—or the fall in the value of the £, which is the same thing said the other way round; excess demand—or its alter ego, "Too much money chasing too few goods;" "wage push" and its younger brother, "wage drift;" monopoly and restrictive practices; tariffs, quotas, subsidies, and other distortions and impediments; "stop-go;" the soaring cost of land and building; not to mention the million-and-one regulations and the rising taxes which are supposed to cure some of the other ills and don't.

The list is long. So is the list of dubious cures and gimmicks, and of fancy phrases purporting to diagnose our ills. We hear about "low productivity per man-hour," and are offered "growth targets;" about the evils of annual rounds of wage negotiations, and are offered "guiding lights;" about "excessive" speculation and are fobbed off with a capital gains tax; about "export incentives," and the moral obliquity of importing (but our exports are other countries' imports); and the new fashionable offer is an "incomes policy," which simultaneously reaches the zenith of exhortation and touches the nadir of definition. . . .

What the essay will try to show is the persistence and pervasiveness of inflation as major symptom of the malaise of the British economy, and the confused thinking—as in the attitude to imports just mentioned—behind certain popular remedies, in particular an incomes policy. Next, it will consider that concept of a planned society which

* Liberal Publication Department, 2s. 6d.

implies that a country can live unto itself alone and organise its domestic business according to the heart's desire and political creed of certain theorists, even in defiance of such basic forces as the relation between supply, demand and prices. Such insulation is on the one hand inimical to the genuine expansion of production, as distinguished from the expansion of demand which produces an illusion of growth and a reality of continued inflation. On the other hand, it is incompatible with the dependence of Britain on international trade and the role of sterling as an international currency; hence the recurrent balance of payments crisis.

Governmental monetary and fiscal policies are key instruments for checking inflation and maintaining the international standing of sterling. Because such policies are part and parcel of the role of government in planning the economy, decisions regarding them are ultimately political. Political feasibility, political expediency, political determination (or cowardice) and political doctrine about the function of the state are all involved.

The crude corrective for confused, incompatible or doctrinaire decisions is yet another balance of payments crisis. The rash final section of this essay is concerned with searching for an international monetary discipline which could substitute a smoother, more predictable and more automatic corrective.

These last questions may seem remote to the majority of citizens, but inflation is something that hits them every day, and hits millions of them where it hurts.

SWITZERLAND

HIGH LAND PRICES SLOW UP BUILDING

AMONG the OECD countries, Germany, Sweden and Switzerland succeeded in constructing ten new housing units per 1,000 population in the years 1962/63, the highest rate among the member countries. An examination of Switzerland's achievement gives some food for thought.*

Hitting a peak of 57,920 dwellings completed in 1962, Switzerland's housing efforts have been concentrated mainly in the medium and small sized towns; there has been a declining percentage of the total output in the areas with more than 100,000 population. Since 1950 output in the high-population areas has dropped from a more than 30 per cent share of the total to just over 12 per cent in 1964. This is attributed to the shortage of

land in those areas and to population growth away from older urban centres.

During the period 1950-1964 building costs (excluding land) increased by about 71 per cent, while the cost-of-living index rose by only 31 per cent. This increase is attributed to all-round cost rises, increasing demand in relation to capacity, and higher building standards. Nevertheless, it is remarkable, by today's standards, that finished buildings find willing takers although gross rents can account for 40 per cent of incomes in some areas. Private building accounts for 90 per cent of all housing construction in the country; rent control, introduced during the war as a stopgap measure, has been gradually abandoned in favour of rent supervision/negotiating machinery.

The small percentage of publicly-sponsored housing is provided to help those in greatest need and older people who have reduced spatial needs, who are encouraged to vacate under-occupied property.

Clearly, the private sector housing output in Switzerland is the result of the near full play of market forces. So long as investors are able, because of the housing shortage, to pass on increasing costs to tenants, house building activity will remain high. Since, however, no special measures have been taken to encourage house building in the matter of land prices it may be assumed that difficulties will increase progressively, particularly for the less fortunate of the Swiss working population.

Built-in Profit in Idle Land

FOLLOWING this week's report, some really winning points can be made about Burns-Anderson, the Manchester builder and estate developer. What first distinguishes this company from others in the same business is that it holds sites worth about four years' work at present rates. All of it has planning permission as a matter of principle.

The beauty of this, as the chairman, Mr. W. Burns, suggested to me this week, is that, if the Land Bill does push up land values, there is built-in profit for years ahead yet. So much for fears on this score.

The present share price of 9s. 3d. is, on the face of it, nonsense.

— The Guardian

* "Housing Policies and Techniques in Switzerland"—OECD Observer, October 1965.