



Throwing in the Towel

THE BASIC unreality behind the recent economic discussions which have taken place in the Press and on radio and television will have escaped all but a few. So much have the people been exposed to spurious economic concepts, meaningless jargon, economic incantations and irrelevant economic arguments, that they continually ask the wrong questions, contend in arid areas and then wonder that, like Omar Khayam they "come out from that same door as in I went."

Roy Harrod in his *Life of John Maynard Keynes* wrote: "The history of economic science has largely been the history of the formation of appropriate concepts. Our thinking about economic matters was revolutionised, for instance, when it was pointed out that all the multifarious costs of production could be grouped exhaustively under the three heads of land, labour and capital. This made immense progress possible, and the whole of classical economics was based upon this classificatory improvement."

But these appropriate concepts are no longer regarded. The concept of labour has been replaced by the concept of the trades unions—as though the unions could act independently of the economic laws which determine the rewards of labour. The concept of capital as having a self-regulating function within the limits imposed by natural competition, has been superseded by the alien concept of a factor that cannot be trusted to fulfil its function in society but must be alternately cosseted by privileges and subsidies and clobbered by punitive taxation.

As for that other factor of production—land—it is either shunned or ignorantly bracketed with capital as though there were

no difference between the two. This, in spite of the fact that land is not a man-made product, reacts differently to demand, responds differently to taxation and is fundamental to growth (if that is what is wanted).

Finally, equity does not confer upon the owners of land the same inalienable rights as it does upon the owners of man-made products; rather does it impose on them obligations to the rest of the community.

But this apart, the rest of the economic field still remains a shambles. What could be more unreal than the so-called balance of payments concept? This so-called problem could indeed be solved at a stroke by abolishing exchange control. Likewise inflation and all its consequences—persistent price increases, demands for higher wages, wage and price "freezes," credit control etc.—would disappear if the money supply were held constant.

Instead, we have economists and politicians who just cannot leave the economy alone. They pontificate on growth, meddle with trade, hand out largesse (at the tax payers' expense) blame each other when their absurd policies do not work and then accuse the British public of being too ignorant to decide for themselves whether Britain should join that monstrous economic planning machine, the E.E.C.

The recent reductions in purchase tax and the "relaxation" of hire purchase restrictions were acclaimed from right and left and the Government was judged to be doing the people of this country a favour by getting partly off their backs.

The country is maintained in a state of chronic inflation by the pumping of additional demand into the economy via the printing press. And to counter the effects, we have doses of "deflationary" policies. When one foot on the throttle and the other on the brake produces friction, another concept is dreamed up known as "reflation" which means hopping around the economy pushing in a stop there and pulling out one here, like an organist in a frenzy (if we may be allowed to mix our metaphors.)

Every economic palliative has a disarming simplicity and plausibility except for those of us who have travelled that road before. Government and Opposition in turn condemn each other for carrying out policies they both have advocated and then expect to be taken seriously by the British public.

Roy Jenkins, Chancellor in the last Labour Government, even had the nerve to question the present Chancellor, Mr. Barber, on the money supply!

Perhaps, behind the scenes, both Labour and Tory leaders have despaired of curing the country's economic malaise, and seek to abdicate their power not to each other, but to the E.E.C. rulers in Brussels.

Certainly one never expected a British Prime Minister to throw in the towel because he could not find the answers to, or would not apply the right long term remedies for, our economic sickness.