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EDITORIAL

Why the Treasury Ministers Resigned

Resigning from office, Mr. Peter Thorneycroft, Chancellor of the Exchequer, in a letter to the Prime Minister dated January 6 wrote: "I am not prepared to approve estimates for the Government's current expenditure next year at a total higher than the sum that will be spent this year . . . I recognise that in order to achieve my aim some combination of politically unpopular courses would have been necessary. I nevertheless regard the limitation of Government expenditure as a prerequisite to the stability of the pound, the stabilisation of prices, and the prestige and standing of our country in the world." Supporting him, his two colleagues, Mr. Nigel Birch, Economic Secretary, and Mr. Enoch Powell, Financial Secretary, also resigned office.

IN a very real sense last month's dramatic Treasury resignations were a by-product of land monopoly. Needless to say no political commentator has touched on this aspect of the matter. Neither have the principals concerned. This is hardly surprising for today the relationship between the rent of land and the economic health of society is generally ignored by economists, politicians and those who form and mould opinion. Accordingly attention has been focussed exclusively on the cleavage within the Cabinet over the Supplementary Estimates.

With debonair casualness, the Prime Minister dismissed the resignations as "little local differences." Following that lead attempts have been made to represent Mr. Thorneycroft's financial rectitude as obstinate intransigence over a trifling £50 million or so. (This "trifle" is roughly the equivalent of a year's wages for 10,000 lower-paid workers.)

Labour politicians, playing the party game, and some Tories, notable among whom is Mr. R. A. Butler, himself an ex-Chancellor, have suggested that Mr. Thorneycroft was intent on damaging the fabric of the Welfare State. They appear to regard the social services as sacrosanct and to believe that any economies in this field would be a reactionary perfidy.

This reverential attitude towards the whole caboodle of palliatives for social injustice is highly revealing. It shows conclusively that politicians rightly realise that poverty is still endemic in Britain, and that this is the most intractable of all political questions. It is possible that some of them genuinely do not understand why those who produce an ever-increasing volume of material things remain poor. Others, more knowledgeable, lack either the courage or the will to strike at the root cause of poverty.

Be that as it may, the fact remains that despite every wonderful advance in the productive arts during the past half century, the wages of millions of people in factories, shops and offices, and the savings of those who have retired, are insufficient for them to enjoy the modest comfort to which their labours entitle them. They are poor through no fault of their own, but because of the great wrong whereby the natural source of public revenue, the community-created rental value of land, is treated as if it were private property. It is a matter of simple economic arithmetic that if a privileged few get something for nothing, the rest get nothing for something.

The greatest of the many inter-related evils which stem from man's maladjustment to the land on which he lives and works, is that wages are kept at a bare minimum. As a result, constantly increasing rent absorbs most of the benefits of technological advances which, in other circumstances, would raise everybody's wages.

The so-called Welfare State tempers the wind to the shorn lamb. Grossly inefficient, it is administered by a costly, swollen bureaucracy which encroaches on the freedom and privacy of those whom it is designed to assist. It helps least those who are most in need of aid, and, conversely, it aids those who could stand unaided on their own feet. Moreover it is financed by methods which are destructive of existing wealth and the incentive to produce further wealth. Inadequate and irrelevant as an answer to poverty—although it does help to make life tolerable for many who otherwise would experience extreme hardship—it is the fruit of political cowardice in not tackling the root cause.

Hand in hand with the social services, and part and parcel of the Welfare State, has been the deliberate debasement of the currency. This is the meanest form of taxation — viciously destructive, thoroughly dishonest and wholly undemocratic. It has enabled successive governments to command a greater share of the wealth of the community than the amount voted by Parliament.

The harmful effects of inflation are too well known to need enumeration here. However it is worth noting that as the value of *money depreciates,* the value of *land appreciates*. Inflation has a tragic effect on those living on fixed or only very slowly rising incomes, and on savings. But it does not worry those who enjoy land values and, in its early stages, it is "good for business," stimulating the national economy and opening up new jobs on every hand. Sooner or later inflation gets out of hand; the day of reckoning arrives and the currency collapses through lack of confidence.

Showing greater prescience than some of his Cabinet colleagues, Mr. Thorneycroft judged that awful day to be fast approaching. He resolved that whatever the political consequences might be, inflation must be stopped forthwith. On September 19 last year he raised the Bank rate to 7 per cent. Four days later at the Washington meeting of the International Monetary Fund, he warned that the Government was no longer prepared to "finance inflation," and that wage increases secured by trade union pressure in some industries might cause unemployment elsewhere. He said:

"So long as it is generally believed that the Government are prepared to see the necessary finance produced to match the upward spiral of costs, inflation will continue and prices will go up. What is needed to bring it to a halt is for the Government to be prepared to deny the extra cash whatever other painful consequences may follow. If an attempt is made to take more money out of the system in money income than is put in by new effort and production, the only result will be the reduction in activity and the employment of fewer men."

This statement made two points crystal clear. First, that inflation is caused by a government deliberately increasing the supply of money, Second, that the vaunted "full employment" of recent years has depended, at least in part, on this deliberate debasement of the currency.

"NOT BY PRINTING £ NOTES"

This argument was repeated in other speeches by the ex-Chancellor and by his two lieutenants. The then Financial Secretary, Mr. J. Enoch Powell, speaking at Wednesfield in Staffordshire on October 4 brought the matter into sharp focus. In part he said:

"The public has got to make up its mind which way it wants it. We could go ahead and spend on all the desirable things a Government can think of, from power stations to pictures, and pay the price with roaring inflation and devaluation of the pound.

"If this is not the result the people want—and it is certainly not the result the Government is prepared to contemplate for a moment—then public spending and public borrowing must be limited to what we are prepared to finance by real savings and real earnings and not just by printing extra banknotes."

Little thinking that he would resign over this issue within three months, we described Mr. Powell's speech as a hostage given to fortune, remarking that the Government dare not falter in its determination to end inflation, and that it could never again blame others for the result of its own actions.

To safeguard the value of the £, Mr. Thorneycroft took many unpopular measures, including the restriction of credit, and of investment by the nationalised industries and the public authorities. Logic and fairness dictated that Government expenditure should be similarly curbed. Therefore, when the Cabinet met to consider the Supplementary Estimates, Mr. Thorneycroft argued that expenditure during the coming year should not exceed actual expenditure during 1957-58. Ministers pared down their estimated requirements until, in total, they were some £50 million above this level. Because of increased labour and other costs, even this figure involved an actual reduction in government activity. Mr. Thorneycroft insisted on further reductions being made. The rest of the Cabinet adamantly refused to prune further. As honourable men, the Chancellor, the Financial Secretary and the Economic Secretary took the only course open to them and resigned.

ARMS OR THE FARMS?

Since then members of the Government, including Mr. Heathcote Amory, who has left the Ministry of Agriculture to become Chancellor of the Exchequer, have declared their intention to continue resolutely the "fight against inflation." Whether they will do so is anybody's guess. There is a large body of Conservative opinion firmly behind Mr. Thorneycroft and in favour of sound money. It is probably fair to say that most of them regard the social services as the place where drastic economies should be made. But Mr. Butler spoke for many in the Conservative party when he said:

"If we had to readjust some of our social policy in the ways suggested we should have to overturn in a few days policies on social welfare to which some of us have devoted the service of our lives."

He for one seems to regard "milk and water socialism" as an inviolable necessity of our times, desirable on "humanitarian" grounds.

There is also the much-canvassed Tory view that the social services can be used to restrain wage demands. The new Financial Secretary to the Treasury, Mr. J. E. S.