

# YOUNG ECONOMISTS LOOK AT THE FREE ECONOMY

THE PRINCIPLE of free pricing in the market place is the subject of these fourteen essays\*, mostly by young economists. The principle is applied to widely divergent areas of the economy in which consumers' choice is either negligible or non-existent. Between them the essays show that shortages, and services offered on a take-it-or-leave-it basis, are a consequence of artificially restricted choice. Even some apparently insoluble supply problems, the authors show, could be realistically tackled by pricing.

Economic charges for water, argues one author, are necessary to secure future resources and urgent capital investment. The present tax-financed system, with "free" distribution, defies the elementary laws of supply and demand. A fixed charge levied on each consumer for connecting him to the system, plus a "free allowance" above which supplies would be paid for on a meter system, would enable people to register their wishes and also improve the service at no significant extra cost.

Similarly, fire services could be locally financed by a system of premiums paid by factories, offices and householders. High-risk firms would pay proportionately more and thus have added incentives for fire prevention. Competition in the insurance market would help bring premiums down to a minimum.

In a study of refuse removal, an Indian woman graduate shows how refuse can be made to make profits. In the United States, where much refuse collection is done by private contractors, special services are separately charged for. Pricing would induce householders to cut down their refuse, encourage salvage, and make more selective use of their dustbins, while improving the collection service.

A sliding scale of electricity charges, based on consumption at peak and off-peak hours, is recommended by another essayist. A more effective pricing system would replace the present subsidising of some peak-load users by off-peak users.

Agriculture could also benefit from a pricing system, argues a university lecturer from North Wales. Inefficient farmers would be pensioned off, the market price of farming land would drop (it is kept high by the pressure of new entrants to farming, often unskilled, attracted by the security of government subsidies). Farm workers' wages would attain an economic level and working capital tied up in unproductive land would be freed for use elsewhere.

\**Essays in the Theory and Practice of Pricing*. Prizewinning and commended essays entered for the Evan Durbin Essay Competition, 1966. Readings in Political Economy 3. Institute of Economic Affairs Ltd., 25s.

Pricing of sea-side facilities is advocated by another essayist. A market for holidays already exists but there is little commercial pricing of beaches, harbours, parking, etc., which would improve the sea-side economy. A charge of only 3d. per person per day might be enough to raise levels of cleanliness, recreation and facility. Charges could be made for advertising on deckchairs. Funds raised in these and similar ways could make English beaches more competitive with those abroad. Local councils' subsidies would be replaced by market revenue.

The incongruities of state-controlled egg marketing are examined in an essay which shows how the subsidy prevents consumer preference for quality spurring producers and packers to raise standards of quality and value. "Non-Lion" eggs—the free market sector—are at a premium, and will remain so until the egg marketing system is abandoned.

The remaining essays are studies in institutional aspects of pricing, such as its relevance to growth, investment, planning and foreign exchange. The significance of this fascinating collection of essays is that neglect of basic principles of commercial pricing lies at the root of many familiar economic problems—from the plight of the coal mines (where uneconomic pits have since nationalisation been kept alive by subsidies) to the depredations of the "brain drain."

## The Point About Whitstable

FOR years the establishment assured us that site-value rating was not practicable in Britain: the Rating and Valuation Association, with a mainly scratch, part-time staff, proved this was not so at a very reasonable cost.

One may argue about the details of the Whitstable survey, but as the whole might of the government has only produced one valuation since 1948 under the present system, one is entitled to ask whether the Whitstable survey is any worse than the 1956 valuation with which we are basically still working.

—L. T. Stewart, Clerk of Leek U.D.C., in a letter to the *Rating and Valuation Reporter*.

## FIAT MONEY INFLATION IN FRANCE

By Andrew Dickson White. Crystal-clear, devoid of sophistry, this painstaking account of an eminent historian and statesman (1832-1912) of the cause and mechanics of monetary inflation in revolutionary France and of the material and moral havoc it wrought, is invaluable to the student of the prevailing inflation in the Western World. Published in the U.S.A. 770 pages. 4s.