Zealand and South Africa—and leaves his readers or prompts the cynic with this astounding remark that: "Perhaps the one specific instance of Georgism, cropping out in the new policy of great nations in recent days, is the dilute variety that the British Labour Government wrote into its Town and Country Planning Act of 1947." Was not Professor Barker aware of the emphatic repudiation, by the Henry George movement, of that Act and its Development Charge as a complete travesty of the taxation of land values? He cannot be acquitted of careless attention to his own references. They are to be found, he says, in the book *Land Planning Law in a Free Society*, by Charles M. Haar, published in Cambridge (Mass.) in 1951, where one can read about "the Georgism of Parliament's act of 1947." That is hardly correct. Mr. Haar was a research student visiting this country and his book very ably exposed the defects of the Development Charge. He has this footnote, seemingly escaping Prof. Barker's notice: "For the Henry Georgian point of view which regards the 1947 Act as a 'slum production act' see . 'Town Planning—Fulfilment or Frustration, LAND & LIBERTY, March/April, 1948." All that Mr. Haar did say was that "the Government has talked in Henry Georgian terms of accepting the principle that it is the community which is entitled to the benefits of increases in value of land which the community itself has created." *Has talked;* yes, indeed. But what action was taken? There was no "Georgism" in it; the action taken was dead against the said principle. So also Lloyd George in his time: he "talked" what looked like Single Tax ideas and then gave the country *his* preposterous and ill-conceived "land-value duties," so called.

It is well to be ever on guard against the false suggestion, whether deliberately implied or innocently made, that the taxation of land values has been tried and found wanting.

A. W. MADSEN.

Where Lies Responsibility for Monetary Inflation

BY A LABOUR PEER, A BANK CHAIRMAN AND AN ECONOMIC JOURNALIST

In the House of Lords, March 8, LORD DOUGLAS OF BARLOCH said:

My Lords, the noble Earl, Lord Selkirk, who spoke for the Government yesterday said that their policy was to attack causes and not to attack symptoms. That is a sentiment with which I, and all of us, no doubt, would sincerely agree. But I wonder whether the measures which have been proposed by the Government do, in fact, reveal the implementation of that policy. They appear to me to be a diverse mixture of measures, some of which are dealing only with symptoms and not with the causes at all. There is a large measure of agreement in your Lordships' House that the root cause of the difficulties with which we are at present confronted is inflation, but I am not so certain that there is uniformity of view as to what inflation really consists in. For my part, I understand inflation to be a condition in which the price of commodities is increasing and in which that increase of price is caused by an increase in the amount of money in circulation—that and nothing else. And that is precisely what we are suffering from at the present moment.

Take what has happened during the last seven years. Between 1948 and 1955 the volume of industrial production rose by about 35 per cent. During the same period the amount of currency in circulation rose from some £1,200 million to over £1,700 million. What was the inevitable result? There was an increase in prices, so that the increase in consumer expenditure during that period amounted to £4,000 million a year, of which £3,000 million was due to increase of prices. The inference from these facts is perfectly clear. If one goes back over a longer period, one finds that the currency in circulation in 1938 was only £442 million, and now it is about four times as much. The inevitable result has been a tremendous increase in prices, compared to what they were before the war. If inflation is to be prevented, it is essential that in the first place the Government should control the note issue and should prevent it from going up year after year as it has done. I do not forget for a single moment that the circulation of bank credit is also a form of currency and that it has gone up *pari passu* with the increase in the note issue. But the final and ultimate responsibility for all this rests upon successive Governments, which have steadily pursued this policy.

If this is the truth of the matter, it is clear that the policy which the present Government are pursuing is erratic and contradictory. What, for example, had the measures which were included in the emergency Autumn Budget to do with the increase in the note issue? Nothing whatsoever. The increase in purchase tax and profits tax has nothing to do with controlling the volume of currency in circulation. So with regard to the more recent measures which have been proposed. The reduction of housing subsidies has no relation at all to the increase in circulation; nor has restriction upon hire purchase, though both measures may in themselves be defensible. It may be perfectly true that it is highly undesirable that people who are well able to afford to pay for accommodation should have their houses subsidised. It may also be true that hire purchase has a demoralising influence and tends to make people forget that they ought to earn before they spend. But that is not, in itself, a cause of inflation so long as hire purchase is financed by the saving of somebody. Of course, if hire purchase is financed by the creation of credit, and if the Government allow credit to be created for that purpose, then we have inflation. But that is not the result of the institution of hire purchase; it is the consequence of the inflationary position which is allowed to come into existence.

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These measures have really nothing whatever to do with the fundamental difficulty with which we are confronted, which is due entirely to the policy of successive Governments in allowing the creation of currency and of credit to proceed at the rate at which it has done. I know that it is said that we can control this tendency by controlling expenditure. That was the advice which Keynes gave to the Treasury in 1940, and the Treasury were acting upon that advice when they introduced the system of post-war credits as a means of combating inflation. But that measure has failed, as every measure of that kind is inevitably bound to fail: such steps will not and cannot work. What we have seen during the last fifteen years is the proof of it. Inflation is bound to follow so long as Governments are content to allow the note issue in circulation to increase year after year.

I deprecate also the view which has been expressed by some speakers in this debate that the cause of our troubles is mainly the work of the trade unions in forcing up wages. That has not created the inflationary position with which we are confronted—indeed, it has little or nothing to do with it. I do not deny that it is possible, if the demands of the trades unions are excessive and they are granted by employers, that troubles can flow from that. It could easily happen that the cost of production might rise so high that it would become impossible to sell goods at a profit, particularly in foreign markets, and consequently our exports would fall away and our ability to buy the food and raw materials which we require would be diminished. But that again has nothing at all to do with inflation in itself: that is an entirely separate and different problem. Therefore, it is not correct to say that the trade unions, by securing increases in wages, have been responsible for this situation. It was not they who increased the monetary circulation. It was successive Governments who were entirely responsible—and I draw no distinction between one Government and another, so far as this matter is concerned.

During this debate we have been told—and this I understand is the view of the Government—that in order to combat inflation the public ought to save more. I am all in favour of saving. I was brought up to believe in thrift; I was brought up to believe that you should not spend money which you had not got. But once more, what is the position? What is the use of any Government advising people to save, so long as conditions remain as they are at present? The workman who puts his money into savings certificates finds in the course of time that, even with the addition of interest, they purchase less than at the time when he invested his money. When he is invited to put his money into things of that kind, he is being asked to lose it, because of the inflation which is taking place year after year and which is reducing the purchasing power of his investment. In those circumstances, for which the responsibility must lie upon the Government, it is futile to ask intelligent people to put their money into investments of that kind, because they know they will inevitably end up with less purchasing power than they had to begin with.

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It is absolutely essential that we should restrict the volume of currency in circulation and prevent the price level from continuing to rise year after year. If that is not done, these troubles will continuously recur, and we shall march forward from crisis to crisis. I wish that I could see on the part of the Government some clear and definite recognition of this fundamental fact. It is dangerous to our economy; it is unjust and unfair to important, respectable sections of the community; it pillages the old age pensioner, the man who has saved up his money in order to provide something for himself, the executive, and the scientific, technical worker who is not a member of a mass union and whose wages or earnings do not keep pace with the continual increase in the cost of living. It is injurious to everybody of that class, and it is helpful only to those who are in the position of being speculators, and who are able to put their money into things which are increased in price because of the diminution of the purchasing power of money.

This, of course, is a doctrine which is well known and which has been borne out by hundreds of years of experiment. Country after country has given illustrations of this kind of thing; yet it seems that nobody is willing to profit by the experience of the past. Nobody is willing to learn the simple lesson that it is necessary to prevent prices from being increased and to stop multiplying the amount of money in circulation, and that the real criterion, with a properly developing economy, is that when production is increased the prices of commodities ought to fall and not rise, so that the benefits of industrial progress are spread more evenly over the whole community. That is the lesson of this situation, and I wish I could see signs that the Government realised it more clearly.

"THE OBSERVER" AND SIR OLIVER FRANKS

"After all the platitudes in high places, Sir Oliver Franks's analysis of our inflation—given in his annual statement as Chairman of Lloyds Bank—came like a breath of cool, fresh air. In brief, he blames mainly neither the Unions nor industry, for rising prices, but the Government itself. Not—as many of its Right-wing critics say—because it is spending too much, or even because, in the nationalised industries, it is investing too much, but because it has been trying to do so on the cheap. The Treasury Bill (a Government promise-to-pay in three months) has been used as a modern equivalent to the printing press or a debased coinage. Instead of going to the stock market and competing with industry for long-term loans, the Government has financed itself—and the local authorities—with a flood of Treasury bills, which have indirectly swollen bank deposits and increased the supply of money.

"There are now signs of a change of heart at the Treasury. But Sir Oliver suggests, if the Government had been prepared earlier to pay the market price for its long-term borrowing, this would have been a much more effective way of checking inflation than the arbitrary and unpopular credit squeeze."
—Editorial comment in *The Observer,* January 29.

GEORGE SCHWARTZ IN THE "SUNDAY TIMES"

Mr. George Schwartz, with his customary brilliance, put the problem of inflation in delightfully simple, homely terms. Part of his *Sunday Times* article, February 26, read as follows:

"Let me concentrate on the Chancellor's arguments: 'The basic cause of our trouble is this—more purchasing power than there are goods to spend it on.' 'The real danger to our economy is the fact that our money incomes persistently outrun our production.'

"Right. There is excessive purchasing power, *i.e.,* an over-supply of money and credit. Who brought this excess into existence? The Chancellor implies, and it is a commonplace to-day, that we are all guilty and that the offence cannot be purged unless we all co-operate.

"Well, you people can plead guilty if you like. I am not pleading guilty. There are only two sets of people who can create money—the Government and counterfeiters, and I will say this for the counterfeiters, they do put some brains and industry into the job.

"The T.U.C. is a powerful body, but it cannot inflate the currency. It can advocate or support demands which could not be met without inflating the currency; but it cannot inflate the currency. Listen. I am a wise guy in these matters but I cannot inflate the currency. If I could I should now be running my own yacht. As it is, I haven't two television sets to rub together.

"Isn't it remarkable? When it comes to increasing the volume of purchasing power we don't get any of this brouhaha about the necessity of supplementary measures to render the increase effective. Increasing purchasing power is as easy as kiss your hand. It doesn't call for your co-operation. But not increasing purchasing power, let alone reducing it, is apparently a most recondite affair. Bless my soul, it calls for supplementary measures, a grand inquest on the state of the nation, and a terrific peroration by the Minister.

"Now if the Government knows how to increase purchasing power it ought to know how not to. It doesn't. That is the quality of leadership in our days. We are governed by people who know how to fall off a bus but don't know how not to. Mr. Macmillan talks big. 'I will not hesitate to take any opportunity in season and out of season to squeeze still further the volume of national purchasing power until we have mastered inflation.' Well, Sir, do it, but do it yourself independently of the co-operation of the T.U.C. and the F.B.I., and without reference to the Capital Issues Committee, hire purchase, food subsidies, or any other factors irrelevant to the direct attack on inflation. You govern the supply of money and we'll decide about the new bedroom suite.

"Supplementary measures! Bah! There is room at Wembley Stadium for 100,000 spectators. If the Government were running the Football Cup it would already have issued 120,000 tickets. It would not be aware of this excess until the week of the Cup Final and it would not take action until the day of the match. Then the Ministry would introduce its supplementary measures. It would turn up at the gates and exhort the crowd to exercise restraint, to stop pushing, and to go home and use its tickets some other year in the future. It would clap on a surcharge to catch the people with no loose change in their pockets. It would finish up with a fervent peroration calling upon the ancient virtues of the British people to avert a rush on the turnstiles.

"I am pleased to say that, in those circumstances, brickbats would be hurled at its head, and that is why I am throwing a few in print."

Promise of Further Progress in Victoria

Demands have been lodged by eight places in Victoria for polls of ratepayers to decide whether to adopt land-value rating. They will be held later in the year (they are usually held in the month of August) in the following places: Mildura City, the Boroughs of Daylesford and Wangaratta, and the Shires of Broadmeadows, Keilor, Mulgrave, Morwell, and Wodonga. The news of this bumper crop of demands for polls is sent by Mr. A. R. Hutchinson, editor of the Melbourne *Progress*.

Prompted by the prevailing dissatisfaction among traders in England and Wales about the effects of the present rating system now aggravated by revaluation, we had asked Mr. Hutchinson what was the attitude of traders in Victoria towards the rating of land values. We had expected that any information he could provide would demonstrate to British shopkeepers that they could better serve their own interests by lending support to the growing agitation for land-value rating than by persisting with their present negative approach to the problem of rates or by looking wistfully across the Channel, as some are doing, at the antics of the shopkeeper demagogue, M. Poujade.

CHAMBER OF COMMERCE GIVES A LEAD

Mr. Hutchinson writes: "The demand for a rating poll lodged in January in Wodonga was initiated and pressed by the Wodonga Chamber of Commerce (which paid the necessary £30 deposit). Traders there look to the adoption of site-value rating to permit them to get on a level with Albury, four miles across the State border in New South Wales, which has been on site-value rating with improvements tax-exempt, for the past 48 years. As a consequence, the business centre of Albury is more modern and progressive and it has attracted the cream of the trade. Wodonga traders have realised that the only way to build up their trade is by modernising their premises in the same way, but the rating of their improvements makes this uneconomic. They realise, too, that stimulation of building and settlement means more potential customers and hence increased business turnover.

BUSINESS SENSE AND LOCAL PATRIOTISM

"Similarly the poll demanded in January for Daylesford Borough has the support of the business community, as may be seen from these extracts from a report in the *Daylesford Advocate*, January 21, of the public meeting at which the demand for a poll was initiated:

'In moving that the public meeting petition the Borough Council for a poll for adoption of Unimproved Land-Value Rating, Cllr. Whiteley said that he was one who had business premises in Vincent Street, a house in Albert Street, and also had vacant land; therefore he would be affected in all groups, both losing and gaining in payment of rates. He strongly supported adoption of the new type of rating.

'Cllr. Cole, in stressing the advantages that could be gained by introduction of new industries for the town, urged ratepayers to take the broad view—ignore how much they individually would save, and base their voting on the benefit that would accrue to the town generally.

'Mr. H. Walker, of the Industrial Development Committee, gave his Committee's views on site-value rating and assured the meeting that they were right behind it. It would give the committee a strong argument favouring industries coming here, and although he too was in the main business area, he urged that the Daylesford ratepayers press for the adoption of site-value rating.

'A guide to the enthusiasm of the meeting can be judged by the fact that the £30 deposit was subscribed from those present in a matter of minutes."

A Mischance in South Australia

In South Australia, January 28, a poll of ratepayers in Payneham, a suburb of Adelaide, on the question whether to adopt land-value rating was unsuccessful. Voting was:

To adopt L.V.R.	731
Against	747

South Australian law requires that for a poll to be effective there must be secured in favour of adoption either a three-fifths majority of those voting, or a majority of those entitled to vote. Voting is confined to landholding ratepayers. Less than 40 per cent of the 3,754 Payneham land holders exercised their right in the matter.

Our correspondent, Mr. E. J. Craigie, the honorary secretary of the Adelaide Land-Values Rating Central Committee, informs us that this disappointing result was not unexpected. It was caused by three factors. In the first place there was widespread confusion as to the date of the poll,