



Within the Power of Government

SIGNIFICANT POINTS FROM A SPEECH
BY J. ENOCH POWELL M.P., JUNE 9.

IN THE short run inflation, by reducing the real burden of debt and enhancing the prospect of gain, is a stimulant; but only in the short run - and the faster the inflation, the shorter is the run. The time comes when all relationships - between risk and profit, saving and spending, things and money, productive capital and unproductive assets - are fatefully altered; and then the stimulant, as is the way with artificial stimulants, ceases to stimulate and starts to undermine.

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IN THE last six months the money supply has grown at the rate of over 20 per cent per annum. The flow of money is increasing at such a pace that it would increase by one fifth in a single year. There is no doubt what this means. An increase in money on that scale spells inflation and means that, if recently inflation was slowing down, it is shortly destined to accelerate again.

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AS SOON as we wish to make the ending of inflation and the defeat of rising prices our primary objectives, we have it in our power to achieve them, for both the causes of inflation are within the control of government. It is within the power of government to adopt an exchange rate policy which would reduce or eliminate the surplus on our balance of payments, and yet protect us against a deficit; our flank on that side can be made secure. It is equally and incontestably within the power of government to control the total of public expenditure so that deficit borrowing is unnecessary.

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THE KEYS are in our own hands. It is a political decision to turn them in the locks. The need is there, more and more clamant. The reward, in political terms and

in terms of the restoration of probity and self-confidence, would be immense. An equally important result of grasping the truth about inflation is that the present recrimination and antagonism will be banished from the relations between public, government and trade unions, when it is understood that the unions in common with everyone else are the victims of the rising flow of money which they are as powerless to cause as to control.

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NO ONE has yet contended that the trade unions can increase the money supply themselves. The most that can be argued is that if first one union and then another gain an exorbitant increase in wages, the government is obliged to counter the disastrous consequences by drowning these increases with continued inflation. This was always a remarkably tall story - I never yet heard of a government which solemnly said: "The electricians have got a whacking rise; so we must organise some more inflation."

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THE UNIONS and their members are fellow-victims with the rest of the public. Of the national income from production, the share which went (after tax) to labour was lower in 1970 than it had been in 1949.

After all those years of striving it was only 65 per cent in 1970 as against 71½ per cent in 1949. It has varied in the meantime between the two figures, very rarely straying a little above or below. This is a picture very different from the Little Red Riding Hood story of the greedy powerful unions, gnawing away and swallowing more and more of the national cake and only being partially foiled by the magic device of inflation. But who was the gainer? The

wicked employers perhaps? No; their share fell even more sharply - from about 17 per cent to about 12 per cent. Where *did* the rest go? To the state - which doubled its share from 11½ per cent to 23 per cent.

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THE KINGS and princes of the past who debased their currencies did not do so because their subjects insisted on putting up prices and wages; they did so because they themselves wanted to spend above their means. Perhaps their objects were less noble than those of the modern vote-buying welfare state; - or perhaps they were more noble; but at least the cause was the same and the result was the same - inflation. When we cease to regard great masses of our fellow citizens either as foolish sheep led by wicked men or as power-drunk parasites battenning on weaker brethren, we shall have made a great gain. We shall not only have reversed the present alarming tendency for our society to split itself into warring camps; we shall have earned the right to call upon the whole electorate to give its rational support to a government which uses the power of the state not to aggrandise itself but to give its citizens honest money and stable values.

OUR DAILY BREAD

ACCORDING to Mr. Christopher Childs, President of the Bakers' Union, at a Conference in Torquay on June 4, housewives may have to pay an extra 40 per cent or more for a loaf after Britain joins the Common Market. The rise, he said, would come as a result of adopting the common European agricultural policy. "Don't let the Government or anyone else kid us," he said, "we shall have to pay for a good loaf and pay dearly."

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