solution to meet the British view that agricultural goods in the interest of Commonwealth countries, should be kept outside any free trade agreement. Denmark will not exclude the possibility of special preferences of particular importance to the Commonwealth being maintained if that was an absolute condition for including agricultural products in the free trade area.

The Minister of Trade, Professor Kjeld Philip, had an article in "Politiken" in which he said that Denmark cannot do much against the barriers which other countries build against our agricultural products. Whether Denmark joins the "six countries" Union or the Free Trade Area her interests will conflict with the protectionism of other countries and in the long run, Denmark will have to produce something else—industrial products. The Minister of Trade feels that Denmark in her trade negotiations emphasises too much that the farmers must have their usual share of Danish exports.

LABOUR PARTY'S PENSION PROPOSALS

Something for Nothing

By V. G. SALDJI

Honorary President of the Land-Value Taxation League

"Impressive and far reaching" proposals for security in old age—Mr. Hugh Gaitskell's description—are to be considered by the Labour Party at its annual conference at Brighton next month. In this specially contributed article an Associate of the Chartered Insurance Institute explains and critically comments on the proposals which he believes are socially and politically defective apart from being actuarially unsound.

"A BLUE-PRINT submitted to the British people for public examination and review" was published recently by the Labour Party. *National Superannuation—Labour's Policy for Security in Old Age* is a booklet of 122 pages. It consists of a policy statement by the party executive supplemented by a memorandum prepared by a technical sub-committee.* The latter states that the principles laid down by the executive "can be implemented" and that "such a scheme would not impose an impossible burden on the community."

Poverty in old age is a real problem which demands serious attention—and eradication. Therefore it would be churlish to dismiss Labour's policy as a mere vote-catching device. Nonetheless it stands condemned.

The inability of millions of people in a modern industrial community to make adequate provision for the evening years of their lives is a damning indictment of present economic conditions. It is not an isolated problem demanding special treatment but merely one aspect of the general poverty problem. Common sense suggests that the radical and only effective solution lies in removing the cause of this endemic phenomenon. Unfortunately, however, the Labour Party still clings to its false "equalisation" prescription by which those who have more are taxed for the benefit of those who have less. Indeed this is plainly stated on Page 24 of the policy statement: "One of our socialistic aims is to reduce the gross inequalities of existing society, and National Superannuation would play an important part in achieving this end." Yet fourteen pages earlier a very good case is made for the "Insurance Principle" whereby the benefits are earned by payment of contributions and financed out of an insurance fund so that "they are felt to be something which the worker receives as of right and which no politician can take away from him." The nice question here raised is how much in fact can the politician take from him and at what wage level? For using the framework of a pension scheme in order to reduce the "gross inequalities" of existing society means of course that the politician *must* take something from the higher paid in order to be able to benefit the lower paid. That this would be the case is borne out in the sub-committee's memorandum: "The scheme is in fact designed to aid the lower paid worker more than the higher-paid."

The executive is of the opinion that "Wage-related pensions satisfy the social requirements of the second half of the twentieth century just as a flat-rate pensions suited the first half." A strange statement in view of the fact they they point out earlier that the anticipated deficit on the present National Insurance Fund will be £145 million in 1960, £295 million in 1970, and £424 million in 1980. This first half of the twentieth century got away with it but the second half must pay. To try to rectify this situation and secure a number of other objectives the executive propose a wide extension and alteration in the pattern of pensions.

The existing basic rate of pension would be raised immediately Labour was returned to office from £2 to £3 per week while future pensioners would get in addition a new wage-related benefit in return for a wage-related contribution. In due course the average wage earner

* The members of the sub-committee are Professor Richard Titmus, professor of Social Administration at the London School of Economics since 1950; Dr. Brian Abel-Smith, Lecturer at the London School of Economics and author of the Fabian research pamphlet "New Pensions for Old"; and Mr. Peter Townsend who specialises in research on problems of old people at the Institute of Community Studies and who spent three and a half years living among old people in Bethnal Green to make a survey of living conditions.

would receive a pension equivalent to half pay at the age of 65.

Every working person who is not a member of an approved superannuation scheme would have to join the State scheme and would contribute a fixed percentage of his earnings. This would be supplemented by a rather larger contribution from his employer. In addition "an annual Exchequer grant will be essential if the new National Pensions Fund is to be established on a sound basis." The sub-committee recommends that contributions should be: employee, 3 per cent of his earnings; employer, 5 per cent of the earnings of each employee; and the Exchequer, 2 per cent of the total earnings of the community. From this it is clear that the scheme would result in (1) "take home" earnings being reduced, (2) prices being increased (it is admitted by the sub-committee that the employers' contributions "are wholly 'shifted' on to consumers"), and (3) taxation being increased.

The executive committee proposes that the pension fund be managed by Government appointed trustees who should have the same opportunities to carry out "profitable investment of their funds as private insurance companies." Such aspirations come strangely from Transport House. However, what may appear to be commendable prudence on the part of the executive is vitiated by the technical experts. In their memorandum they declare: "We have come to the conclusion that it is neither necessary nor desirable to try to put National Superannuation on a fully funded basis." Their admission that increasing contributions might prove a future necessity is a modest understatement: they can be confidently predicted. That is quite apart from any question of inflation which has made a mockery of long term insurances.

It is proposed that some protection be given against inflation *after* the pension has become payable by gearing the £3 basic rate to a new index based exclusively on the cost of living of elderly and retired people. This is a feature that only a government scheme could incorporate for, of course, a government has the power of increasing taxation.

Very aptly the executive remarks that "the best safeguard is to attack the problem at source and stop inflation . . . a Labour Government would take such steps as are necessary to do this. But we cannot guarantee that Labour will always be in control." Bearing in mind Labour's previous term in office it is difficult to believe that back in power they would not continue the industrious printing of pound notes in which our present government is engaged. While the process goes on and the fiduciary issue is being increased the value of all money must inevitably fall. It would have been more reassuring if instead of promising to take such steps as may be necessary to stop inflation, the executive had categorically promised that a future Labour Government would not inflate the currency.

There may be real ground for concern at the claim that the scheme "would provide a system of 'National savings' which should help the country to carry through the large-scale capital investment so essential if we are to continue to expand our exports and improve our living standards." There are grounds, too, for suspecting that the pension fund would be used to carry out some "back door" nationalisation. The completely unwarrantable assumption is made that the contributions to the pensions fund "would be savings which would reduce the amount of our resources spent on immediate consumption thereby freeing further resources for capital investment." In fact the contributions would be just as likely to *reduce* private savings. Moreover it has to be borne in mind that money spent on its products is income to industry and as vital an aspect of industrial expansion as capital investment.

Introduction of the proposed scheme would be almost certain to disrupt existing financially sound pension schemes which in order to be "approved" would have to compare favourably with the State scheme as regards contributions and benefits. As the proposed scheme makes no provisions to finance the extra benefits which would be payable in the event of inflation, and would anyway depend upon one-fifth of the contributions being met by the taxpayer, it is not strictly an insurance scheme. The student of the Labour "blue print" can be left in little doubt that the final account will be presented to his children.

We are told that "the blunt fact is that an adequate subsistence pension for all can only be financed either by increased taxation or by increased insurance contributions or else by a sensible balance between the two." But there is an alternative which Transport House is strangely shy to recognise—and that is not to increase taxation but to reduce it and to collect instead the vast fund that lies beneath our feet in the form of land value. This would provide, without hurt to society, revenue from which help could be given to those beyond helping themselves. But far more important in this context, it would be the first great step towards building an economic order in which men and women would have no difficulty in making ample provision for their retirement.

CORRECTION—Reflections of a Californian Banker by J. Rupert Mason in previous issue

The Junkers supported the *annulment*, not the assessment of taxes on land values. Paragraph should read:—

We know the Junkers were behind the Reconstruction Act of 1934 in the Weimar Republic of Germany, which gave the Reichstag the power to annul taxes on land values according to the laws of each of the Weimar States.

Obituary. We regret to learn of the deaths of MR. and MRS. JAMES D. BRYANT, of Eugene, Oregon. An appreciation will appear in our next issue.

REMINDER TO READERS

Those who would like to see "Land & Liberty" grow are invited to send names and addresses of any who may be prospective readers. Sample copies will be sent without charge.