

The latest £50 billion bail out of the British banks may be unavoidable. But to judge by the stock market reactions and the comments made on press and radio, few seem convinced, even after several days. There seems to be no real understanding of what is going on and what the effect of any particular policy will be. We make no claims either in this regard, but making credit more readily available is pointless if businesses have no confidence that there will be a market for their products and services. It is also the case that governments are going to be short of cash. There will be increasing demands on that cash to pay not only for these bail-outs and rescues of people's savings, but also to cover the cost of index-linked state benefits such as pensions, and a growing bill for unemployment benefit. These are the first steps in setting up the positive feedback loop which leads to hyperinflation, yet nobody has warned of the danger in public. Perhaps they have been asked not to spread panic, but silence is not going to prevent it. It is not inevitable, but is more likely to creep up on us through a refusal to contemplate the possibility. More positively, there seems to be a growing understanding that the problem was related to the housing market or "property", but the recognition that it is a land issue is one step too far to grasp.

One commentator, a spokesman from a major national building contractor, Rok, thought the problem was due to excessively large scale owner occupation, with people seeing their homes as a wealth machine, but his solution was that the continental model should be adopted, with more leasing from institutional owners. He did not seem to realise that such a change would simply transfer the problem as shares in the property companies would be traded for their land value, again leading to the same periodic bubbles and busts. Yet again, the Campaign asserts that this boom/bust, like all of its predecessors, has been caused by the lack of the form of land value taxation we advocate.

Behind the bail-out there seem to be two separate aims. The first is to protect deposits. The second is to maintain credit to prevent recession. This measure will not get banks lending again. To whom and what would they be lending for, precisely? To enable housebuilders to construct more when they can't sell the ones they have already completed? To enable people to buy things when their job prospects are uncertain? For house purchase when land prices are falling from their bubbled-up levels? For business start-ups? The entire economy is slowing down. Recession is not inevitable, but a major shake-out of the economy is. If this is not handled correctly, then indeed recession will hit hard. Some say that it is not possible to insulate one country from the effects of "world recession", but there is no such thing. Individual countries are not obliged to make their people suffer. A downturn in trading activity is a golden opportunity to catch up with the backlog of work in the "public realm". Was this realisation behind the Swedish government's announcement of a big infrastructure programme following the autumn budget? As was suggested here a couple of days ago, it would be possible to avoid large scale unemployment in Britain also by bringing forward infrastructure schemes such as

Crossrail, railway electrification, tramways that have been put on hold due to cost eg Liverpool, highway construction, and dealing with the backlog of repairs eg to the highways, council housing etc. This should largely absorb spare capacity, with the benefit that getting this essential work done during recession means that the prices are advantageous.

Infrastructure improvements add to land value. The government can either collect that land value through land value taxation, thereby recovering its investment, or it can allow landowners to trouser it. But that is a decision it needs to make. Nobody, however, will gain if unemployment is allowed to stick at three million or so for several years, which seems a likely scenario.