

A Letter about the Fragmentation of Social Problems (the fourth concern of Radical Statistics printed on the inside front cover of every issue)

72 Compton Street
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Dear Editor,

I was struck by the fourth of our particular concerns set out on the inside cover of Radical Statistics:-

"The fragmentation of social problems into specialist fields, obscuring connectedness."

The traditional Keynesian method for stimulating the economy is for the Bank of England to reduce base rate.

Reducing base rate has the effect of making acceptable lower returns on capital generally. Base rate is now down to 0.75%.

As a result there is an overall increase in investment. Looked at in isolation this is all to the good.

However, low returns on capital have at least two side effects:-

- 1) They make contribution rates to funded Defined Benefit pensions schemes dearer.

At the present time, this has resulted in DB pension schemes being closed to new entrants.

- 2) When one is buying a house one tends to look at the outlay. When interest rates are low, the outlay is low. Other things being equal, lower interest rates make higher house prices more acceptable.

Conversely, a rise in base rate is likely to depress house prices, leading to mismatches between house price valuations and outstanding loans in bank and building society accounts.



Yours sincerely,

vbt/

Ivor Kenna