recently shares were considered the most risky assets, so their ownership was largely confined to high-income groups. Now that risk evaluation has changed drastically; their ownership tends to be much less concentrated.

As a result some shares are now held by individuals who are not financially able to shoulder the risk of corporate ownership, though the gradual realization of "people's capitalism" should perhaps be welcomed on other grounds. Finally it should be borne in mind that to some extent risks can be offset by yield; thus if the rate of interest on Government bonds were high enough the risk of inflation might be amply offset, and if share prices were lower the ownership of equities could be recommended to people of modest means who at present prices do not stand to gain much considering the risks they would take.

3. *To build up an estate.*—Although not always recognized as such, this motive appears to be more important in the aggregate than the provision for old age. It is true that the active desire to build up an estate is confined to a rather small section of the population, but this section does seem to account for the bulk of savings and assets. For this purpose liquidity is of small significance, and freedom from risk is also less important. Yield, whether in the form of current return or of capital appreciation, is the primary consideration.

Two Proposals

I have given most space to the second motive for saving, because this is the one most affected by inflation. The usefulness of cash and bank deposits to satisfy the first need (that for a reserve against emergencies) is little affected by creeping inflation, while the third motive (estate building) is mostly pursued by means of shares, ownership of unincorporated business, and real estate, all of which are more or less immune. It is clear, however, that even a modest rate of inflation may interfere seriously with provision for old age and similar long term needs. There are two steps that can be taken to improve this situation.

INDEX BONDS

The first step is the introduction of Government bonds whose rate of interest and redemption value are linked to a retail price index number; I shall refer to such bonds as "index bonds." This is not by any means a new proposal; in fact, its history can be traced back at least to Alfred Marshall in the late 19th century. Nevertheless there have been only a few attempts to put it into practice.[13]

I should make it clear at once that I do not propose index bonds as a means of combating inflation. The forces that have caused prices in general to rise are too strong, in my opinion, to be overcome by any such device if introduced on the modest scale that I have in mind. I am not suggesting that the whole Government debt, not to mention private debt, be put on an index basis, as has apparently been at-

[13] Under the category of index bonds I do not count bonds that are linked to the value of gold in some way; they would be of little help in present circumstances.