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THE HAVES AND HAVE-NOTS

The grave dangers to peace and prosperity caused by the growth of economic nationalism is dealt with by Professor Lionel Robbins in an article on "The Consequences of Economic Nationalism" in *Lloyds Bank Review* for May. After pointing out that protectionism involves a loss of real income for all parties, because "the wrong goods are produced in the wrong places," he deals with some of the results which have come from increase of tariffs.

The enormous increase in agricultural tariffs in Europe, to buy the votes of agrarian electors, has raised prices in some cases hundreds per cent above world prices. The food-producing countries are destroying or ceasing to produce food. They become unable to pay their debts, and the export of capital in machines and manufactured articles from Europe is stopped.

Although Professor Robbins does not hold the view that wars in the past have been due to economic causes, he fears that "in a world of exclusive economic nationalism it is likely to become a grim and horrible reality." Trade instead of being a matter of negotiation between individuals depends upon the negotiations of politicians. "Instead of a consignment of sardines from Utopia to Ruritania being a matter of trade between Utopian and Ruritanian merchants, it becomes a matter of diplomacy." As a result of this policy of bilateral agreements and government bargains "if anything goes wrong it is much more likely to lead to political friction than when private merchants were the parties involved."

He contends that "the main danger is the worsening of relations between States of unequal natural resources and populations, the Haves and the Have-nots."

"It is a commonplace of elementary economics that, so long as trade and investment are free, territorial possession is a matter of secondary importance. So long as territorial possession involves no discrimination against the foreigner, the fact of possession confers no major gain, its absence no important disadvantage. No doubt the possession of an empire does involve some economic advantage. It affords outlets for employment in government service—the one service for which recruitment is almost necessarily chiefly confined to citizens. It carries with it some sentimental and linguistic advantage in matters of contracts. But quantitatively, so long as trade is free, these things do not amount to much."

"But once the principles of economic nationalism hold sway, the position is changed completely. If national (or imperial) areas are to be treated as private property, their markets preserved for citizens of the group in question, their resources open only to development by national (or imperial) capital, then territorial

possession does matter very much indeed. If such is the state of affairs, then it is true that those outside the charmed circle may be very seriously affected by decisions which are taken within it. It does mean that absence of territorial possession may be a very grave disadvantage. The claim for a place in the sun ceases to be empty bombast, it becomes the fateful expression of an urgent and insistent need.

"Now this is a very serious matter—and the more fortunate an area is in its initial possessions the more probable the ultimate menace to its security. If it can truly be said by the leaders of a hungry people '*your poverty is the result of their policy. Your deprivation is the result of their possession*,' then there is grave risk of war, there is real danger of a combination of the 'have-nots' to plunder the 'haves'."

Professor Robbins speaks of barriers to trade and investment, but he does not make it clear that these barriers consist of anything else than tariffs, quotas, and other hindrances to *exchange*. The lowering or indeed the abolition of such obstacles is not enough, so long as there still remain barriers against the *production* of wealth. Taxation which penalizes the products of labour is objectionable, even although it does not directly impinge upon exchange. But even more important is the system of land tenure which permits some people to hold land out of use and prevent other people from working. This has a special bearing upon the struggle between the Haves and Have-nots. It is not sufficient for the Haves to say to the Have-nots: "Be content. We have abolished obstacles to exchange," if at the same time they maintain a system which prevents the desired raw materials from being produced.

The general result of the acquisition of Colonial possessions by European powers has been not only to disturb the primitive economy of the native inhabitants, but also to introduce absolute and unregulated private property in land—and very often in the worst form of gigantic estates and concessions granted to specially privileged individuals or corporations. In addition, in many cases there are restrictions upon immigration, and restrictions upon the rights of foreigners to acquire land.

Unless these obstacles to the production of raw materials are destroyed, the grievances of the Have-nots are not remedied. Where natural resources have not been reduced to private ownership, the remedy is for the State to lease them at rents revised periodically according to the land value to those who desire to use them. Where natural resources have been appropriated, the remedy is for the State to abolish all discriminatory regulations and to charge those who hold the land with taxation proportioned to its value, at the same time removing all other burdensome taxation. It will then become impossible for the owners to hold land out of use, and economic pressure will compel them to allow the land to be used by those who require it.

Such legislation will not only be to the advantage of the Have-nots among nations, but it will be to the advantage of the great majority of the citizens of the State concerned. A monopolistic regime cannot be to the advantage of any but the monopolists themselves, and we must never forget that there are not only Haves and Have-nots among nations, there are also Haves and Have-nots among the peoples of all countries. The problem is not solely or even mainly a question between nations as nations, but a question between individuals in every land. To prevent war is important, but to abolish unnecessary and undeserved poverty is still more important.

F. C. R. D.