

### "OUR POLICY."

"We would simply take for the community what belongs to the community—the value that attaches to land by the growth of the community; leave sacredly to the individual all that belongs to the individual."—Henry George.

### MINIMUM WAGE ECONOMICS.

*If Unionists regret the adoption by some of their party of measures striking at the root of agricultural poverty, we shall not follow them. We shall only rejoice, without regard to ultimate party advantage, if we find allies in an uphill fight when we had only expected opposition.*

—MANCHESTER GUARDIAN, May 10th, 1913.

The fight against an unjust distribution of wealth is indeed an uphill fight; and in the nature of things it must be so because a vast multitude of people do not understand—many of them perhaps are incapable of understanding—the ultimate reason of their poverty, and because those who profit by an injustice are always loath to relinquish that profit, and so are hostile to real reform which must involve them in that loss. The adoption by any party of measures which will strike at the root of poverty is never to be regretted; but when measures intended to secure that end are put forward it is necessary to consider whether they really will secure it, and this is all the more necessary when support is found where only opposition was to be expected. It is a strange and rather disconcerting sight to those of us who imagined that the three political parties had different and distinct principles, to see a large number of Liberals, a considerable number of Conservatives, and nearly all of the Labour Party advocating an almost identical Rural Policy. Though they may not be agreed on matters of detail, all these sections are agreed in advocating minimum wage for agricultural labourers and State aid for rural housing. Let us consider these proposals and, for convenience, the latter first.

By some means or other—and for the purpose of this argument it is a matter of indifference whether it be by a loan at a low rate to the landlord, or through the local authority, or by the State direct—it is proposed that cottages be built in rural districts and let to labourers at uneconomic rents. Neglecting the supervision, regulation and inspection this will involve and the feeling of dependence and degradation these will arouse in the minds of all decent people, and assuming that the construction will be done as economically and efficiently as in the ordinary course of business, that a method of allocating grants between the various districts is discovered, and that favouritism in the allocation of the cottages among the villagers is avoided—and

these are great and serious difficulties—there still remains an insuperable objection. In the first place a subsidy will be required from the rates or the taxes, and it will be collected, if our present mode of collecting public revenue persists, to a great extent from the poor. In the second place as the amenity and convenience of the village or farm is increased by the presence of cottages in or near it, so will the demand for land and the price of land increase; and, as more rent is demanded of the farmer and as the labourer gets a cottage which is virtually a bonus to his wages, the money wages paid to the labourer will diminish and he will on the whole be little better off. The money taken in taxes mainly from the poor will not advantage those other poor for whom it was intended but will percolate in the shape of increased rent into the pockets of owners of land. So that in the end the net result of this proposal would be a tax levied by the State for the benefit of landlords, and it brings the discussion back to the Land Question as fundamental.

To the proposal of a minimum wage much the same objections may be made. It is not necessary for our purpose, but it may be interesting to point out that the minimum will tend to become the maximum, that is to say, that labourers subject to the regulation will tend each and all to receive exactly the same wage irrespective of their capabilities. Liberal and Tory politicians will find it a useful exercise to show how they reconcile this with their objection to Socialism and its ideal of an equal wage. Let us however neglect this, and let us assume that equitable rates of wages could be determined for different districts and that the law were carried out in spirit as well as in letter—assumptions very difficult to make—what would happen? The farmer would be the person immediately called upon to pay the increased wage. His profits, consisting of interest of his capital and wages of his labour, would be diminished and would come to be lower than those of men in other industries. As a consequence the flow of men into the farming industry would be checked and some of those in it would seek to go out, and this would continue until the profits of farmers rose to equal once more those of men in other industries. In the end there would be fewer farmers and fewer farms cultivated, and of course fewer labourers employed.

Also the farmers and labourers displaced would go into other industries and bring down wages there—the net result being that the labourers who remained in the trade and obtained the minimum would only obtain it at the expense of a diminution of wages in other trades, and by rendering more miserable some men just as poor as they themselves had been. In addition to this transference of wages from the pockets of some to the pockets

of others, there would be a diminution in the gross produce of the national industry, due to the diversion of labour and capital from agricultural employments in which it had been profitable to other employments which had been less profitable—an effect precisely similar to that brought about by a protective tariff, and which would, too, cause a rise in prices. Yet another curious result would follow in the rural districts. The labourers that still remained would have higher wages but, nothing having been done to destroy land monopoly, they would probably find themselves asked to pay more rent for their cottages. Indeed, one of the reasons why minimum wage is advocated is so that the labourer may be able to pay a higher rent for his cottage! Further, supposing that the labourer can save a little money and desires to rent or buy a small holding, here too he will find the price raised against him. So that it is not unreasonable to conclude that at the best everyone will lose, and at the worst the loss of the rest will be great enough to enable the landlord to gain. Again the discussion forces us back on to the Land Question.

The idea that the evils can be met by measures of this kind is due to an insufficient analysis of the problem. What is objected to essentially is not low wages or bad housing but the mal-distribution of wealth; and the distribution of wealth depends primarily, not upon the rules and regulations of the law, but upon the conditions of production and the self-interest (we do *not* say selfishness) of human beings. Because in one spot more wealth can be produced with a similar expenditure of labour and capital than in another, men being self-interested will desire and compete for the former and the successful bidder will bid so high that out of it he can get no more, or but the barest fraction more, after rent is paid than he could have got from the other. So it happens and must inevitably happen that the operation of self-interest, appearing as competition, will cause producers everywhere to pay away in rent all the surplus of advantages to be found connected with any site as compared with the worst piece of land in use (what an economist would call "marginal land"). Wages and interest, therefore, tend to be the same over the whole field of industry, whether applied to the immensely productive land of London or the almost barren land of the Hebrides—a fact commonly recognised but not explained until it is seen that the surplus product is rent. And wages are determined, consequently, by what is made by the men who work on "marginal land," on the poorest land in use. This is why minimum wage and similar schemes for altering the distribution of wealth are foredoomed to failure; they do nothing to alter the "margin." So

once more and from a different line of investigation the inquiry brings us up against the Land Question.

There is only one way of altering the mal-distribution of wealth, and that is by raising the status of the man at the margin. As it happens, this can be done by seeing that the self-interest of landlords does not make it profitable for them to keep land out of use and under-used and by ceasing to enact tribute, in the shape of taxes, from the man at the margin. The latter part of the remedy is so obvious that it requires no comment, and it is also very much the least important part. The first is very important. At the present time, as anyone can see, immense quantities of land, some of it very highly productive, is held out of use and immensely more underused because it suits the self-interest of the owners. Possibly they expect it to increase in value with the growth of population and without any expenditure and exertion on their part, or possibly they are unwilling to develop it because their rates and taxes must be paid, whereas if undeveloped none are paid. This is extremely detrimental to the community because it depresses wages, and wages cannot be raised until it is put a stop to. The only way it can be put a stop to is making it contrary to the owners' self-interest, and the simplest way of doing that is to tax land on its value and not on its use. This is a measure which would strike at the root, not only of agricultural poverty, but of all poverty.

But Mr. J. W. Hill's Bill for the setting of wage boards for agricultural labour is of a very different nature, and consequently we do regret its introduction—except as an acknowledgment that there is something wrong—and still more do we regret the support which it is obtaining from Liberals and Labour men. At the attitude of Socialists we are not so much surprised; they imagine no doubt that it is a step towards the ideal of State-regulation of all industry, though the price to be paid to landlords seems to be rather large in exchange for such a small step. At the attitude of Liberal supporters of the Bill we are very much surprised; how can they imagine that it is a forward step at all? The battle-cry of Liberalism used to be "Freedom and Equality of Opportunity." Now it is so confused with those of Tories and Socialists that it is difficult for the average man to make it out, and soon perhaps he will cease to make the effort and will altogether forget it. What else was Newmarket but a warning? The Liberal Party is now on a slippery slope that leads straight to destruction. Escape is not yet impossible, but it becomes every day more difficult. The weakness and hollowness of the new cries becomes more and more evident to the electors, and only a return to the old Radical ideal can save the party.

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