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THE PROBLEM OF EMPLOYMENT BEVERIDGE FAILS TO SOLVE IT — WHAT WILL?

THESE CAPTIONS make the title of a new Pamphlet published, price 6d., by Messrs. Staples and Staples, London, which is an expansion of the review we gave last month to Sir William Beveridge's book, *Full Employment in a Free Society*.

The pamphlet deals more fully than our article did with several of Sir William's highly controversial propositions. There is, for example, his contention that unemployment is due to insufficient spending upon the products of labour, as to which it is replied:—

"Sir William does not attempt to give any proof of the assertion that spending creates employment. It may be deemed superfluous, therefore, to provide a disproof. Nevertheless it is well to be clear about the nature of employment and spending. Employment, that is to say, useful employment, consists in producing new means of satisfying human desires. The devotion of the effort of one person to making one thing or a part of a thing necessitates the exchange of the produce of one person's labour (or the value of it) for that of others. Such exchanges may, under simple conditions, take place directly. Under more highly developed conditions of production, barter, even if it were possible, would be most inconvenient and wasteful. Hence these exchanges take place indirectly, through the agency of money. Moreover, money can only be obtained by giving something in exchange for it. Hence, work precedes spending. There is only one exception to the proposition that money can only be obtained by giving something in exchange. That is when new money is brought into existence and put in the hands of the government or some other agency without the giving of equal value in exchange."

This process is called inflation, and the consequences of it are examined.

Sir William adopts in its entirety the paradox of Keynes, that we can attain prosperity by building pyramids, saying: "It is better to employ people on digging holes and filling them up again than not to employ them at all; those who are taken into useless employment will, by what they earn and spend, give useful employment to others." In fact, he attributes to spending that supplementary potency of providing work which Keynes has alleged is the result of the so-called "multiplier effect." But as the pamphlet explains, no proof of that supposed effect is provided.

"Sir William merely asserts that 'so long as there are any unemployed men in a community, employing one of the unemployed for wages will increase the number employed by more than one and will add to the National output more than what he himself produces.' He adds that in the conditions which prevailed in this country in 1938 'it can be assumed that setting to work one of those who were then unemployed would have led on an average to employment and wages for another man.' The words we have italicised should surely give any intelligent person food for thought. Is it any more possible in the economic world than in the physical world to draw a quart out of a pint pot?

"Indeed, the proposition can be put to an easy test. Let us suppose that one unemployed man is placed upon a plot of unused land from which he can make his food and clothing, without exchanging with anyone else. Clearly putting him into employment does not put anyone else into employment. It may be said that this is an impossible illustration: no man under modern conditions can make for himself all he needs. But that does not disprove the illustration, it merely brings to notice the fact that the productivity of labour is enormously increased by specialisation or the 'division of labour,' as Adam Smith called it. Suppose, if it is more convincing, that a million unemployed men of all the diverse occupations needed are set to work on unused natural resources in a community in which, by specialisation and mutual exchange, they satisfy all their own wants, will the fact that they have done so set another million unemployed men to work? Obviously not."

Most serious is the way in which Sir William Beveridge has locked the door to Free Trade by the significant passages which this new pamphlet goes on to quote and condemn:—

"Sir William says that 'the virtue of international trade is that it saves labour.' It would be better to say that international trade, like all trade or exchange, is a means of getting greater satisfaction for the same amount of labour. He then adds, quite inconsequently, that 'it would be senseless to save labour through international trade only to waste labour in unemployment.' It would be as sensible to say that it is impolitic to increase production by any kind of labour-saving device while labour is

wasted by unemployment. This statement betrays a basic misconception of the problem and of its solution. In theory at least, a solution of the problem of unemployment can be found by using more labour to attain any particular end—by refusing the advantages of natural resources, climate and talent which are made available to us by international trade, or by refusing the advantages of invention, using the spade instead of the plough, muscle instead of machinery. But that is not the solution which is required. What is needed is the opportunity of all men to produce with all the advantages which invention, the division of labour, and mutual exchange can give them.

"The bias of Sir William's mind is revealed when he says: 'The whole trend of the argument . . . is toward a management of international trade, in place of leaving it to unregulated competition. This is to say, it is towards that for which the cartels stand. To attempt to destroy or stop cartellisation would therefore be a contradiction of policy.' Certainly it would be a contradiction of the policy for which he stands and which is in its essence opposed to any kind of freedom whatsoever. The puzzle is how one who has abandoned all idea of freedom of trade and who espouses all forms of restriction and monopoly has been hailed by Liberals as a new leader of the Liberal Party.

"He has fallen to the same puerile level of thought as the protectionists. Exports are a means by which a country can export its unemployment to other countries. Imports are a means by which unemployment is imported from other countries. These are in fact, if not in form, the slogans by which the Tariff Reformers sought to persuade us that tariffs would make work for all. They are the arguments of selfish nationalism, opposed to the whole conception of a world of free men, free to trade with one another irrespective of allegiance or national boundaries. They are the arguments which set nation against nation and open up the vista of permanent antagonism and war without end."

And this is the conclusion of the argument:—

"Although the policy of Sir William Beveridge is impotent to get rid of unemployment and although its economic consequences may easily be disastrous, there are in it even more serious implica-

tions for the well-being of mankind. Despite the lip service which he pays to the ideal of a free society, the tendency of his work is all against that. Men are not to be allowed to seek what employment they wish; they must not be permitted to become 'irregular and undisciplined'; they must not ask what price they please for their labour or the products of their labour; wages and prices must be fixed. They are not to be trusted to spend their incomes as they will; there can be no 'indiscriminate outlay'; the citizen must buy what the State thinks good for him. Under such conditions democracy ceases to exist. Decisions upon such matters cannot be made at the ballot box; they must of necessity be made by a bureaucracy, and such a bureaucracy in its nature is self-perpetuating and can be ousted by nothing short of revolution.

"The history of civilisation is of a gradual emancipation of men from many kinds of bondage, from actual slavery or serfdom, from tyranny and arbitrary power, from the fetters of out-worn customs, from the dogma of the priest. It has been a slow progress and there have been many set-backs, but the general direction is plain. Those epochs in human history which we most admire are those in which men were most free. It is the activities of free men that have given us what we most value.

"The evil influences which menace the world are those which would destroy freedom. If we are to avoid relapsing into another dark age, we must cherish what freedom now exists and nourish and expand it. A free society must be our first objective and out of that will come the freedom to employ ourselves as we will."

We compliment Messrs. Staples and Staples on this new publication, *The Problem of Employment—Beveridge Fails to Solve It—What Will?* and wish for it a wide sale. Distribution of the pamphlet is from Messrs. P. S. King and Staples, 14, Great Smith Street, London, S.W.1, where orders should be placed.