

PROPERTY AND IMPROPERTY *

In this book Mr Hobson presents a useful survey of the essentials of social reform. It deserves attention both because of its recurrence to first principles—so often lacking in books of this nature—and because of the candour of its acknowledgment of the difficulties of the socialist philosophy to which he adheres. "The failure of Labour and Socialist parties in this and other countries to make a clear distinction between the right and wrong sorts of property, between the sorts which in their origin and use are expressive of personal effort and personal satisfaction, and the sorts which proceed from looting, oppressive bargains, gambling and cunning, and are put to luxurious expenditure or waste, is the chief barrier to sound economic reform." He adds that effective remedies for maldistribution of incomes can only be based upon intelligent acceptance of this distinction.

The fact of maldistribution may be accepted for the purpose of this discussion as proved. The degree of maldistribution cannot be ascertained unless some standard of just distribution is assumed. This difficulty is not mentioned by Mr Hobson who indeed begs the question by assuming that the object to be attained is "the fullest satisfaction of human needs." But who is to measure human needs, and who is to say what is the satisfaction they require?

If maldistribution is to be remedied by State control of the production and distribution of wealth, then the State must decide how much each individual shall have. This involves that some class of officials must be endowed "with the delicate task of determining what quantities and kinds of final commodities shall be available for consumers." If this question "occupies the minds of intellectuals of the Left," it at least has not received a solution.

Not only does the method of State control involve the determination of what each must have for consumption, it likewise and necessarily involves "that the proper proportions of the several productive resources shall be applied in the several industries." And let it be noted that this applies not merely to inanimate resources, but to the labour of human beings as well. If the State is to determine what each shall consume it must also determine what each shall produce.

But the problem is even more complicated. The State must strike the balance between present use and future use. The production of capital involves a sacrifice of immediate enjoyment, or immediate leisure, for the sake of future enjoyment or future leisure. To what length shall that sacrifice be carried? It is not merely a sacrifice by individuals for their own benefit; it is a sacrifice by some individuals for the benefit of others.

In addition all production involves a cost, and unless the costs are kept to a minimum the resources of society, its land, labour and capital, are to that extent wasted. As Mr Hobson puts it: "Even when public ownership is substituted for private, it remains important that the public shall apply each sort and position of its land to its most productive use, that productivity having a monetary value attached to it, corresponding to 'rent' under private ownership. Socialist book-keeping cannot ignore but must take strict account of the differences of productivity in different kinds and quantities of capital and land. And must not the same book-keeping apply to labour from its lowest unskilled levels to its highest inventive and administrative levels?"

How prices can be fixed, and how the distribution of land labour and capital to their most economical uses,

can be carried out by that select class of officials, may well perplex the minds of "intellectuals of the Left."

Under such a system there cannot be unlimited freedom of choice of occupation "for it might yield a plethora of inferior artists or musicians and a deficiency of miners and navvies." On the one hand there must be "such a retention of the price system as would starve out the incompetent aspirants to artistic and other high careers." On the other hand we cannot assume that the best work can be obtained "without some appeal to the acquisitive instinct." Thus Mr Hobson's analysis shows that the idea of "from each according to his ability, to each according to his need" is in fact impracticable, for even if those needs and those abilities could be assessed by some class of officials, the abilities may not be exerted unless they are rewarded in proportion to their ability instead of according to their need. Mr Hobson very properly remarks that however wasteful free competition may be in some respects, "the waste of monopolies is greater." There is no magic in State monopoly which prevents it from being wasteful; on the contrary the greater the proportion of industry conducted under monopoly conditions the greater the inefficiency. The justification of State or municipal ownership of monopolies exists only in the case of undertakings which are of necessity monopolies, and where freedom of competition cannot prevail.

In the result Mr Hobson concludes that we must not jump to the hasty assumption that the ownership and use of all property should be socialized, and that all private ownership and private enterprise in production should be liquidated. "The general trend of sound socialism would be towards public ownership and operation of what are termed 'key' industries and 'monopolies.'" He considers that these two groupings are largely identical and gives as examples, iron and steel, electric and other power, transport by rail and road, and in part by sea and air, banking, insurance, and investment.

A programme of this kind leaves a large field for private ownership not merely of consumption goods but of production goods. Mr Hobson looks forward to the prospect of an enlarged field for private enterprise. State industries will satisfy certain standard or basic requirements, but an increasing amount of productive energy of workers will be set free for the satisfaction of individual needs and tastes. Exponents of socialism in his opinion make a mistake in failing to recognize the value of such freedom and private enterprise.

What requires to be overthrown is not property in all its forms but those detrimental sorts which produce inequality and which Mr Hobson has called "improperty." Free competition is, therefore, not an evil in itself, as socialists so frequently imply. The real evil lies in the existence of conditions of privilege and monopoly which prevent free competition.

If equality of opportunity existed the result of the working of economic laws would be advantageous. If equality of opportunity existed, then the case for "unconscious socialism" would be strong. Under such conditions each man in pursuing his own interest is, in the phrase of Adam Smith, "led by an invisible hand to promote an end which was no part of his intention," the welfare of society at large. The tendency would be for wages to rise and for the maldistribution of wealth to diminish.

The difficulty which afflicts Mr Hobson is to find some criterion to distinguish between the field of private enterprise and that of public enterprise, between private property and what should be public property. So obsessed is he by this difficulty that he denies the

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possibility of distinguishing between land values and capital. "Rent must be regarded as in part the product of capital and labour." Rent is everywhere combined with interest upon capital and "there is no reasonably accurate way of assigning the value belonging to the two co-operating sources respectively." It is indeed true in a sense that rent is the product of capital and labour. If these did not exist there would be no rent, but it is quite another matter to say that rent cannot be distinguished from interest (or from wages). To make the distinction is not merely theoretically possible, it is practically possible and is being done day by day in those countries which have established scientific systems of land valuation.

The inference which Mr Hobson draws that there is no half-way house between the present system and a completely socialistic state is untenable, and in a sense contradicts his own proposal for such a half-way house, based on less clear-cut distinctions.

It is also disappointing to find that Mr Hobson advocates the use of tariffs, subsidies and bounties, in order to "evoke the best social uses of the land." The "two capitals" argument of Adam Smith (so completely demolished by Henry George in *Protection or Free Trade*) is revived as justifying the use of tariffs. Another equally fallacious argument is that in a time of depression it may pay a country to make some of the goods it needs at a higher cost of production than would be required in a foreign country, because thereby men may be kept in employment. It may be true that by this means some men in some particular industry can be kept in employment, but if so, they are kept in employment by consumers paying higher prices than need be for the articles produced, by a cessation to that extent of the demand for other articles and therefore by increased unemployment in other industries. It is simply not true that all men in all industries can be kept in employment by means of tariffs. Mr Hobson himself in another passage points out quite properly that it is not the depression that causes maldistribution of wealth, but rather maldistribution that causes the depression. And the depression will not be remedied by accentuating the maldistribution, which tariffs, bounties and subsidies inevitably do.

It is also disappointing to find that Mr Hobson does not discuss the question of taxation, and its effects upon the distribution of wealth. The taxation of land values is tacitly ruled out because of the alleged impossibility of distinguishing between land values and other values. Thus he has no means of attacking the greatest source of "impropriety."

Nevertheless, this is a book to be welcomed in that it tries to bring back the discussion of social reform to fundamental issues which are ignored or evaded in so much of the current treatment of the problem. D.

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responsible for tearing up the Land Values Taxation plans drawn up by Philip Snowden. You feared the wrath of your Diehard followers, though you should be able to persuade them now that the rearmament programme demands sacrifices even from the vested interests.—*John Bull*, 24th April.

"If the Chancellor wishes the well-to-do to contribute something extra towards the cost of rearmament, why single out the owner of equity shares? Why allow the landowner and the rentier to go scot-free? There is no morality in the proposal, for the owner of equity shares, who bears the main risks of business, is worthy of more consideration than the owner of fixed-interest securities, who is merely drawing rent from the community."—*Investors' Chronicle*, 24th April.

SOME REMARKS ON THE BUDGET

The New Tax on Excess Profits or the Taxation of Land Values?

SIR ARCHIBALD SINCLAIR (Liberal, Caithness), speaking on the first day's debate on the Budget, 20th April, said: "After all it (the new profits tax called the 'national defence contribution') is an increment tax on productive industry, and surely the Chancellor of the Exchequer must feel that he would be in a much stronger position now if he had not in 1933 repealed the tax upon land which would now be yielding invaluable revenue for his purposes without imposing a direct burden on productive industry."

MR D. J. K. QUIBELL (Labour, Brigg division of Lincoln and Rutland) in the debate on 21st April, said: "A man buys an estate and sells it out in portions. If it is a 50-acre estate in five 10-acre portions, he makes an enormous profit. I know that in one case as much as £30,000 profit was made. He is not a trading estate because he does not make sewers or roads, or develop the property in any way. He sells it out in portions, and leaves those who have purchased these portions of land to lay down the sewers and construct the roads. The man who actually develops the land that, is, the man who actually makes the roads and lays the sewerage, is going to be penalised under these proposals, while the man who has walked off with the biggest share of the profit is not touched; he just sits in his office in London."

THE RT. HON. JOSIAH C. WEDGWOOD, M.P., commenting on the Budget at a meeting in Newcastle-under-Lyme on 20th April, said: "What nobody has observed is that the landlords, who are just getting rid of the Rent Restrictions Act and putting up rents, and the value of whose land has been enormously increased by the making of new roads, are free. It is only business that has been tackled."

THE MARQUIS OF LOTHIAN, presiding at the annual meeting of the Scottish Liberal Federation in Edinburgh on 21st April, said: "The new tax on industry is in principle a bad one. It is fundamentally a tax on enterprise the real life blood of a free civilization. The real dead weight of the nation," he continued, "was not the business man, but the rentier, the ground rent owner, the mortgage owner, the profiteer in increments from land values, old people who were assured of incomes without doing anything for them—that was the source from which special taxation ought to be raised."

MR J. A. SPENDER, writing in the *Yorkshire Observer*, 23rd April: When one looks at the enormous development of building in the neighbourhood of London and other great towns, and collects only a few facts about the rising values of land in any one of them, can it be doubted that we have here a rich and just source of revenue which ought to have been tapped for the benefit of the public?

MR G. M. GARRO-JONES, M.P. (Labour, Aberdeen, N.), in the Commons on 22nd April: In South Wales recently a large tract of land was bought for the purpose of putting up a new aircraft factory. There are people who have pocketed, or are likely to pocket, vast sums of money because of the erection of new factories of that sort upon their land or near to it. Why should those people not be specially mulcted, just as much as the people who happen to be connected with the armaments industry?

MR ROBERT GIBSON, M.P. (Labour, Greenock), speaking at Greenock (*Glasgow Herald*, 23rd April), said: The Treasury must now feel the loss of the taxation of land values, which was shipwrecked after the formation of this latest coalition, as it had been over 20 years ago during a war-time coalition.

DEAR NEVILLE CHAMBERLAIN,—Your Budget imposes no special and heavy taxation, for example, on the land speculators—the gentry who have bought land for a mere trifle, wait until its value is enhanced by transport services and building needs, and then sell out at a vast profit. The gentry who own land required by the State for new aerodromes or new housing estates, and who hold us up to ransom... It was you, let me point out, who were mainly

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