

THE WAGES OF LABOUR AND THE LAW OF RENT

A CORRESPONDENT wrote: "To the majority of workers it is not to the earth but to their employers that they look for employment, fuller employment, and better conditions. Their minds settle round plans and schemes for dominating their employers and compelling them, by minimum wage laws and other means, to bring about a more equitable distribution of wealth. They accept the idea that Government control of banks, combines, internal and external trade can now deal with any slump. In what way does land value taxation operate to raise wages, eliminate poverty, and create social security?"

The following was the reply:

The answer to this crucial question is to be found along two inter-related chains of thought.

In the first place economic rent or annual land value is a revenue which by any test is unearned by its recipients. Those who own the land did not create it. At the most they have merely added to it buildings or tillage or drainage or other improvements which are economically distinct from the land itself, and which in any assessment for land value taxation are eliminated from the valuation. The land value represents what men are willing to pay for the special advantages attaching to any particular site. It is a value unearned by those who are by law entitled to appropriate it.

The fact of differential advantages in land is unescapable. Every society which has risen above the most primitive conditions, in which there is any degree of aggregation of population at certain places, is bound by that very fact to exhibit differences in site values. The more highly integrated the society becomes, the more specialisation in production (or division of labour, as Adam Smith called it), is practised, the more apparent and significant does this fact become. The value of land may be said to be a measure of the degree of social co-operation which exists in society, and this is so whether that social co-operation takes the form of freedom of enterprise (popularly called competition), or whether it arises under some form of State control and direction.

From the point of view of the users of land (the producers of wealth), the payment of rent is an equalising factor. It takes away from the user of the superior site the advantage conferred by possession of that site and places him upon an equality with the producer who occupies a less advantageous site. From the point of view of society as a whole, economic rent is something which causes inequality so long as it is appropriated by a few persons who live without working and simply by permitting others to work. No society in which rent is thus appropriated by owners of land can fail to exhibit great inequalities of income and of status. No means has ever been devised, or could be devised, in which the ownership of land was so adjusted that every individual received an equal share of the total land value. The only plan which can be used is to collect the land value and to divide it equally among the citizens, or what comes to much the same thing, to use it for public purposes. This is the essence of the taxation of land values, regarded as a fiscal instrument or as a means of re-distributing income.

In the second place we must look at the process of producing wealth. All the goods or commodities which men require are produced by labour applied to land. A continuous flow of production is taking place. As goods are consumed others are being produced. As machines and buildings and other instruments of production wear out they must be repaired or replaced, and all this replacement comes from labour applied to land. It makes no difference that some of these materials are derived from land in other countries, they must in the end be paid for by exporting goods produced

from the land of this country. Exchange between citizens of different countries is the same in principle as exchange between the citizens of one country. It is a means of increasing the efficiency of production by enabling labour to be used in the directions in which it is most advantageous to use it.

Anything which prevents the application of labour to land interferes with production and diminishes the volume of wealth produced. If some valuable land is held out of use or is badly used, recourse must be had to less productive land from which the same exertion of labour (and investment of capital), yields a less result. This forcing down of the margin of production, as it is technically called, not merely diminishes the volume of production but at the same time it increases the disparity between the yield of the most productive land in use and the least productive to which recourse must be had. In a word it increases rent, and reduces wages.

Now this is precisely what happens under our existing system of land tenure and taxation. On the one hand no rates and taxes are levied upon vacant land no matter how valuable. On the other hand the better any piece of land is used the heavier the burden of rates and taxes imposed upon it. While in an intermediate category, very frequently forgotten in discussion of these matters, is a large section of land which carries obsolete or otherwise inadequate development, and which is relieved of public contribution by a system of local and national taxation which pays attention merely to the existing use of land and not to its potentiality for better development.

It requires merely a little attention to the large areas of vacant land and of blighted and poor development to be seen both in town and country to visualise what great opportunities of production are thus lost to society. Land value taxation by requiring every site to contribute to public revenue according to its true value and by exempting from taxation any building or improvement made for the purpose of developing it to its capacity would strike at the root of this state of affairs. It is in this way that it "would throw open to labour the illimitable field of employment which the earth offers to man." For this purpose it is not necessary that every worker should be able to go and rent a piece of land for himself for individual use. Those who have the capital and experience to do so, will do so, and as they bid against each other for the labour without which they cannot use the sites which become available, so will the field of employment widen. The worker will be able to pick and choose between the jobs offered to him and to demand the full reward of his contribution to production. He will at the same time be relieved of the taxation which he now bears, direct and indirect—the latter, concealed from notice in the price he pays for commodities or rent, being a very large fraction of his present outgoings.

Now let us look at some of the alternative proposals which are frequently made.

The fixation of a legal minimum wage in any occupation may be assumed to ensure that any one who is employed receives that wage. It does not ensure that the same number of persons continues to be employed. The probability is that the price of the product rises, the demand falls off, and fewer people are employed. The unemployed become a charge upon the earnings of other people, either by taxation or by compulsory insurance contributions (which in essence are merely a form of taxation). "Social security," in the sense of universal insurance against unemployment, sickness and other ills, is not a means of raising wages generally; it is only a means of re-distributing wages as between persons

and as between different points of time. In this process the persons who happen to enjoy continuity of employment and good health have their earnings reduced for the benefit of others less fortunate, or perhaps in some cases less intelligent, industrious or steady.

There will always be some accidents and vicissitudes in life. To provide for these in some way or other is a natural object of public policy. A still more important object, if it is attainable, is to prevent these misfortunes from occurring. Illness may not be entirely avoidable, but is it open to doubt that a great deal of ill-health might be prevented by wider understanding of healthy conditions of living, coupled with ability to profit by such knowledge?

Is unemployment preventable? To know this we must know its cause. Nothing is easier than to point out that there is less spending when large numbers are unemployed. Many current theories assume that the less spending is the cause of unemployment. But may it not be that less earning is the cause of less spending? Henry George has at any rate demonstrated one effective cause of unemployment. He shows, what practical men had long noticed, that in any society which is advancing in population and increasing in production of wealth, the demand for land increases. Land values tend to advance. This induces some people to buy land, not for use but for speculation. When land is held out of use, men are deprived of the opportunity of working and producing, and therefore of spending. Thus is demonstrated an effective cause of industrial depressions, which everyone knows are preceded by a period of speculation. It is not denied that other things may conduce to disturbance of the flow of production. The sudden imposition of tariffs or other restrictions upon exchange and production, or a banking and monetary system which encourages inflation and speculation, may be causes of disturbance. However, it is at the least a clear duty to see that equal access to land is established and withholding of land from use prevented by the simple device of taking land value for public revenue.

FARMERS AND GUARANTEED PRICES

To the Editor, *Land & Liberty*

Sir,—In its decision to continue giving the farmers of Great Britain fixed prices for their products, the Labour Government does not differ from its predecessors. Because these guaranteed prices will be very much higher than those prevailing before the war the farmer believes that, in the main, they will be satisfactory prices. But many a farmer when he reaches the stage of spending his receipts may find that they do not represent the purchasing power he anticipated.

However, I will accept the presumption that prices will be satisfactory and will consequently tend to increase production. But what will be the result of these guaranteed prices when foodstuffs can once more come into the country freely from abroad? Wheat for example can be imported for about half the price it can be grown in Great Britain. Consequently if the guaranteed prices for wheat encourages the home production of that cereal it will be nothing but a huge tax on the people for the sake of the wheat grower. During the war there has been erected near my farm a large flax processing works and I am growing flax at quite a satisfactory price, guaranteed by the Government. There is little doubt that we shall shortly be able to import flax for very much less than we can grow it. If imports close this factory down and force our arable fields back under grass I will feel very sorry for the factory workers who will be forced to find new jobs, but difficulty in importing supplies during war does not justify subsidising an uneconomic industry in peace. As far as the farmers are concerned I believe that the free importation of feeding stuffs for their cattle would more than compensate them for their right to grow flax at subsidised prices.

It is claimed that fixed prices will iron out the fluctuations in farm prices but there is little doubt that they will be admin-

istered to do far more than this and will force the production in this country of many products which we could obtain from abroad at far lower prices. I am afraid that fixed prices for farmers merely means Protection in one of its most objectionable and dangerous forms.

The Government does not intend that its bounty of fixed prices shall be given unconditionally. It apparently realises that, without competitive prices, efficiency must disappear so it has decided that County Agricultural Committees must be given power to deprive inefficient farmers of their farms. Inefficiency will in future not be punished by fate and the bankruptcy court but by the Agricultural Committees and the bureaucrat. We are to have a new form of social discipline.

Even if the Committee occasionally replaces a bad farmer by a good one the danger of corruption and the insecurity of all property which such bureaucratic power engenders will far outweigh the occasional benefit.

Fixed prices may raise some of these farms above the former marginal level so that in the future the landlord may receive a rent for the unimproved value of his land. The war time rise in the price of farm products has brought about a tremendous rise in the price of farm lands. I have heard of farms selling from two to three times their pre-war value and as the present rents give very little return on such prices we may expect a steady rise in farm rents. This has begun already but there is a time lag. Rents take a few years to adjust themselves. Fixed prices guaranteed by the State will mean that for a few years yet the people will be taxed for the benefit of the farmer. When the time lag has been overtaken and rents have adjusted themselves, then fixed prices will mean that the people will be taxed for the benefit of the landlord.

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Yours etc.,
GEORGE WINDER.

DENMARK

A welcome visitor to London has been Mr. Dan Björner, the secretary of the Danish Henry George Union, who has given most encouraging news of progress. The periodic land valuation of the whole country has just been completed which in itself is of the greatest importance providing as it does an up-to-date assessment for the taxation that already falls on the value of land apart from buildings and improvements, including the universal and uniform national tax, the rate of which is however small. It is in the field of local taxation that the greater advance has been made, particularly in the country districts including the counties and parishes where the land value rate averages 4d. in the £ of capital value. In the towns the rate varies, reaching 2d. in the £ of capital value in a number of them.

It is satisfaction to the advocates of the land value policy that the public sentiment in favour of it grows steadily. This was indicated in the support given in principle by the largest party, the Social Democrats, in their pre-election manifesto. The latest indication of political response to the public sentiment is in the manifesto recently issued by the Communist party (with its 18 representatives in Parliament) on Better Conditions for the Agricultural Population, from a Conference specially devoted to that matter. Point No. 2 of the manifesto demands: "Equal tax on equal land, the total adoption of land value taxation and the abolition of all indirect taxes on the people's necessities of life." This is taken word for word from the historic resolution adopted in Køge in 1903 by the Danish smallholders. Thus the Communists also have fallen into line in sympathy with the prevailing sentiment. Retsforbundet (the Justice Party) who are whole-hearted Georgeists and the leading advocates of the land value policy can work on in confidence that joint action with members of the other parties, including also the Radical Liberals and not excluding the Moderate Liberals, will hasten the next good step in the right direction.

Mr. Dan Björner also spoke enthusiastically of the Eco-technical School which teaches the social philosophy of Henry George, more than fifty classes having been established throughout the country.