

FREDERIC BASTIAT'S SLIP

Frederic Bastiat was a great master of his subject. Full of vitality and vigour—though more dogmatic and diffuse than is quite necessary—few economists have handled their subject with greater ability. To read his *ECONOMIC SOPHISMS*, in which he tears to tatters scores of popular fallacies, is a real pleasure. Protectionist shibboleths emerge a sorry spectacle when he has done with them.

But his *ECONOMIC HARMONIES* is even better, and this we say notwithstanding the great blemish to be referred to.

He undertakes to prove that Natural Law in the Economic World is universally harmonious: that there exist no discords, contradictions or breaking points in the natural order: that given equality of opportunity, the interests of all men are identical and progress makes for more and more diffused well-being. Once grasp a law of nature and no matter how far you may push conclusions based on it, these conclusions will always be sound. They will never show sign of breakdown and they will always harmonize with conclusions drawn from other laws of nature. The test of a truth is just that it will bear pushing to its extreme logical conclusion—otherwise it is a falsehood.

"The great question is: Are human interests, if left to themselves, harmonious or antagonistic?" It is the answer to this question which separates all who seek the solution of the social problem in an artificial organization of society, from those who aim at the discovery of the natural order and the bringing of man's laws into line with it. The many schools of Protectionists and Socialists are outstanding examples of the former. For these, everywhere there exist discord and antagonism. They see conflict of interest between:—

- Capital and Labour.
- The Proletariat and the Middle Class.
- The Countryman and the Townsman.
- Home Industry and Foreign Industry.
- The Producer and the Consumer.
- Cheapness and Well-being.
- Between Liberty and Public Order.

We remember a Socialist friend who when told that a certain scheme would fly in the face of the Natural Order, blandly replied that "Socialists intend to improve on the Natural Order!"

Well may Bastiat ask, "Is it then necessary to change the moral and physical constitution of man?"

His aim in *ECONOMIC HARMONIES* is to demonstrate that, in virtue of the concord which he everywhere perceives, it is impossible to command service except by rendering equivalent service.

No man, he declares, can possibly exact payment for the free gifts of Providence. To establish this he embarks on an inquiry into the nature of value and utility. The idea of value first appeared when one man having said to his brother: "Do this for me and I will do that for you"—they came to terms. Then for the first time two equal services were exchanged.

The value of an article is the amount of exertion which the possessor can get others freely to relieve him of in exchange for it. So service is the measure of value.

Utility, on the other hand, is a quality impressed on things by nature. It is therefore quite distinct from value. When we are beside a gushing spring, water is gratuitous for all of us, on condition that we stoop to get it. If we get our neighbour to take this trouble for us, then a bargain is made and value appears. If we are an hour's walk from the spring the value will rise, but the utility of the water will remain as before. The water possesses the utility, the service possesses the value, and through competition values tend to proportion themselves to effort and recompense to merit—another of the beautiful harmonies of the social order.

Economic progress consists in the discovery of and

harnessing to man's use the forces of nature; *i.e.*, in availing ourselves in ever greater degree of utilities.

In measure as man succeeds in getting nature to work for him, so does he dispense with exertion. In other words, utility is progressively communal. It distributes itself more and more generally.

This, says Bastiat, is the great central truth. Utility is the pleasant side of things—value the onerous. And the pleasant side, with progress, is ever more in evidence and ever more and more benefits the human race.

We thus discover another beneficent harmony of natural law. This he carries into the realm of "property." Since value lies in service and nothing is property which does not possess value, nothing can be property which does not embody service. Therefore it is not possible to make property of nature's free gifts, in the sense of exacting payment for them, seeing that they do not possess value but only utility. Property therefore identifies itself with service and has moral sanction.

It is at this point we come to the curiosity of Bastiat's work, for he is here confronted with the glaring fact of private property in land. If property is based on service, how can landed property be justified since no service has been rendered? To most this query would come as a poser and would mean the collapse of the whole harmonious structure so carefully built up. But not so Bastiat, and he in no way shirks the issue. He boldly declares that no landed proprietor even can or does exact payment for land. He quotes Senior, who says:—

"Those who have seized on the natural agents, receive in the form of rent a recompense without having made any sacrifice. Their rôle is limited to holding out their hands to receive the offers of the rest of the community." Without any doubt, says Bastiat, if this were so, Proudhon is justified in asking this terrible question: "To whom is due the rent of the earth? To the producer of the earth, no doubt. But who made the earth? God. In that case, withdraw, landed proprietor!"

Bastiat boldly declares all this to be a misunderstanding based on a false definition of rent, though it is remarkable he makes no attempt to substitute a true one. As a consequence he flounders in his bog deeper and deeper. "Rent," says Senior, "is what is paid to the proprietor for use of the productive and indestructible powers of the earth." "No!" rejoins Bastiat, "rent is what one pays to the water carrier for the trouble he spares us in making a cart, and the water would be dearer had he carried it on his back. In the same way the corn, the linen, the wool, etc., would have cost us more had not the proprietor improved the instruments that yield them."

That one who could so clearly draw the distinction between value and utility should thus confuse interest with rent and fail to note any difference between man-made improvements and the raw materials of nature is indeed a curiosity.

He proceeds to present his case in narrative form:—Brother Jonathan leaves New York for the Far West with \$1,000 in his purse. He crosses many districts which, though fertile, possess no value, and being something of a philosopher, thinks he to himself, "value must be other than the natural productive and indestructible powers of the soil, whatever Senior and Ricardo may tell us." At last, arrived in Arkansas, he acquires from the Government a stretch of fertile land at one dollar an acre. "Cheap indeed," thinks Jonathan. "I am now a landed proprietor."

But further reflection leads him to ask why he should have paid even one dollar since it is virgin soil. "Are, then, Senior and Ricardo right after all, and has land after all a value?" "But if so, why had those fertile districts through which I passed no value?" But soon he sees that the dollar is only payment for roads, security and other Government-provided services, and not (*pace* the economists) for the natural forces in the soil.

So after having ploughed, sown and reaped, at last comes the moment to market his crop.

"Soon I shall know for sure," cries Jonathan, always preoccupied with the problem of value, "whether a landed proprietor can get payment for the natural indestructible powers of the earth."

At market he meets another Yankee. "Friend," asks he, "what will you give me for this maize?" "The market price," replies the other. "The market price! But will that leave me anything above the ordinary return for my capital and work?" "I am a merchant," says the Yankee, "and I have to content myself with that." "In your place, so would I, but now I am a landed proprietor, and the economists assure me I am in a position to demand in addition payment for the productive and indestructible powers of the soil."

"The gifts of God belong to all," replies the merchant. "I use the wind for driving my ships and ask no payment for it."

"But I insist on you paying me something for these forces seeing that the economists declare me a monopolist and usurper." "Very well, good-bye, friend! I want maize and shall inquire of other proprietors. If they, too, are of your mind, I shall refuse payment and simply cultivate some land for myself," and off he goes.

To Jonathan's grief and disgust all the other buyers sing the same song. "If you ask payment for the gifts of nature we shall grow the crop ourselves."

And here is Bastiat's moral:—So long as there is abundant land available the landed proprietor enjoys no advantage and can charge nothing for nature's gifts.

Is it not indeed a wonder that having grasped so much of the truth, blindness fell on him before he saw the whole! Bastiat's case, so far as it goes, is sound, and he demolishes the false definition of rent made by Senior and others. *For if land were all of equal quality and the supply abundant* no rent would be paid, no matter what the fertility of the soil. But what Bastiat failed to see is that land varies in quality and position and that demand for the better qualities exceeds the supply. As a result rent is paid for the better lands, and rent is payment for the gift of nature. And though the proprietor of the better land does not get a higher price for the corn grown on it, the possession of the better land enables him to produce his crop with less labour than others have to exert on poorer land. To that extent he does get payment for nature's free gift. As to complete land monopoly, Bastiat declines even to consider it as being based on violence, and with violence he is not dealing!

Bastiat, in his day, demolished many a lurking fallacy and disclosed many a beautiful truth, but his case is a sad warning of how a man, both able and honest, can come so nearly within sight of the central truth and still pass it by.

W. R. L.

MR. SMILLIE SPEAKS THE TRUTH

At a mass demonstration of the unemployed at Falkirk, 25th September, Mr. Robert Smillie said thousands and tens of thousands of people were anxious to go back to the soil again to have an opportunity of tilling and producing food. Millions of acres of land capable of producing food were lying idle. The men who walked the streets to-day were not the only unemployed. There was another class of unemployed, who toiled not, neither did they spin. Some of this class of the unemployed claimed the right to say whether or not the land which they held should be cultivated for the use of mankind. Personally, he felt that there should not be a single acre of land capable of producing food idle in this country so long as there were unemployed men and women willing to cultivate it. He believed the land question was the root of the whole unemployment question. A free right to cultivate the land of this country would make unemployment such as it was now absolutely impossible.

GLASGOW HOUSING FAILURE

At a meeting of the Glasgow Corporation, 25th August, the following information was given in reply to questions put by Councillor Burt:—

1. How many working class houses were comprised in the contemplated housing schemes before the Government announced the restricted building policy? *Answer*: 57,000.

2. How many houses are comprised in the Government housing policy as now restricted? *Answer*: 3,887 plus 368 temporary—4,255.

3. How much land (A) has been actually acquired for housing schemes, and (B) how much more must be acquired because the Council is committed to complete negotiations for the feuing or the purchase of land? *Answer*: (A) 828 acres including areas transferred from other departments of the Corporation to the Housing Department. (B) 404 acres.

4. What is the purchase or the feuing price in the aggregate of the land acquired and of the land to be acquired? *Answer*: (A) Land acquired £283,339 including the valuation of sites transferred from other departments of the Corporation to the Housing Department being an average of £342 per acre. (B) £62,716 being an average of £155 per acre.

5. What other costs have the Council incurred in connection with the acquisition of the land—legal costs, fees to arbitrators, etc.? *Answer*: To answer this would require large quotations from the Financial Statement of the Housing Department prepared by the City Chamberlain.

6. How much of the land will actually be used for the housing schemes as now restricted?—*Answer*: 391 acres.

7. How much will be left on the hands of the Council and what is proposed to be done with the land? *Answer*: 841 acres.

Nature has been generous, but her storehouse is the land, and land monopoly has led to the monopolizing of the surface, and the minerals, and the natural sources of energy, all of which should be treated as common property if industrial advance is to benefit the community as a whole. "If every instrument could accomplish its own work," wrote Aristotle in the fourth century, B.C., "if the shuttle should weave and the plectrum touch the lyre without a hand to guide them, chief workmen would not want servants, nor masters slaves." The unwanted "maids of the mill" probably resented the competition of the water-nymphs. The unwanted hand-workers of a century ago tried to break the engines and machinery that were displacing them. Even now the introduction of more efficient machines and the working of them to their full capacity is regarded with some misgivings, which will not be without justification until the people as a whole by participating fairly in the gifts of nature, are enabled equally to enjoy the increasing advantages that are obtained from them by industrial progress. . . . To restore this inheritance is the first and most important step towards economic justice. There is a story that when Thomas Paine was asked during his last illness if he had any message to leave, his reply was, "Tell the tailors to put a knot on their thread before they take the first stitch." If social reformers want their stitches to hold, they should knot their thread by enforcing the right of the people to the land.—*J. Dundas White, LL.D., in the "Natural Sources of Energy."*

"All around our towns there is a land ring preventing expansion and improvements. Let us burst it."—*Mr. Lloyd George at Aberdeen, November, 1912.*