COAL – a case of lost opportunity

THE COAL industry's deplorable state, with union and management at loggerheads over wage claims and the future of certain pits, is the result of the 1945 Labour Government's nationalization policy.

This is not mere hindsight, for there have been people in both party and union who were aware of a better policy; but their counsels were passed over, either in ignorance, or through failure to grasp elementary economic principles.

A typical example of such a voice crying in the wilderness is that of R. L. Outhwaite, M.P. for Hanley from 1912 to 1918.[1] At this time, he belonged to the Liberal Party, but later, impatient with their slowness to implement the policy he advocated – which was their official policy as well – he transferred to the Labour Party.

He died in November 1930, four months too soon to have the satisfaction of seeing a Labour Government incorporate the policy he advocated into the Budget for 1931, but four years too soon to suffer what would have been the bitter frustration of standing by while Neville Chamberlain, the Tory Chancellor of the Exchequer, took the unconventional step of securing the repeal of a previous Government's measure before it had even been put into effect.

The proposal was to tax the rent of land.

The most important effect of thus making it disadvantageous to hold land unused, or not used for the best purpose, would be to multiply opportunities available to labour. This, by eliminating mutually destructive competition among all groups of workers, would have allowed wages to rise to their natural level of a full equivalent to individually created value without the need for "strike action". At the same time, the collectively-created value (rent), restored to its function as a common fund, would increase commensurately with increasing freedom to produce.

In chapters entitled "Points for socialists" and "How to socialise", Outhwaite spelt out for the miners what they stood to gain from the general prosperity that would follow this mild revolution in economic policy, so different from the kind that he feared.

"The Land Taxer", he wrote, "would differentiate between the mineral value, which is a land value, and the value of labour products (i.e. capital) utilised in the bringing of coal to the surface. Here again the application of his principle would conduce to make nationalisation beneficial, as the land monopolist not having to be provided for, by so much could coal be reduced in price and wages raised."

● The Archbishop of Canterbury has joined critics of the Tory Government, which refuses to get involved in the settlement of the coal strike that has divided Britain.

● A top police spokesman has now warned that the police may not be able to cooperate with a future Labour Government, because the Labour Party – which has about 12 MPs sponsored by the National Union of Mineworkers – has refused to condemn violence on the picket lines.

● As so often happens, the roots of the current conflict are to be found in the mistakes of previous governments.

NEWS ANALYSIS

By David Redfearn

In other words, if the State really must acquire anything by purchase, let it be the buildings and machinery, but on no account the seams of coal themselves, to which any individual title of ownership is unsound. Such an unwise deal, moreover, would in no way improve the position of labour, for whom it would be all one, whether they were in bondage to the holder of land or of Government stock.

The ideal course would be to buy neither the land nor the capital. In Outhwaite's own words: "Along the lines of his (the land taxer's) principles the problem would be solved by the State resuming possession of the land of railways and mines by taxation and leaving the operation of the railways and the production of coal to the workers in free association. . ." Thus would be avoided a possible disadvantage of State control, under which "to strike will be treated as sedition, as has happened in France, Italy, Spain and Australia".

This nasty situation now (1984) looks uncomfortably close; but the question of whether or not there is to be State control is insignificant beside the question of compensation, on which there can be no two good opinions. "The Land Taxer", wrote Outhwaite, "sees that in the operation of monopolies, such as coal or transportation, some measure of State control may be essential, but protests against the injustice and inexpediency of permitting compensation for land value in connection with any such enterprise."

THERE are indications that at least one influential miners' representative would have been in full agreement with Outhwaite over the question of what should happen about land values, or, in other words, about ground rent or royalties on mineral rights.

In 1930, Monsieur V. Précy, a French advocate of land value taxation, wrote as follows:

> "And so it is with the greatest satisfaction that I am able to quote here the pronouncement made by Robert Smillie, the English miners' leader, in October 1921:
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> 'It is only lately that I have come to understand that the root of the whole social problem is to be found in the land question. As long as access to land remains forbidden to those who could put it to a useful purpose, we shall always see crowds of men, cap in hand, at the doors of our factories'".[2]

Is it too much to hope that Robert Smillie carried others with him in this sound opinion, or even that they have their successors today in the National Union of Mineworkers?

In the circumstances, it is depressing to note that, when a Labour Government once more came into office in 1945, with an overwhelming majority, they had no idea how to fulfil their mandate for making the mines national property.

The magical word "nationalise" was going to end forever the miners' subjection to private colliery owners, and to give them as of right full value in wages for their labour. And yet, Emanuel Shinwell, appointed by Clement Attlee to be Minister of Fuel and Power, later admitted: "I had believed, as other members had, that in the Party archives a blueprint was ready. Now, as Minister of Fuel and Power, I found that nothing practical and tangible existed. There were some pamphlets, some memoranda produced for private circulation, and nothing else. I had to start on a clear desk".[3]

We need hardly be surprised, therefore, on studying what actually happened, in an account written by no less an authority than the Permanent Under-Secretary at the Ministry of Fuel from 1942 to 1955, to find no evidence at all that even a moment's consideration was given to the question of which colliery assets qualified for compensation, and which did not.[4]

Instead, the mere facts are recounted that the valuation by District Valuation Boards was not completed until 1956, that the compensation payments were therefore spread over a period of nearly ten years, and that the total amounted in the end to £388,100,000.

The method of valuation adopted, as described by Mr. A. J. Barnes in the House of Commons on November 18, 1946, was to ascertain the net maintainable revenue produced by colliery shares, and to multiply it by a number of years as determined by an arbitration tribunal. Any kind of differentiation, therefore, between capital values and land values was automatically excluded; and the trap against which Outhwaite had issued such a clear warning had been sprung.

Had Philip Snowden, the power behind the land value provisions of the ill-fated 1931 Budget, still been alive, he would have reinforced the warning, but Snowden died in 1937.

> 'The coal-mining pitch had been queered for the successful operation of free enterprise'

In a curious way it appears that the authors of the Coal Industry Nationalisation Bill had some inkling of a fundamental defect. The Coal Board, we are told,[4] did not issue its own stock, "because it was felt that the miners would object to paying interest to stockholders".

Very likely indeed!

This difficulty was evaded in a formal sense by the payment of compensation in ordinary gilt-edged stock, for which the Coal Board in turn was to compensate the Government with annuities that were to run for 50 years.

At the end of March 1965, only £53.6m of the original £388.1m had been paid off, by which time further borrowings had increased the debt to £960m while the value of the assets acquired in 1947 had had to be written down to £116m.

No wonder the security of the industry was always felt to depend on the miners' exercise of restraint in the matter of wage claims.

This, naturally enough, was not part of their scheme of things. Whom was the change supposed to benefit, if not themselves! And, so long as the demand for coal exceeded the supply, they had their way, even if it had to be at the taxpayers' expense.

There is no point in repeating here the long story of the Coal Board up to the present time. The first false step was sufficient to ensure that the experiment would fail. But what of the future? It would seem that, short of massive debt repudiation as well as retrenchment, the coal-mining pitch has been queered for the successful operation of free enterprise tempered by the principle of common land rights – in other words by the collection of rent and mineral royalties for public revenue.

Nevertheless, the universal application of the principle could yet provide such ample scope for other applications of labour that no person need regret his underground occupation.

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2. V. Precy, *La rente foncière*, Paris: Bureaux de la Ligue pour la Réforme foncière, 1930.
3. Emanuel Shinwell, *Conflict without malice*, Odhams, 1955.
4. R. Kelf-Cohen, *British nationalisation, 1945-1973*, Macmillan, 1973.

Land tax in deep water

● Cont. from P.107

I have suggested it before and I will suggest it again: the land value taxation principles applied to the deep seabed, the common heritage of mankind, could well be the talisman which all those men and women who, over the past ten years, assembled in New York and Geneva, and their satellites that 'vast perpetual poolside bureaucracy' as some one has called it, sitting in Jamaica, have been looking for.

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● Henry George: in deep water?