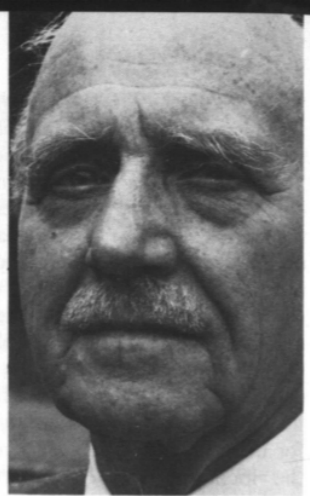


# Unemployment & The Micro-chip



**R. J. RENNIE**  
reports on the financial  
effects of a scientific  
revolution

EVER SINCE Mrs. Thatcher's Government came to power in 1979 the continuous increase in unemployment and decrease in production has been attributed to the worldwide recession. Now in 1981 there are more than 2.5m. unemployed. Government spokesmen have eagerly seized upon a recent reduction in the rate of rise in unemployment as proof that the recession is "bottoming out."

There are many who view the prospect for employment less optimistically. This was made clear in two B.B.C. broadcasts. The first, on television, illustrated many manufacturing processes carried out entirely by robots and the second, on Radio 4, predicted 5m. unemployed in this country within the next decade.

The first industrial revolution in Britain, 150 years or so ago, started the replacement of human labour by machines. The second, which could be called 'the silicon chip revolution,' is now upon us. This miniature marvel of modern technology, the microprocessor, will enable thousands of tasks in factories and offices, now performed by people, to be done entirely by machines. This process, as yet hardly started in Britain, is already established in other industrialised nations, notably in Japan.

THE BURDEN which maintenance of the unemployed now imposes upon our national revenue, even with massive assistance from North Sea oil, compelled an increase in taxation in the 1981 budget. The prospect for 1990, with double the number of unemployed and a declining revenue from oil, seems bleak indeed and may well result in the breakdown of our present system of taxation.

## Exorcism and Landlordism

GUARDIAN correspondent John Rennie, reporting on the slaughter of innocent people in El Salvador (21 July), wondered why the right-wing death squads indiscriminately used "obscene torture." He offered a possible explanation:

"Perhaps it lies deep in the collective psyche of the landowning elite who followed the Spanish Conquistadores half a millenium ago and never accepted that the Indians on the land they took were fully human. Calling itself Christian, though willing to murder priests and even an archbishop, this isolated elite sees anyone trying to alter the God-given order of things as the Devil incarnate, the modern term for whom is 'Communist.' Devils can be exorcised only by the most devilish methods, which also serve to encourage *les autres*."

## Who is on the breadline?

QUOTE from the *Wall Street Journal* (June 17): "By now we should have learned that it is probably not bad housing that makes poverty and its attendant social problems, but the other way around; if you're really out to fight poverty, handing out dough to builders and landlords is not a very efficient way to do it."

That the production of wealth will increase as machines displace labour cannot be doubted, for otherwise, in a free society, such a change would not take place. In *Progress and Poverty* Henry George demonstrated that all improvements in the means of production tend to increase the proportion of wealth distributed in the form of rent. What we now know of the potential of modern technology makes what he wrote in 1871 the more remarkable:

And as we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce. For, if labour-saving inventions went on until perfection was attained, and the necessity for labour in the production of wealth was entirely done away with, then everything that the earth could yield could be obtained without labour and the margin of cultivation would be extended to zero. Wages would be nothing and interest would be nothing, while rent would take everything. For the owners of the land, being enabled without labour to obtain all the wealth that could be produced from nature, there would be no use for either labour or capital, and no possible way in which either could compel any share of the wealth produced.

This point, of the absolute perfection of labour-saving inventions, may seem very remote, if not impossible of attainment; but it is a point toward which the march of invention is every day more strongly tending.\*

Thus the increased wealth which will result from the widespread use of the micro-processor will go almost exclusively to landowners; capitalists and wage-earners will gain virtually nothing. This tendency for the rich to grow richer and become less numerous and for the poor to become poorer and more numerous, will increase as time goes on and so will the social tensions such conditions engender.

In attempting to forecast the probable consequences of the enormous technical progress in recent years, three basic economic principles must be borne in mind. The first, that "man's desires are unlimited," implies that natural resources are freely available and that there should never be any involuntary unemployment. The second, that "man always tends to satisfy his desires with the minimum of effort," is an axiom which needs no explanation. The third, that "improvement in the means of production of one commodity is equivalent to an improvement in that of all others," can be illustrated the world over: for instance the extensive use of mechanisation in agriculture in the U.S.A. released a great source of man-power for other productivity purposes and may be said to have put men on the moon.

With the foregoing principles in mind, I consider that the displacement of people by machines in industry and

\**Progress and Poverty* (1879), 52nd Anniversary Edition, p 179.

commerce may not result in permanent unemployment for those made redundant. The cost of manufacture and of energy consumed by robots will place limitations on their use and there will always be some jobs more economically done by hand. Also, part of the increased wealth these robots will make available will be used to finance enhanced leisure services and so provide some alternative employment. Workers displaced by power in the 19th century eventually found other employment, so it is probable that those displaced by the silicon chip in the 20th century will do likewise, especially if the measures proposed below are adopted.

**D**URING THE past year estate agents have expressed their fears that developments in data transmission and office equipment generally may reduce the demand for office space, particularly in inner city areas. To some extent this may take place in the short term, but inevitably more efficient production will be followed by rising land values throughout the whole country in which city sites will share, thus tending to sustain the value of properties thereon. The tendencies to which I have referred in the preceding paragraph will also assist in maintaining the value of such properties.

Perhaps in the future, when the second industrial

revolution really makes its impact, the inability of the present system of taxation to meet the nation's needs and the consequent threat to social stability and law and order will force those in power in Westminster to hearken to Henry George. He strove to convince everyone that the rent of land is the only source of revenue which governments have an absolute right to collect and indeed a bounden duty to do so to ensure equity in the distribution of wealth throughout the community.

Successive governments have floundered along in a mass of futile measures to remedy unemployment and other social ills arising from the private appropriation of the annual value of land. In future taxes on wages, which inhibit effort, and on capital, which discourage investment in industry, will yield relatively less. But a tax on the annual value of all land would yield relatively more. In addition, such a tax would put an end to speculation in land and so make it more readily and cheaply available. This would facilitate the transfer of labour, displaced by the silicon chip, to their useful employment. The combination of modern technology and the collection of the whole economic rent of all land as the sole source of public revenue would banish poverty and unemployment and usher in a degree of equity and prosperity hitherto unknown.

## PROPERTY AND THE INVESTMENT PROCESS

**I**NVESTMENT in property by both UK pension funds and insurance companies rose sharply in 1980. The recession may be hitting wage-earners, but money is still to be made: and the property sector is yielding the best returns.

The Metropolitan Pensions Association has now analysed the performance of 18 property unit trusts and 17 life office managed property funds with a total value at the end of 1980 of over £2.4bn.<sup>1</sup>

In the five years following the 1974/5 recession, the average property fund had a total rate of return, including capital gains and gross income, of 19% p.a. This was well over the increase in the retail price index for 1976-80 (13.5% p.a.) and the earnings index (14.6% p.a.). Over the 1972-80 period, the average property fund gave better returns than investment in equities and gilts.

It is not surprising, therefore, that as the recession bit deeper into the profits of industry and commerce, investment in land and property accelerated towards the end of last year.

**O**VER THE past 25 years, the wealthy insurance and pension funds have been pumping an increasing proportion of their income into property.

This trend has been encouraged by the tax system. For example, the Corporation Tax, introduced in 1965, made investment in property companies an unattractive way of obtaining a stake in property for tax-privileged life and pension funds. So many of them slowed down the provision of mortgage finance or investment in property companies. They switched to direct acquisition of property, thereby establishing a sharpened awareness of the benefits of this form of investment... and they have never looked back.

But the successful investment record has not silenced the critics. Trade unionists, in particular – the people who hope to live on decent pensions when they retire – are aware that they may be trading off a few pennies more in retirement for wage packets now. They are pointing out that investments yielding rental income may not be the most productive from the economy's viewpoint.

Miners, for example – their pension fund is currently worth £1bn. – are complaining that the bidding up of asset values is doing nothing to create new jobs for the unemployed workers in the valleys of South Wales.

Unionists are particularly aggrieved by the flow into foreign property. One union chief, Clive Jenkins (ASTMS general secretary), says that when Chancellor of the Exchequer Geoffrey Howe abandoned exchange control, millions of pounds flooded out of the country – much of it from workers' pension funds.

"It was put into Las Vegas properties or huge shopping precincts in Palm Beach West, or buying up part of Watergate or building office blocks in Brussels or Paris. Now I can't see how that helps us here."<sup>2</sup>

**IAN BARRON** comments: The Trades Union Congress has proposed action which would not achieve the results that they desire.

● Pension fund members – the trade unionists – ought to be represented on the boards. But will this make a difference to the investment strategy of the funds? It has not done so with the miners' pension fund – which has 50% union representation.

● A National Investment Bank, composed of members from the institutions, the unions and the Government, should have the power to direct more pension money into manufacturing.

Surely the best way of tackling the problem is to make industry profitable? This would attract funds into fresh capital formation. The TUC, however, does not have faith in working trade unionists, for it wants to safeguard them against poor performance: it suggests that future pensioners' interests should be protected by a government guarantee that the rate of return paid to the institutions by the bank would equal the return on gilt edged stock.

Ultimately, in a free and dynamic economy, the only way to direct funds into productive investments is to terminate the unearned income from land. That means drawing away the beneficial interests in land (= economic rent) for the benefit of the community – through the tax system – and off-setting this revenue by a reduction in the taxes which at present penalise labour and capital.

### REFERENCES

1. *Property Funds for Pension Schemes*, London: MPA, 1981.
2. Clive Fleury, 'What brothers want from pension funds', *Estates Times*, 17.4.81.

### TRANSACTIONS IN LAND, PROPERTY AND GROUND RENTS, UK: £m

	Total	Pension funds	Long-term funds	General funds	Investment trusts	Unit trusts & property unit trusts	Building societies
1979	1,322	499	576	57	-	90	100
1980	1,821	855	789	68	10	99	-