PUBLIC AND PRIVATE ENTERPRISE, by John Jewkes. The University of Chicago Press, Chicago, 1966. $2.25.

Reviewed by
Steven Cord

Do you want to read a conservative analysis of where the thin line should be drawn between public and private enterprise? Perhaps you will find this book to your liking — it consists of three lectures the author, a well-known British economist, delivered at the University of Keele (England) in 1964 — you may appreciate the closely reasoned British style and the distinctly British point of view.

The clear weight of Professor Jewkes' remarks is on the side of private enterprise. For instance, when certain large British industries were nationalized in the late 1940's, precautions were taken to keep these industries out of the political arena in order to maintain high economic efficiency, but Jewkes tells us that these precautions have not succeeded and he documents his case convincingly (p. 14ff). He shows that the managers of nationalized industries are plagued by a lack of reliable information to guide them in their planning for the future. Private enterprisers are constantly brought in line with reality by the pricing system, but public managers must rely on statistics which have very wide margins of error. (16ff).

In discussing publicly sponsored education, Jewkes points to many limiting factors that have been often overlooked (40ff). While not opposing the spending of public revenues on education, he shows how weak is the argument that we should do so in order to expand the economy. In addition, excessive public spending in this area could derange educational goals. The Good, the Beautiful and the True are ends in themselves, certainly important educational goals, and it would be a sad commentary on our society if the pursuit of economic efficiency should be allowed to overshadow these goals.

Unfortunately, it is a sad commentary on Jewkes' work that he can find much merit in the gauaranteed minimum annual income scheme and much demerit in Henry George and land value taxation. In behalf of the g.m.a.i., he argues that under present welfare programs "... governments tend to bring help to the old, although old people are not necessarily poor; or to the sick, although sick people may be well off; or to all farmers or some other group, although the members of that group may contain rich and poor." (79). No doubt, but Jewkes does not consider that by putting the very poor on a public dole we take money from those who earned it and give it to those who are either undeserving or underprivileged; as for the latter, the most direct and efficient way to help them is to give them their full political and economic rights. A small dole is more apt to encourage indolence and dependence in the recipient than self-reliance and self-respect.

"There is no body of economic writings more shot through with fallacy than that, running from the works of Henry George down to the British Uthwatt Report, supporting the case for the wholesale or partial nationalization of the property in land." (p. 87). In the first place, George favored no such proposal and secondly, Jewkes offers no substantiation for this wild assertion other than to assert that speculation in land is as useful as specultion in other commodities: "It is not correct that the supply of land is fixed; every rise in price is a powerful inducement to extract greater benefits from it." (p. 87) Why???

Professor Jewkes, if a builder is contemplating the purchase of a plot of land in order to put up an improvement, a high price for that plot will discourage him. Common sense and every economics textbook in Britain and America dictate that if he has to pay more for the land than it is presently worth, he will not build; that if he has to tie up his available capital in buying land, he naturally has less with which to build.

And, how can you assert, Professor Jewkes, that land speculators smooth out the course of prices and supplies (p. 87) when the vast evidence of history invariably proves the exact reverse? For instance, in the archetypal Florida land boom of the 1920's, land prices went sky-high and land development was spotty; then came the inevitable price collapse. This is typical of all land markets prior to depressions.

On the other hand, a full tax on land rent would force land to be *constantly* put to its minimum economic use; i.e., to a use which would at least pay for the land rent tax. As the market value of the land changes, so will the land rent, so will the land rent tax, and so will the inducement to use the land change *gradually and constantly* — not in speculative jerks — to fit changing economic conditions.

Land rent measures the special locational advantages of a particular site. The user should pay the government for this special advantage he receives, and in this way every individual's equal rights to nature will be respected without disturbing the private title to land in any way. Also, building taxes could be reduced, thus making it easier to improve the land!

There is much good economic thinking in this book and it is a shame to see it marred by a slipshod criticism of land value taxation.