

AN INDUSTRIALIST'S REFLECTIONS

IN *The Economic Journal* for April Mr Samuel Courtauld has an article on "An Industrialist's Reflections on the Future Relations of Government and Industry." In most cases it poses the questions which deserve attention without giving a definite answer. His leading proposition is that "production is the most vital activity of the nation." He recognizes that the interests of those who are popularly grouped as "capitalists" are not necessarily identical. "To begin with it must be clearly recognized that the interests of finance are not identical with those of productive industry. . . . Manufacturers' interests are also opposed to those of landlords; they are often handicapped by inequitable rents. While manufacturers are apt to look on these two classes as their hereditary enemies, they have to maintain a working alliance with the distributive trades. Nevertheless, the immediate interests of distributors, especially on the question of Free Trade, are often directly opposed to theirs."

As to fiscal policy he says: "The manufacturer '*pur sang*' would obviously like enough protection to exclude all imported manufacturers. He can hardly judge this question objectively." That fact is largely responsible for the reversal of our fiscal policy which has taken place in recent years. It is a natural instinct to assume that if prices are raised (and this is the object of protection) the manufacturer will necessarily be better off. In fact this does not follow unless he is able under cover of protection to establish a monopoly. He may indeed be worse off, especially if the application of protection to other industries raises his costs. It is interesting to observe that Dr Benham in his recent book, *Great Britain under Protection*, points out that in the first years of recovery after the depression of 1931 "employment in the protected industries fell by about 50,000; over the same period employment in other industries increased by some 400,000."

Mr Courtauld also asks: "Is the government to subsidize any industries as industries? The manufacturer again would like subsidies without liability or control. Are exports to be subsidized? If they are subsidized by a trade, that trade can only recoup itself by raising prices to the home consumer, and it is unfair to penalize any particular class of consumer for a national object." One might also ask, is it fair to penalize all consumers, and what national interest (as distinguished from a particular interest) is served by subsidizing exports?

Discussing Government ownership and Government control of industry Mr Courtauld recurs to this point. "Clearly if the State subsidizes an industry in any way, it is entitled to look after the spending of its money. Protection itself is a kind of subsidy at the public expense, and a protective system gives the State the right just mentioned. It might be argued that it does more: that it imposes an obligation." This is a point of view which is sometimes held by socialists, who hope that subsidies and protection will give an excuse for nationalization. Apart from the merits of nationalization, to carry it out in an industry which has been sub-

sidized directly or by tariffs is asking for trouble. The structure of the industry may be quite unsuited to the economic needs of the country. It might for instance be too large. To reduce it to a proper size would probably involve two unpleasant things: the writing off of some of the capital which had been purchased with public money and the discharge of some of the workpeople employed. Political pressure would be brought to bear to prevent it, and in the result the industry might continue to be uneconomically subsidized. As Mr Courtauld puts it: "If industries are tending towards more combination—whether under unfettered private ownership, Government control, or Government ownership—the evils of monopoly must be expected as well as its benefits, and they must be guarded against. Unjustifiable selling prices and excessive profits are an obvious evil; another equally serious danger is complacency, stagnation, and indifference to progress. I feel that, with human nature as it is, very few men will do their real best without the spur of competition. Complete monopoly abolishes home competition; prohibitive tariffs abolish foreign competition. For its own sake industry needs the spur to keep it on its toes, and this must always be provided in one way or another. Monopoly invariably breeds complacency sooner or later; and this is at least as true of public enterprise under bureaucratic control as it is of the most water-tight private monopoly."

Another question upon which Mr Courtauld touches is rating, but he appears to be acquainted merely with the idea of equalization of rating which he says "would equalize one of the handicaps upon industries which could then choose their locations without regard to this rather artificial burden—one which also presses hard upon old developed districts where businesses are progressively driven away by the vicious spiral which is created by rating. . . . High rents act in a similar way. Is there any possibility of doing anything to equalize the inequalities of these? They chiefly press upon industry by inflating the unavoidable living expenses of workers employed in certain districts." The rating of land values, which is not mentioned, would of course relieve the burden cast by the present rating system as well as causing a reduction of rents to a reasonable level.

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IPSWICH RECOMMENDS

IN ITS Third Annual Report the "Committee Against Unemployment" which was set up by the Ipswich Borough Council makes a number of recommendations which it proposed should be sent in a resolution from the Council to the Chairman of the War Cabinet Committee on Reconstruction Problems. These recommendations include the following:—

"Having regard to the importance of keeping rates to a justifiable minimum and therefore of ensuring that all proper sources of rate collection are used, this Council points out:

"(a) The present practice of de-rating Industrial and Commercial hereditaments discriminates against the smaller rate-payers and throws an unwarranted burden directly on to a remainder of the community usually less able to bear it, as does the de-rating of unused properties, both restricting endeavour.

"(b) There is a great disparity between the assessment values for rates of many urban properties and the prices they realise on sale, especially when sites are required by a Municipal Authority.

"This is particularly noticeable in many urban districts—in Ipswich amounting, before the War, to approximately half the area of the Borough—where properties paying *no rates* at all because they were unused were offered at prices so prohibitive that Municipalities and Industry were often restricted from taking the most suitable, or were even deprived altogether of, opportunities for development which would have provided employment. High prices, once paid, remain for ever a charge and handicap on endeavour.

"(c) Complete non-rating of unused properties tends to encourage undesirable speculation and consequent withholding from use of land, which inevitably grows more valuable as time passes, populations increase and municipal developments occur.

"Thus large sums representing land values created by the joint endeavours of ratepayers and public fall into the hands of individuals who have not produced them, so restricting the resources available to Ratepayers for public and private works.

"(d) Rates as at present levied on improvements are a direct discouragement to develop.

"This Council petitions the Minister to make an early public announcement on the matters referred to so that public opinion may be educated in time to ensure that suitable legislation is provided before the cessation of hostilities and there may be no repetition of the tragedy of the last war when so many returned to find no opportunity for earning the livelihood to which they were entitled."

We are indebted to Councillor A. S. Stokes for a copy of the Report of the Committee Against Unemployment. He writes that the Report was adopted by the Council, in fact with only one dissentient vote, and the Resolution was accordingly forwarded to Mr Arthur Greenwood a few days before the announcement of his retirement from the post of Chairman of the War Committee on Reconstruction.