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Unemployment and Planned Economy

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UNEMPLOYMENT is the overt symbol of economic stagnation for all industrial nations. Yet nowhere is the bankruptcy of modern economics more apparent than in dealing with idle labor and unutilized capital. This failure has been due to confusion of effects with causes and palliatives with remedies.

Georgists have long recognized unemployment, or involuntary idleness, as part of the broader problem of poverty arising from inequitable distribution of wealth. By current definition, if a man receives any remuneration for his labor he is counted as employed. Those who give up the search for gainful opportunities because of discouragement, are not considered part of the labor force. Many workers presently surviving on public welfare doles are likewise excluded. But if all those seeking work could somehow get on the public payroll we would have a "fully employed" but hardly a fully productive labor force.

There is currently a popular misconception that the "gross national product" is equivalent to either the total production of wealth or the general prosperity. This misconception is aided

and abetted by economists and politicians. Somewhat like the land speculator, an adroit politician can watch both the inexorable increase of population and the overtime use of the public printing press work to his advantage by inflating the G.N.P. even though most of the people are no better off than before. Moreover, a very high correlation exists between the rise in both public and private debt and growth of the G.N.P.

The inextricable connection between the supply and demand for wealth needs no elaboration for a free market. Only in the planned economy or where monopolization of natural resources is permitted do we find such manifestations as oversupply or underdemand. The inevitable outgrowth is prolonged unemployment leading to additional planning and new monopoly privileges. While it is true that, in a free market, no guarantees or subsidies go with the wages of labor or the interest on capital, the free access to natural opportunities will assure ever increasing wages and interest (not to be confused with money income) as material progress continues.

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In all societies, the monopolization of land has led to either socialism or the planned economy. Fiscal policy has been the major weapon of these managerial economists. Instead of examining the basic causes for the inequitable distribution of wealth they have *post facto* proposed palliatives through taxation and fiscal manipulation to achieve their aims. Economic cause and effect have been camouflaged by the monetary system and the complexity of social organization.

Several salient facts emerge beneath the subterfuge of higher gross national product, growth rate and rising per capita income. First, the economic progress of a society can only be evaluated in relation to its productive capacity or base within the framework of existing technology, inventions and raw material availability. Where the productive potential has increased tenfold but actual production has only doubled or tripled, it should be obvious that certain impediments exist in equating potential with actual production. This gap is a very realistic measure of unemployed resources.

Secondly, the statistical index of economic progress should signify the growing ability to provide for the material needs of the population. Even if the gross national product or growth rate is adjusted for both devaluation of the currency and population increase, the failure to measure annual production of wealth masks the true progress behind a facade of statistics. Finally, national income or per capita money income reveals nothing about the distribution of wealth. Since money is not

wealth but only the means by which an individual can command the wealth producing efforts of others, it is at best an imperfect measure of well-being. High per capita income is not inconsistent with marginal standards of living for a majority of the population.

The monopolization of land is the basic cause of unemployment, business depression and economic stagnation. The widespread social maladies of crime, juvenile delinquency and mental illness are its derivatives. Because this gross injustice has not been remedied by public appropriation of economic rent, which is a precise measure of publicly created value, the appropriation of individually created value has been the inevitable consequence. The contradictory and anti-social effects resulting from the taxation of wealth become apparent in the periodic crises of the interrelated national economies. Often the cure appears worse than the sickness.

A singular remedy exists but has nowhere yet been applied. It would eliminate unemployment, remove slums, extirpate poverty, provide more of the benefits of an advancing civilization to more people, and lead the world from the abyss to fulfillment of man's material, cultural and spiritual needs. This basic remedy is embodied in the philosophy and application of the "single tax" or the collection by the community of its rightful source of revenue—the full economic rent from land. At the same time all restraints upon production, restrictions of trade and commerce between individuals, and protective tariffs between nations should be abolished.

Joseph S. Thompson, President of the Henry George School, has made a contribution toward expenses of the Georgist international conference to be held in New York in 1964. This is the start of an International Conference Fund that we hope can be built up. We especially have it in mind to use such funds to help worthy Georgists from far-off lands to attend the conference, who might not otherwise be able to come.