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## THE ECONOMIC CRISIS

In this as in every other country the economic crisis continues with unabated severity. The optimistic statements appearing in protectionist newspapers are not borne out by any reliable statistical index of trade conditions. The figure of unemployment, which is the most significant of all, remains practically stationary. It may be possible that as a result of protection some redistribution of the direction of production has taken place. This is a necessary and inevitable result of tariffs, which always tend to encourage a number of uneconomic industries at the expense of those which are most productive and best adapted to secure a maximum production. The net effect can only have been detrimental.

This extensive paralysis of production extends in almost equal degree over the whole world, whose statesmen are so slow to learn even from the disastrous experience of the last few years that there is an economic unity of the world which transcends national boundaries. Every obstacle to production and exchange, whether in the shape of tariffs or of burdensome internal taxation or of monopolies, injures not only that country which is immediately concerned but also in greater or less degree all the other countries with which it has trade relationships. This reaction takes place with great rapidity. The shares of the leading industrial undertakings are quoted on all the stock markets of Europe and America. The prices of all the leading cereals, animal products and metals are world prices. The anticipated production of wheat in the Americas or of tea and rubber in the Orient is forecast from week to week and influences innumerable economic calculations all over the world.

To recognize the interaction of one nation's economy upon that of another is not, however, to explain the origin of the universal dislocation of industry from which the world is suffering; still less does it point out a remedy. Although the crisis has been aggravated by tariffs, by monetary instability and by the strain of international debt payments and reparations, the fundamental cause is deeper and more universal. The crisis was preceded in every country by an era of

speculation which pushed stock prices up to ridiculous heights entirely unwarranted by the earning capacity at that moment of the industries concerned. This speculation was based upon the assumption of a period of rapidly increasing production, and it was this very speculation which so quickly brought the expansion of production to an end by drying it up at its very source. The boom period has come to an end, stock prices have fallen to low levels as company after company reduces or passes its dividends, but the price of land still tends to stick to the high levels that it attained during the apex of speculation, and so production is strangled at its source. It is a maxim not merely of philosophy but of economics that out of nothing, nothing comes. If labour is shut out from the use of the passive factor in production by the high price demanded for it, then labour must be idle and production cease.

Only two classes of steps are being taken by the Governments of the world to deal with this situation. One is to raise further tariff barriers against international trade, or to enact other measures (such as the British Government's wheat quota policy) which are merely disguised protectionism. The other is the adoption of a system of monetary inflation. Both of these courses have been taken in this country. The new Government has persistently followed an increasingly protectionist policy. While France and England raise their own tariff barriers, they have evidently agreed to impress upon the Danubian States the importance of reducing their protective tariffs, in order to avert a complete economic collapse. It is so easy to see the mote in another's eye and so difficult to see the beam in one's own.

In his recent speech at Worcester, Mr. Baldwin said: "The fiscal system is going to be judged on its merits alone. I rejoice that we are now out of the region of academic discussion. We are going to put to the proof whether the fiscal system upon which we are entering is going to do that good to the country or a portion of it which we have believed it would do. If it does do good the system will continue so long as it does. If it fails the system will be changed, and that is the common-sense of the matter."

How strange it is that statesmen can still repeat shibboleths of this nature when they find all over the world examples of the actual working of the protectionist system which has never produced any of the benefits alleged to be derived from it, and continues not by reason of any "good to the country" but by the force of the rings, combines and vested interests which it calls into existence. The time for experiment has long passed. Both experience and reasoning have shown that the protectionist system impoverishes the workers, does not assist manufacturers but only aggrandizes the monopolies which it either creates or fosters.

The policy of monetary inflation was adopted involuntarily by our Government when it allowed sterling to slip off the Gold Standard, and it at once became evident that the quantity of paper in circulation was too great for the pound to maintain its gold parity. The inflation here has, however, been kept in check and not become progressive. The United States has apparently adopted a deliberate policy of inflation. In the one case as in the other, the result can only be to maintain the speculative value of land and prolong the period of depression which otherwise would gradually have been brought to an end by the squeezing out of the weaker speculators and the ultimate collapse of the land boom. It is notorious that one of the very first results in this country of the abandonment of the Gold Standard was a considerable swing over of investments from stocks to land. Many speculators were no doubt enabled to get out before they were exhausted

and transfer their holdings to a new body of holders who will continue to hope to realize their holdings at the speculative prices which they paid. The final collapse of the boom has thus been definitely delayed, and economic recovery so much postponed.

The whole world of those who live by their own labour is being impoverished by the failure to see the inexorable cause of economic depression which Henry George identified more than fifty years ago and the simple and sufficient remedy for it which he indicated. The purported remedies for the crisis are merely prolonging it and rendering it still more acute.

F. C. R. D.

## "MARK RUTHERFORD" ON "PROGRESS AND POVERTY"

The centenary of Hale White, generally known as "Mark Rutherford," the author of *The Revolution in Tanner's Lane* and other works, was celebrated on 22nd December, 1931, when his eldest son, Sir William Hale White, unveiled a Tablet on the house in High Street, Bedford, where his father was born.

The following appreciation of *Progress and Poverty* was addressed by "Mark Rutherford" to Mrs Colenutt, Park Hall, Carshalton, Surrey, 21st October, 1882 :—

"Ask your husband if he has read George's *Progress and Poverty*. I have just gone through it twice. It is a great epoch-making book, denounced furiously of course, but intensely interesting. It is being sold in the streets here for 4½d., and the edition I have is the 25th !

"It is all about political economy, but the conclusions are a revelation, and it has dropped a seed into the minds of thinking men which will split the rocks. I have been unable to let go of it, and was up at half-past four this morning to finish it. Whether you yourself will care for the discussions in the earlier part, on which, however, everything depends, I do not know, but I am sure the last few chapters will pin you.—W. H. WHITE."

We are indebted for this interesting reference to the book Joe Fels was wont to name one of the "Bibles of the world," to Mr John Cameron, Librarian, Dunoon.

In sympathy with "Mark Rutherford's" opinion we take this passage from one of the last few chapters of *Progress and Poverty* :—

"The law of human progress, what is it but the moral law ? Just as social adjustments promote justice, just as they acknowledge the equality of right between man and man, just as they insure to each the perfect liberty which is bounded only by the equal liberty of every other, must civilization advance. Just as they fail in this, must advancing civilization come to a halt and recede. Political Economy and social science cannot teach any lessons that are not embraced in the simple truths that were taught to poor fishermen and Jewish peasants by One who eighteen hundred years ago was crucified—the simple truths which, beneath the warpings of selfishness and the distortions of superstition, seem to underlie every religion that has ever striven to formulate the spiritual yearnings of man."

### THE NEW POLITICAL ECONOMY

Address by John B. Sharpe

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## PROFESSOR EINSTEIN AND HENRY GEORGE

In a letter to Mrs E. C. Evans, Pa., U.S.A., of date 8th October, 1931, and circulated last month by the American Economic League (626 Munsey Building, Baltimore), Professor Einstein, acknowledging a copy of *Progress and Poverty*, writes :—

"I read the largest part of the book by Henry George with extraordinary interest, and I believe that in the main points the book takes a stand which cannot be fought, especially as far as the cause of poverty is concerned. As far as I can judge, the views propagated in this book coincide completely with the results of Franz Oppenheimer, a contemporary, who evidently found them independently. I do not agree with the theory of interest.

"The suggested remedy of ownership of the soil seems more a problem than solution. Is it intended, for instance, that the soil is to be the property of the community and the house on the soil private property ? Anyhow, it seems to be of highest importance that the character of the evil was shown clearly. Already for this reason it would be important if the book would find due consideration."

It is encouraging to a degree to know that the great scientist is among so many tens of thousands who to-day, for the first time, are reading and studying *Progress and Poverty*. In the dominating realm of Science, Professor Einstein is a man among men. His commendation of the book will assuredly persuade many others to become acquainted with it, and its dynamic appeal.

In the higher walks of life there has been nothing like this good word since the advent of Leo Tolstoy, who, also, in his day, had the world for an audience. He wrote :—

"The injustice of the seizure of the land as property has long been recognized by thinking people, but only since the teaching of Henry George has it become clear by what means this injustice can be abolished. . . . Henry George was the first to give a simple straightforward answer to the usual excuses made by the enemies of all progress who affirm that the demands of progress are illusions, impracticable, inapplicable. The method of Henry George destroys these excuses by so putting the question that by to-morrow Committees might be appointed to exercise and deliberate on his scheme and its transformation into law."

By this time Professor Einstein will have read further to see the conclusion of the argument. It is : *We must make land common property. The method is—to appropriate rent by taxation ; and this proposition may be put into practical form by proposing—to abolish all taxation save that upon land values.* "In this way," the book explains, "the State may become the universal landlord without calling herself so and without assuming a single new function. In form the ownership of land would remain just as now. No owner of land need be dispossessed and no restriction need be placed upon the amount of land anyone could hold. For, rent being taken by the State in taxes, land, no matter in whose name it stood, or in what parcels it was held, would be really common property and every member of the community would participate in the advantages of its ownership."

Professor Einstein says he does not agree with Henry George's theory of Interest. But that need not disquiet him or any student, because all that Henry George has written on Interest could be taken out of *Progress and Poverty* without invalidating any of its conclusions. Dealing with the Law of Interest, Book 3, Chapter 5, Henry George says :—

"I have endeavoured at this length to trace out and