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THE FALLACY OF RESTRICTION

It is related that the Egyptians imposed upon the Israelites the task of making bricks without straw. Many of our modern reformers go a stage further than this. They contemplate making the bricks without brick-earth—to solve the problem of the production and distribution of wealth without land. To solve the problem of the maldistribution of wealth they desire to restrict the production of wealth. Others seek to improve the distribution of wealth by increasing the number of the counters (pounds, dollars, or what not) by which wealth is measured. Still others contemplate the use of both methods simultaneously.

Almost all of these fallacies are due either to concentrating one's attention upon money instead of upon what money will buy, or to regarding labour as an end in itself instead of as the means of obtaining wealth.

What is the object of protective tariffs, of quotas and other restrictions upon the production of wealth? Is it not to make goods scarcer and dearer, to increase the amount of labour required in order to secure the same volume of physical wealth? The reason, and the only reason, why goods are imported from abroad is that by so doing more of them can be obtained with the same amount of labour. If they are prevented from coming in whether by a tariff or by a quota or by any other restriction, the result must be that more labour must be expended to obtain an equal quantity of goods.

It does not follow from this, however, that more people will actually be employed. In order that more people should be employed, more land must be used, or better use must be made of the land already in use. Protection does nothing to make land available for use, and can therefore do nothing to secure more employment. It can only ensure that the labour of those engaged in production is less well remunerated.

If the whole industry of the country were expressly carried on as one co-operative Commonwealth, it would be self-evident that the means of obtaining the greatest volume of wealth would be to concentrate upon producing those things which we had a relative advantage in producing and exchanging some or all of them for products which the people of other countries had a relative advantage in producing. The managers of the co-operative Commonwealth would surely be very promptly sacked if they acted upon any other principles.

Where industry is carried on upon an individualist basis this principle still remains true. But it is obscured by two facts. First, because the interests which are considered and have most sway are those of employers who are talked of as if they alone were the producers and not the people whom they employ. Second, because the employers always hope to get special privileges for their own industries in the form of higher

prices for their products, while continuing to pay a rate of wages which is determined by the condition of industry generally.

In fact, protectionism is based upon self-interest and cupidity, and can only be supported by a callous disregard for the general good.

We are now faced in all countries with what is in some ways a more subtle form of protectionism, achieved by quotas and restrictions. Under a tariff we can trace to some extent the injury which is done to the people by the indirect taxation levied upon imported commodities which they consume. We can estimate the amount of additional price which they have to pay for similar goods produced at home.

Under the quota system, where the quantity of imports is limited but no tariff is imposed, the whole injury consists in an increase of price which is entirely concealed from the ordinary citizen. He has no means of calculating what the price would be if the restriction were removed. This system is, therefore, still more fraudulent and detrimental than the protective system.

The same economic test can, however, be applied to it. Does it increase the amount of labour which must be expended in order to obtain a given volume of wealth? Obviously it does. Its real object is not to increase wealth, but to increase the price which a specially selected group of producers (in the narrow sense) can obtain for their products.

It does nothing to secure an increased use of land. It cannot, therefore, increase the amount of employment or increase the production of wealth generally. It can at the most only result in the diversion of land from a more to a less advantageous use. This we see already taking place under the wheat quota, where land is being withdrawn from the production of oats and barley for which it is more suitable and transferred to the growing of wheat—the net result being an economic loss. The loss in this case is accentuated by the competition for the use of particular kinds of land which is fostered and which increases the rent or value of such land above what it would otherwise be. Hence, out of a total production which is not increased, a larger proportion has to be paid to those who contribute nothing to production except consent to use the land which nature has provided.

Similar fallacies underlie the exchange restrictions which so many countries have imposed, in order, as it is said, to counteract the depreciation of the currency in other countries. Very little reflection will show that it can make no permanent difference to international trade what the purchasing power of the unit of currency is in each country. The real question is, what quantity of goods can be obtained from one country for a certain quantity of another country's products?

The discussion of all these questions is obscured by thinking in terms of money, instead of thinking in terms of the tangible commodities which men require to satisfy their needs, and in terms of the tangible means of producing those commodities—labour and land.

The production and distribution of wealth is determined by the ownership of the ultimate means of production—the land. When land is held out of use, men are kept out of employment. When land values are privately appropriated, those who own the land receive a share out of the pool of wealth to which they have contributed nothing, while those who have contributed their labour to production have their share correspondingly reduced.

Tariffs, quotas, restrictions, monetary changes, do not touch the fundamental question of the relationship of men to the land, but they obscure it and delay the application of the true remedy.

F. C. R. D.