
LAND & LIBERTY

Published by the Land & Liberty Press, Ltd., for the Proprietors, the United Committee for the Taxation of Land Values, Ltd.

Fifty-ninth Year.

Established June, 1894.

By Post 10s. per annum.

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DECEMBER, 1952.

THE INSTINCT TO SAVE —VIRTUE UNREWARDED

The present Government, like its predecessor, exhorts the people to save. Sometimes the propaganda recommends saving as an abstract virtue, on other occasions as a means to personal profit. This has the false ring of the obsolete religious injunction to be "good" in order to go to heaven. And all the official propaganda to save, of Conservative, Socialist and Communist governments alike, leads up to the appeal to lend money to the State. But the social consequences of saving, and the growing reluctance to do so are so serious that the discussion cannot be dismissed as a mere incident of propaganda.

It is useful to review an earlier "savings movement" which started at the end of the eighteenth century and of which Jeremy Bentham was the most distinguished advocate. Bentham is known as the great protagonist of the view that the happiest social condition can be secured only by giving free play to enlightened self-interest, and the principal duty of the State is to cease interfering in private affairs; the only effective way in which one normal person can help another being to advise him without compulsion how to help himself. In accordance with this view, Bentham suggested that the labouring classes should place their savings in "frugality banks" and the suggestion met with such response that generous persons of ability gave financial and personal services *gratis* for the purpose. By 1817 the number of these banks had become considerable enough to warrant the appointment of public trustees as a safeguard against fraud. By 1841 three per cent of the nation held investments in trustee savings banks and the value of deposits amounted to 18s. 4d. per head of the total population. England was then on the threshold of the economic revolution that swept away almost all the tariffs and internal restrictions which governments had considered necessary for the protection of trade and maintenance of employment. In the light of the economic teaching and practice which prevail to-day this should have entailed such consequences that few, if any, would have anything left to save. But by 1861 the proportion of savings bank investors had doubled and the total deposits had risen to 28s. 9d. per head of population. In that year Gladstone set up the Post Office Savings Bank which offered more favourable terms to small investors—and he continued to remove tariffs and other interferences with trade.

By 1881 the proportion of investors in Post Office and trustee savings banks had again doubled and the deposits equalled 45s. 7d. per head of the growing population. Similar progress continued up to the end of the century and generally up to the present period of reversion to the belief that State control and direction is good for people notwithstanding that it entails heavy taxation.

Experience therefore vindicates Bentham's view. It shows, moreover, that the instinct to save and become independent is remarkably strong even under the one great handicap existing all through this period, to which we refer later in this article. Governments never found it necessary to urge people to save until they themselves checked earnings by placing restrictions on production and exchange, instituted a capital levy in the form of income tax and by inflation ensured that all money not immediately spent would decline in value.

A pamphlet issued recently by the French *Association de la Libre Entreprise* gives some interesting facts on the course and results of saving. This points out that despite the discredit attending the word "capital" it is in fact the possession and use of capital, meaning the equipment for production, that determines the standard of life. When in the United States there are 25 tractors per thousand hectares against France's 7, 8.1 horse power of mechanical energy per person against France's 2.4, and 158 machines of average age 6 years per thousand factory workers against France's 85 of average age 25 years, there is nothing magical about the difference in standard of life between the two countries. But the only way in which this capital has been produced is by millions of individuals in the past setting aside some part of their earnings and exchanging it for mining machinery, steamships, railways, electric power stations and a myriad other forms of wealth to produce further wealth. By such means in France, between 1840 and 1930, 100 locomotives became 20,500, 9 thousand tons of steam shipping became 1,831 thousand and the average value of one hour's work, measured in terms of corn, multiplied more than four times.

But, since 1913 and especially since 1938, a change has become manifest in the march of material progress. Between 1913 and 1951 the cost of government, for every French family, has risen, in francs adjusted to present values, from 70,200 to 220,700. Since 1938 the currency has been depreciated to a twenty-fifth of its former value, so that a worker who lent in 1938 the value in francs of an hour's work would now receive back the value of only 2½ minutes. As a result the French people, instead of investing in private capital to be taxed away, or in paper money to be inflated away, have tended either to spend all their wages as soon as possible or bury them in the ground in the form of real money, *i.e.*, gold, where the tax collector cannot find them. The meagre surplus goes to the State rather than to private industry, its milch cow. Of 540 milliards of francs (1951 value) invested in 1913, 430 went to industry and 110 to the State; of the 168 milliards invested in 1951, 61 went to industry and 107 to the State. Although corporate industry, through price rings, can force the consumer by high prices to defray the cost of maintaining its equipment, the tendency is for the

French State to become the universal capitalist dominating a proletariat race.

The pamphlet appeals to its readers to forget the slogans and catchwords which divide the nation, and instead to recognise the realities which face them. By drastically reducing State expenditure and interference, production can be increased and the penalties upon saving can be removed. The gold lying idle in the ground will then be brought into circulation and be transformed into the capital industry so badly needs. France can become the home of a great middle class in which every citizen in addition to his wages or salary will receive interest on the capital he has himself produced and invested.

This is a fine ideal. But the pamphlet does not explain some aspects of saving which might strike a visitor from Mars, although to Frenchmen (or Englishmen) the anomalies are so familiar they are usually regarded as normal. Seeing that it is the workers alone who produce savings, the Martian might ask, why has it ever been necessary to provide special facilities for the worker to save, and not for the non-worker who, presumably, must be infinitely more in need of assistance? And, as it is the workers only who make capital, why should the very name of their own handiwork have become suspect among them?

If the Martian followed this by asking if by any chance our society provided any method of saving without working the answers to the foregoing questions would be obvious. All producers need space on the earth's surface, and all their products are ultimately derived from the earth. Therefore space acquires value for men, and this value progressively appreciates on advantageous situations where men congregate. If one man can somehow monopolise this space he is in a position to present producers (including owners of capital) with the alternative of either paying him

the value of the site, or ceasing production. Our Western society does in fact endow landowners with this power. Hence a landowner can acquire capital so much more easily than those who produce it that his identity is merged into that of the "capitalist" to such a degree that the worker fails to distinguish land, the natural element, from capital which he himself produces; and this confusion leads him to seek relief for his privations by political pressure through taxes and restrictions rather than by heroic efforts to save and invest. If low taxation were all that was needed to spread justly the possession of capital it would have been incomparably more evenly distributed during the nineteenth century, and have remained so.

When a society develops from early stages with a fundamental defect, the removal of the defect will enable a host of secondary weaknesses to be corrected. To reform our system of land tenure would enable us to abolish bad taxation and all its pernicious effects. The first step is to oblige landowners to pay annually into the public treasury the rent of the land they occupy, the value which the community itself is continually producing. This checks at its source the means by which non-producers acquire capital. At the same time it makes possible a sweeping reduction in all the present taxes which bear upon producers and, in addition to private rent, prevent them from saving and acquiring capital. With the phenomenal appreciation in the value of wages and salaries the worker-capitalist would become the rule not the exception and such citizens would speedily repudiate State tutelage with all its army of parasites upon the community of workers. Capital itself would become more abundant and more efficient to a degree it seems almost extravagant to contemplate. This only is the society in which enterprise is truly free.

F. D. P.