

## A FABIAN OUTLOOK

## "THE PREVENTION OF GENERAL UNEMPLOYMENT"

some industries may prefer tariffs to licensing, and in any case certain tariffs may have to be continued for revenue purposes." This is to say that certain industrialists are now emboldened to demand not merely a partial embargo upon trade and competition by means of tariffs but an absolute embargo by means of quotas. The control of our commercial policy is to be handed over to "industry," that is to say, to those industrialists who are rich enough and strong enough to enforce their views upon the government. The rest are to be squeezed to the wall and exploited for the benefit of the few.

All this is wrapped up in the most plausible professions of regard for the general good, for the interest of labour, and the protection of the standards of living of the workers. The prevalent belief in the virtues of control and planning is skilfully used for the purpose of putting trade in a straight-jacket, and imposing upon the country a fascist and totalitarian economic system such as we have with enormous effort and sacrifice been fighting for four and half years to resist. Those who believe in freedom must be constantly on their guard to see that in the moment of victory it is not filched from them.

This country should revert to the policy of free trade and follow it unswervingly, no matter what other countries may do. Free trade benefits the country which practises it, even if others do not. It would certainly be most beneficial to all if all practised it. But it would certainly be a mistake to postulate that a return to free trade must depend upon other countries agreeing to do likewise.

A complete freedom of trade would involve the abolition of all taxes levied upon the import or export or sale or purchase of any commodity. The revenue required should be got by land value taxation. Thus monopoly, whether based upon protective tariffs or upon land monopoly, would be attacked at its root. Trade and production would be both free and equal.

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UNDER THIS title the Fabian Society has published evidence submitted to Sir William Beveridge in connection with his unofficial investigation into the problem of unemployment. Like all Fabian publications it is prefaced by a statement that the opinions expressed are those of individuals and not of the Society collectively. However, it deserves some attention as expressing the typical views of many who believe that the problem of unemployment is primarily a monetary one.

The pamphlet commences by stating a series of propositions which it claims to be generally accepted. One is that "no student of the elementary economic history of the last 20 years could dispute the proposition that the immediate cause of general unemployment is a decline in total monetary expenditure." But is this proposition true? Would it not be as correct to assert that general unemployment is the cause of a decline in general monetary expenditure, and not the effect? Which of these statements is true is not to be demonstrated by economic history but by economic reasoning—which is so woefully lacking in all such discussions.

Even if it were true that the proximate cause of general unemployment is decline in total monetary expenditure, it would still be necessary to ask what are the causes of decline in total monetary expenditure. That question does not seem to have occurred to this Fabian group, but it is surely of first-rate importance and deserving of an answer. Or is it asserted that decline in total monetary expenditure causes itself, and is both cause and effect?

Basing themselves upon the proposition that decline in general monetary expenditure is the cause of unemployment, the authors of this pamphlet proceed to the next stage. This is that general unemployment can be prevented by increasing general monetary expenditure. "If more money is provided to persons in their private capacity, who do not normally save large sums, even at the margin of their income, the problem of spending is solved." How is this to be done? Very simply according to these writers. "The Chancellor of the Exchequer, as soon as he is satisfied that a serious contraction in monetary outlay has begun, should order a reduction (no doubt on a 'progressive' scale) of the amounts to be collected at source on account of liability to income tax. He should then finance the deficit thus deliberately created in his Budget, by 'inflationary' borrowing from the Banks."

All this seems delightfully simple. Why has no one ever thought of it before? But indeed it has been thought of before. There have always been those who have thought on these lines. These were in essence the arguments by which John Law prevailed upon the Regent of France to support his Missis-

siippi scheme. The only difference is that in those days the operation was performed by issuing bank notes, and nowadays it is proposed to effect it by creating bank credits. But the essence of the two things is the same. These gentlemen who think they can interpret so simply the economic history of the last twenty years would be well advised to study more economic history.

The fallacy involved is one of the most common in economic affairs. If one individual is given more money, he of course becomes relatively better off. If one individual is given the advantage of a protective tariff, he also of course becomes better off. But how? At the concealed expense of his fellow citizens. If more money be given to all individuals, or if all could be given tariffs protection, none of them would be any better off. In practice, of course, neither of these things is possible. Some get more advantage and some get less, and these devices are in the end merely means by which some are made poorer and some richer at the expense of their fellows. The total amount of wealth available to them is not increased, but it is shared differently. Nay, in both cases the ultimate result may easily be that the total wealth of the community is diminished, because these devices upset the structure of production and tend to divert labour and capital from more productive to less productive fields of effort. Moreover, in the shift of wealth which takes place it is as a rule the poorest who suffer, and those who are best off gain at their expense.

Proposals of the kind made in this pamphlet may be made to wear an attractive and simple appearance, but the simplicity does not arise from a firm base in the first principles of economics. It arises from paying attention only to symptoms, and from failure to look for causes. It is the simplicity of the simpleton and not of the scientist. What the economic history of the last twenty years does teach us is that to attempt to suppress the symptoms of economic disorder without eliminating the causes leads to increase of the disorder and not to its cure.

An "expansionist" policy, as it is called, is simply a policy of decreasing the purchasing power of money and of raising prices. When such a policy is begun, or even threatened, a number of people seek to get rid of their money and buy something in exchange for it which will go up in value. Above all, they seek to purchase land, not for use, but to hold it for a higher price. Thus one result of an expansionist policy may easily be to cause more land to be held out of use, and to stop production at its very source. In that event this policy, designed to cure unemployment, would in fact create it. But those who advocate such plans seem to forget that there is such a thing as land or that it is the pre-requisite of all production.