



LAND & LIBERTY

Published by THE UNITED COMMITTEE FOR THE
TAXATION OF LAND VALUES, LTD.

Thirty-seventh Year. Established June, 1894.
3d. Monthly. By Post 4s. per annum.

United States and Canada, 1 Dollar.

Editorial Offices:

11, TOTHILL STREET, LONDON, S.W.1.

All communications to be addressed to the Editor.

Telegrams: "Eulav, Parl., London." Telephone: Victoria 7323.

Postage on this issue is One Penny.

THE PRIMARY CAUSE OF INDUSTRIAL DEPRESSION

A consideration of the manner in which the speculative advance in land values cuts down the earnings of labour and capital and checks production, leads, I think, irresistibly to the conclusion that this is the main cause of those periodical industrial depressions to which every civilized country, and all civilized countries together, seem increasingly liable.

I do not mean to say that there are not other proximate causes. The growing complexity and interdependence of the machinery of production, which makes each shock or stoppage propagate itself through a widening circle; the essential defect of currencies which contract when most needed, and the tremendous alternations in volume that occur in the simpler forms of commercial credit, which, to a much greater extent than currency in any form, constitute the medium or flux of exchanges; the protective tariffs which present artificial barriers to the interplay of productive forces, and other similar causes, undoubtedly bear important part in producing and continuing what are called hard times. But, both from the consideration of principles and the observation of phenomena, it is clear that the great initiatory cause is to be looked for in the speculative advance of land values.

Given a progressive community, in which population is increasing and one improvement succeeds another, and land must constantly increase in value. This steady increase naturally leads to speculation in which future increase is anticipated, and land values are carried beyond the point at which, under the existing conditions of production, their accustomed returns would be left to labour and capital. Production, therefore, begins to stop. Not that there is necessarily, or even probably, an absolute diminution in production; but that there is what in a progressive community would be equivalent to an absolute diminution of production in a

stationary community—a failure in production to increase proportionately, owing to the failure of new increments of labour and capital to find employment at the accustomed rates.

This stoppage of production at some points must necessarily show itself at other points of the industrial network, in a cessation of demand, which would again check production there, and thus, the paralysis would communicate itself through all the interlacings of industry and commerce, producing everywhere a partial disjuncting of production and exchange, and resulting in the phenomena that seem to show over-production or over-consumption, according to the standpoint from which they are viewed.

The period of depression thus ensuing would continue until (1) the speculative advance in rents had been lost; or (2) the increase in the efficiency of labour owing to the growth of population, and the progress of improvement, had enabled the normal rent line to overtake the speculative rent line; or (3) labour and capital had become reconciled to engaging in production for smaller returns. Or most probably, all three of these causes would co-operate to produce a new equilibrium, at which all the forces of production would again engage, and a season of activity ensue; whereupon rent would begin to advance again, a speculative advance again take place, production be again checked, and the same round be gone over.

These seasons of depression are always preceded by seasons of activity and speculation, and on all hands the connection between the two is admitted—the depression being looked upon as the reaction from the speculation, as the headache of the morning is the reaction from the debauch of the night. But as to the manner in which the depression results from the speculation, there are two classes or schools of opinion, as the attempts made on both sides of the Atlantic to account for the present industrial depression will show.

One school says that the speculation produced the depression by causing over-production, and points to the warehouses filled with goods that cannot be sold at remunerative prices, to mills closed or working on half-time, to mines shut down and steamers laid up, to money lying idly in bank vaults, and workmen compelled to idleness and privation. They point to these facts as showing that the production has exceeded the demand for consumption, and they point, moreover, to the fact that when government during war enters the field as an enormous consumer, brisk times prevail, as in the United States during the civil war and in England during the Napoleonic struggle.

The other school says that the speculation has produced the depression by leading to over-consumption, and points to full warehouses, rusting steamers, closed mills, and idle workmen as evidences of a cessation of effective demand, which, they say, evidently results from the fact that people, made extravagant by a fictitious prosperity, have lived beyond their means, and are now obliged to retrench—that is, to consume less wealth. They point, moreover, to the enormous consumption of wealth by wars, by the building of unremunerative rail-

ways, by loans to bankrupt governments, etc., as extravagances which, though not felt at the time, just as the spendthrift does not at the moment feel the impairment of his fortune, must now be made up by a season of reduced consumption.

Now, each of these theories evidently expresses one side or phase of a general truth, but each of them evidently fails to comprehend the full truth. As an explanation of the phenomena, each is equally and utterly preposterous.

For while the great masses of men want more wealth than they can get, and while they are willing to give for it that which is the basis and raw material of wealth—their labour—how can there be over-production? And while the machinery of production wastes and producers are condemned to unwilling idleness, how can there be over-consumption?

When, with the desire to consume more, there co-exist the ability and willingness to produce more, industrial and commercial paralysis cannot be charged either to over-production or to over-consumption. Manifestly, the trouble is that production and consumption cannot meet and satisfy each other.

How does this inability arise? It is evidently and by common consent the result of speculation. But of speculation in what?

Certainly not of speculation in things which are the products of labour—in agricultural or mineral productions, or manufactured goods, for the effect of speculation in such things, as is well shown in current treatises that spare me the necessity of illustration, is simply to equalize supply and demand, and to steady the interplay of production and consumption by an action analogous to that of a fly-wheel in a machine.

Therefore, if speculation be the cause of these industrial depressions, it must be speculation in things not the production of labour, but yet necessary to the exertion of labour in the production of wealth—of things of fixed quantity; that is to say, it must be speculation in land.

All trade, let it be remembered, is the exchange of commodities for commodities, and hence the cessation of demand for some commodities, which marks the depression of trade, is really a cessation in the supply of other commodities. That dealers find their sales declining and manufacturers find orders falling off, while the things which they have to sell, or stand ready to make, are things for which there is yet a widespread desire, simply shows that the supply of other things, which in the course of trade would be given for them has declined. In common parlance we say that "buyers have no money," or that "money is becoming scarce," but in talking in this way we ignore the fact that money is but the medium of exchange. What the would-be buyers really lack is not money, but commodities which they can turn into money—what is really becoming scarcer, is produce of some sort. The diminution of the effective demand of consumers is therefore but a result of the diminution of production.

This is seen very clearly by storekeepers in a manufacturing town when the mills are shut down

and operatives thrown out of work. It is the cessation of production which deprives the operatives of means to make the purchases they desire, and thus leaves the storekeeper with what, in view of the lessened demand, is a superabundant stock, and forces him to discharge some of his clerks and otherwise reduce his demands. And the cessation of demand (I am speaking, of course, of general cases and not of any alteration in relative demand from such causes as change of fashion), which has left the manufacturer with superabundant stock and compelled him to discharge his hands, must arise in the same way. Somewhere (it may be at the other end of the world) a check in production has produced a check in the demand for consumption. That demand is lessened without want being satisfied, shows that production is somewhere checked.

People want the things the manufacturer makes as much as ever, just as the operatives want the things the storekeeper has to sell. But they do not have as much to give for them. Production has somewhere been checked, and this reduction in the supply of some things has shown itself in cessation of demand for others, the check propagating itself through the whole framework of industry and exchange. Now, the industrial pyramid manifestly rests on the land. The primary and fundamental occupations, which create a demand for all others, are evidently those which extract wealth from nature, and, hence, if we trace from one exchange point to another, and from one occupation to another, this check to production, which shows itself in decreased purchasing power, we must ultimately find it in some obstacle which checks labour in expending itself on land. And that obstacle, it is clear, is the speculative advance in rent, or the value of land, which produces the same effects as (in fact, it is) a lock-out of labour and capital by landowners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point, cessation of supply becoming failure of demand, until, so to speak, the whole machine is thrown out of gear, and the spectacle is everywhere presented of labour going to waste while labourers suffer from want.

We talk about the "want of work," but, evidently, it is not work that is short while want continues; evidently, the supply of labour cannot be too great, nor the demand for labour too small, when people suffer for the lack of things that labour produces. The real trouble must be that supply is somehow prevented from satisfying demand, that somewhere there is an obstacle which prevents labour from producing the things that labourers want.

Take the case of any one of these vast masses of unemployed men, to whom, though he never heard of Malthus, it to-day seems that there are too many people in the world. In his own wants, in the needs of his anxious wife, in the demands of his half cared for, perhaps even hungry and shivering children, there is demand enough for labour, Heaven knows! In his own willing hands is the supply. Put him on a solitary island, and though cut off from all the enormous advantages which the co-operation, com-

bination, and machinery of a civilized community give to the productive powers of man, yet his two hands can fill the mouths and keep warm the backs that depend upon them. Yet where productive power is at its highest development, he cannot. Why? Is it not because in the one case he has access to the material and forces of nature, and in the other this access is denied?

The proximate cause of enforced idleness with one set of men may be the cessation of demand on the part of other men for the particular things they produce, but trace this cause from point to point, from occupation to occupation, and you will find that enforced idleness in one trade is caused by enforced idleness in another, and that the paralysis which produces dullness in all trades cannot be said to spring from too great a supply of labour or too small a demand for labour, but must proceed from the fact that supply cannot meet demand by producing the things which satisfy want and are the object of labour.

That the main cause and general course of the recurring paroxysms of industrial depression, which are becoming so marked a feature of modern social life, are thus explained, is, I think, clear. And let the reader remember that it is only the main causes and general courses of such phenomena that we are seeking to trace, or that, in fact, it is possible to trace with any exactness. Political economy can only deal, and has only need to deal, with general tendencies. The derivative forces are so multiform, the actions and reactions are so various, that the exact character of the phenomena cannot be predicted.

The manner in which the sufficient cause to which I have traced them explains the main features of these industrial depressions, is in striking contrast with the contradictory and self-contradictory attempts which have been made to explain them on the current theories of the distribution of wealth. That a speculative advance in rent or land values invariably precedes each of these seasons of industrial depression is everywhere clear. That they bear to each other the relation of cause and effect, is obvious to whoever considers the necessary relation between land and labour.—HENRY GEORGE in *Progress and Poverty*, Book V, Chap. 1.

Progress and Poverty

By HENRY GEORGE

(Fifty-first Anniversary)

New Popular Edition, 1s. net

The Condition of Labour

By HENRY GEORGE

Cloth Bound, 1s. net

Gems from Henry George

Selected and Arranged by Rev. A. C. AUCHMUTY

Paper Covers, 6d. net. Cloth, 1s.

Published by the

Henry George Foundation of Great Britain,
11, Tothill Street, London, S.W.1

SOUTH AUSTRALIA

Mr. E. J. Craigie's Maiden Speech

Mr E. J. Craigie, M.P., delivered his maiden speech in the Parliament of South Australia on 10th June. It was a long and masterly exposition of the policy for which he stands. The House showed a keen interest in the performance, and the speaker was subjected to a long stream of opposing and friendly interruptions. He explained each point as it was raised, and by the end of his speech his fellow-members had received a valuable lesson on the principles of economic freedom. It is quite impossible by means of quotation to convey the power and cogency of Mr Craigie's address. Those who heard him speak at the Edinburgh International Conference last year will understand how his ability for marshalling facts, figures and arguments has brought him an early success in his Parliamentary career. We quote:—

"The object of employment on the part of every individual is to satisfy his needs in the way of food, clothing and shelter. If we study this particular subject we will find that all the things we are in need of in the way of food, clothing and shelter can only be obtained from the land. We have in Australia an abundance of land. We also have an abundance of labour; and yet we are faced with the fact that while on the one hand we have idle lands, on the other we have idle hands.

"To solve the problem of unemployment we have to bring the idle lands and the idle hands together, and there is only one way by which that can be done. That is by calling upon every individual who is in possession of any portion of the world's surface to pay the rental value of that land into the public treasury. We have over £95,000,000 worth of unimproved values in the State to draw upon.

"When I am urging taxation on the unimproved value of land as a means of raising revenue, I am not suggesting that it shall be imposed as an additional tax, but as a tax in lieu of the taxes levied on industry at present put forward at this juncture as a means of forcing into use land which is now held for speculative purposes as being the only practical solution of the unemployed problem."

THE COMMISSIONER OF PUBLIC WORKS: "We will go a long way with you."

Mr. CRAIGIE: "I am pleased to have that assurance. I hope the Government will realize the responsibilities of their position, that the old measures which have been tried for many years have failed miserably, and that some new idea will have to be put before the public if we are going to get any real social reform."

NEW ZEALAND

M. J. S. writes:

The New Zealand *Budget* in a message from Christchurch, May 1930, reports that "a vigorous protest against further increase of motor taxation was made at a conference of the North and South Island Motor Unions. The Chairman (Mr A. E. Ansell) said the proposed increase of the petrol tax to 11d. a gallon would increase the revenue to £2,600,000. The proposal that one million of this should go to main highways and the remainder to extinguish the hospital levy was obviously unfair. To say that a man who owned land adjacent to a highway should pay nothing for the road was absurd, because the value of land increased with improvement in the type of road. Motorists must be prepared to fight resolutely against any imposition of unfair taxation."