

CAN COMMON OPINION SUPPORT INDIVIDUAL LIBERTY?

ALL OF US are concerned with what kind of settlement emerges from this war, and those who believe human progress and happiness to consist in the voluntary progress of human beings are especially concerned that it should hold some hope of individual freedom. In concentrating on the terms of settlement, however, we must not forget, as perhaps President Wilson forgot, that even more important than the peace treaty is the opinion of the masses on whose support it must depend, and that this common opinion is to be found neither in those popular declarations of good intentions which all applaud nor in the views current among those most actively interested in international conferences. Perhaps habitual writers and speakers on foreign affairs are as a class more prone than most to overlook the fact that common opinion is formed not by abstractions but by those daily hopes and fears regarding material interests which the circumstances of average men and women oblige them to consider of prime importance. The hope for liberty lies in somehow persuading the masses that on the whole self-reliance is more to their interest than reliance on others, and is a better guarantee of security.

Material Needs and Social Belief

We must face the fact that millions who vaguely profess liberty believe it to be no longer possible, and that this belief has been built on economic considerations. The conception had long been cultivated of trade as a kind of warfare in which men could maintain themselves in prosperous employment only by protecting themselves against the cheap goods their neighbours desired to supply. The obvious "remedy" of import duties promoted private rings able to absorb many small businesses, but it did not involve entire state regulation of industry. When it could no longer be concealed that results were disappointing no big organization was interested in demonstrating the original error, and the masses were prepared for the suggestion that too little and not too much restriction was the trouble. The free attempts of individuals to supply the public with cheaper goods were considered a public danger and that they should make any profit in so doing now smacks of crime. It is certainly punished by heavy fine and treated as suspect by ecclesiastical authority. Thus the average man, trapped between the domination of Big Business and the fear of unemployment, and taught that this is economic liberty, is led to assume that God has so made the world that the liberty of each man to produce and exchange goods and services must involve exploitation of nation by nation, and class by class. From this position it is natural to drift into the habit of assuming that all personal difficulty can be transferred to the State which has already relieved the citizen of so much responsibility as an individual and as a parent, and seems to possess unlimited resources. This lowered sense of personal responsibility has been reflected in those standards which were so noticeable during the "Long Week End" between the wars, and the experience of

this war, with the State providing work for all and apparently fixing wages and prices at will, must have accelerated the tendency.

The Economic Education which Counts

Nevertheless the sturdy common sense of many ordinary folk persists. They refuse to accept this easy panacea with its assumption of bureaucratic omniscience. But there is little in the present organization of opinion to provide that healthy cynicism with an alternative explanation and basis for action. As it is no part of the voter's obligation to show the slightest knowledge of political economy the average citizen relies for such education on his newspaper. Newspaper proprietors competing with their rivals in the matter of advertisement revenue are obliged to provide those ideas which can be absorbed with the least exertion—inevitably the superficial ideas conforming to current opinion. It is constantly overlooked that modern opinion is formed less by personal discussion than by the reading of newspapers, and that there is this essential difference: a reader is under no compulsion to hear any other side than that which pleases him. Books depend for their sales upon similar conditions as newspapers as well as upon newspapers themselves; politicians and economic publicists, even the intelligentsia which writes for money depend upon the main trends of thought which all newspapers combine to produce, and it is to the advantage of none to give prominence to any evidence which conflicts with the general trend.

A Mere Return to Past Conditions?

The Individualist Bookshop, with its pamphlets vindicating individual development in all spheres is a valuable corrective to that defeatism which seems to have tempted even the middle classes to abandon the difficult path of personal responsibility. In the latest of these pamphlets, *Hard Times Ahead?* Sir Ernest Benn suggests that the awakening from present economic illusions will come at the end of the war when with no assets overseas we must pay in goods or services for the foodstuffs which we must import to feed our people, and when the government can no longer rely upon borrowing and present levels of taxation to maintain artificial prices and wages.

There is historical precedent for this anticipation. The hardships of the people and the financial difficulties of the government after 1815 undoubtedly stimulated that widespread interest in political economy among the electorate which led to Free Trade and industrial supremacy. But the analogy must not be pressed too far. In the 'thirties and 'forties of last century Free Trade was a novelty, and political power was in the hands of voters better instructed than the masses grown up under the shadow of the depression of 1931 and taught by vast organs of propaganda that it was at least aggravated by Free Trade. To convince such men that a mere return to past conditions, a mere rejection of State assistance, will cure their troubles is an impossible task.

However demoralizing State charity may

be, however mistaken as a cure, the masses simply could not live without it. Unfortunately the Bookshop pamphlets leave one with the impression that this is the argument for Individualism. Furthermore, one is conscious of a one-sided presentation of the case for personal responsibility when little or nothing is said of the injury to character when men have to depend on other men and not on the State. Those peoples have fallen first to State monopoly where personal monopoly was most pronounced.

The Question Dominating All Others

The factory worker is likely to suspect some ulterior motive in a philosophy which seems to ask him to reject doles and yet which offers no answer to that question always latent in the mind of any working man who ever gives a thought to public affairs, and which every advocate of violent measures is always flashing before his eyes: the enigma that with wealth-creating power undreamt of by previous generations, the great mass of men are condemned with ever-increasing force to spend their lives in drudgery and in dependence upon the state, while others who do not drudge enjoy wealth, leisure and independence. This question, and the illusions which it evokes, have stirred men to violent action long before what is called Socialism became fashionable. The experts who recently ordered potatoes and coffee to be destroyed in the interests of prosperity and employment had their counterparts in the mobs who destroyed machinery in Chartist riots. Among the comfortably-off the question is often shelved as if it had been solved by various forms of "social service." But it is not shelved in the factories where to-day bitterness is concentrated to a degree perhaps unappreciated. It keeps open the opportunity for the demagogue, the party of violence, the incipient dictator. We doubt if mere negative argument has ever moved masses of men; it has certainly never inspired them to any great awakening of the human spirit such as we now require. That enlightened leaders of middle-class thought should put faith in such argument augurs dangerous underestimation of the feeling which surges behind the restrictions necessarily imposed by the war.

The Solutions Ignored

Yet this fundamental question of the maldistribution of wealth has been examined and solved in principle by economists and reformers ever since political economy has been studied. It has been said that primitive man is the best political economist. If he were cut off from the land on which he depends he too would suffer from poverty and unemployment; but he would see cause and effect where economic processes are simple and would not need to embody his bitterness in ideologies. In this matter, however, civilized men are, in Turgot's phrase "The dupes of their own handiwork." They fail to see that land is the necessity of all men without exception, so that in any society where the mass of men must pay rent to a few for the use of land full self-reliance, true individualism,

is impossible. Those who produce, whether by their capital or labour, must be dependent on those able to cut them off from the land which is the source of all production. In any such society individual development must be warped and class hatred engendered.

Max Hirsch in *Democracy versus Socialism*, published in 1901, examined and answered this question in masterly fashion, applying to his time the principles of Henry George's *Progress and Poverty*, a classic which no serious student of social thought could possibly miss. Both these works pointed to a supremely practical remedy which dispossesses no landholder, nationalises no man's capital, which makes self-reliance possible for every producer, whether he produce by capital or labour. The omission of any

reference to this remedy in the pamphlets of the Individualist Bookshop creates some uneasiness.

Obstacles to Enlightenment

Experience shows it is easier to interest the masses in this remedy of full economic liberty than in a Free Trade which limits the principle to the freedom of exchange failing to preach also the freedom of production. Perhaps this fact is realized by those who take such precautions even against attempting publicly to refute this remedy. The attempt might arouse too much interest in this claim to an equal right to our native land! Advertised as much as a popular brand of whisky the idea of land-liberty, with its guarantee of security as well as freedom, might inspire the masses to achieve this first and greatest

step in democracy's Counter Reformation. But who would pay for an advertisement which served no special interest and in fact threatened both private and public monopoly? "Everybody's business is nobody's business" in the world of propaganda as elsewhere.

The Opportunity

Nevertheless, the prevalent cynicism already provides some opportunity to extend objective discussion. Events after the war may suggest to millions that the best safeguard of a man's prosperity and security is after all to think for himself and not with the crowd. Then true individualism may be saved by a great effort of intellectual courage repudiating any hope of preserving that greatest of all monopolies which by its effects has already shaken men's faith in some of the noblest of our traditions.

ADAM SMITH'S CANONS OF TAXATION

IN A broadcast on Adam Smith and *The Wealth of Nations* (reprinted in the *Listener*, 18th June), Dr C. R. Fay paid tribute to the genius of the great political economist. It is rather strange, however, to read: "He was ahead of his age, ahead of his distant successor John Stuart Mill, in advocating the progressive taxation of the rich." This is far from an accurate description. Adam Smith says: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate." The first of these sentences does not contemplate progressive or graduated taxation; neither does the second, although it may perhaps mean that the contribution to taxation should be proportioned to the benefit which the taxpayer receives from the state. The other three of the famous canons of taxation relate more to economy and efficiency of the machinery by which taxation is collected than to the principles upon which it should be based.

Adam Smith proceeds to examine certain specific forms of taxation of which the first is taxes on the rent of land. Such a tax may be a fixed charge on the land, and this in the case of Great Britain has been to the advantage of the landlords, "rents of almost all the estates of Great Britain having, since the time when this valuation was first established been continually rising and scarce any of them having fallen." He then proceeds to consider "a tax upon the rent of land, which varies with every variation of rent." He considers that "a land tax of this kind is certainly more equal than the land tax of England" despite the fact that the expense of levying it might be somewhat greater. He goes on to point out "the discouragement which a variable land-tax of this kind might give to the improvement of land," but suggests that "this objection might, perhaps, be obviated, by allowing the landlord, before he began his improvement, to ascertain, in conjunction with the officers of revenue, the actual value of his lands, according to the equitable arbitration of a

certain number of landlords and farmers in the neighbourhood, equally chosen by both parties; and by rating him, according to this valuation for such a number of years as might be fully sufficient for his complete indemnification." Thus he adumbrates the idea of land-value taxation—the distinction between the value of the land itself and that of the improvements on it. The same point of view is present when he deals with taxes and tithes on the produce of the land which "under the appearance of perfect equality are very unequal taxes; a certain portion of the produce being, in different situations, equivalent to a very different portion of the rent."

So far Adam Smith has in mind taxes on agricultural land. When he comes to taxes on the rent of houses he says: "The rent of a house may be distinguished into two parts, of which the one may very properly be called the building-rent; the other is commonly called the ground-rent. The building-rent is the interest or profit of the capital expended in building the house. . . . Whatever part of the whole rent of a house is over and above what is sufficient to afford this reasonable profit, naturally goes to the ground-rent. . . . This surplus rent is the price which the inhabitant of the house pays for some real or supposed advantage of the situation."

He then enters into a somewhat discursive examination of the incidence of a tax on the house-rent which he considers would be borne partly by the occupier having to take cheaper accommodation and partly by the ground-landlord. In this connection he says that such a tax would fall unequally upon the inhabitants of different houses. He thinks that the rich spend a larger proportion of their income upon house-rent than the poor and that such a tax would "fall heaviest upon the rich." (Whether the facts were so in Adam Smith's day or not, they are different now.) It is in this connection that he remarks that "it is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion."

As to the ground-rent, Adam Smith says: "Ground-rents are a still more proper subject of taxation than the rent of houses. A tax upon ground-rent would not raise the rent of houses; it would fall altogether upon the owner of the ground-

rent, who acts always as a monopolist, and exacts the greatest rent which can be got for the use of his ground." And again: "Both ground-rents, and the ordinary rent of land, are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents and the ordinary rent of land, are therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them."

"Ground-rents seem, in this respect, a more proper subject of peculiar taxation, than even the ordinary rent of land. The ordinary rent of land is, in many cases, owing partly, at least, to the attention and good management of the landlord. A very heavy tax might discourage, too much, this attention and good management. Ground-rents, so far as they exceed the ordinary rent of land, are altogether owing to the good government of the sovereign, which, by protecting the industry either of the whole people or of the inhabitants of some particular place, enables them to pay so much more than its real value for the ground which they build their houses upon; or to make to its owner so much more than compensation for the loss which he might sustain by this use of it. Nothing can be more reasonable than that a fund, which owes its existence to the good government of the state, should be taxed peculiarly, or should contribute something more than the greater part of other funds, towards the support of that government."

"Though, in many different countries of Europe, taxes have been imposed upon the rent of houses, I do not know of any in which ground-rents have been considered as a separate subject of taxation. The contrivers of taxes have, probably, found some difficulty in ascertaining what part of the rent ought to be considered as ground-rent, and what part ought to be considered as building-rent. It should not, however, seem very difficult to distinguish those two parts of the rent from one another."

It will be seen that Adam Smith's reference to progressive taxation was merely an *obiter dictum*, extenuating what