

THE PROBLEM OF UNEMPLOYMENT

It is admitted by Sir William Beveridge that the chief prerequisite to any scheme of social security is that unemployment should be reduced to moderate proportions. He considers that the amount should be reduced to 8½ per cent, or an average of 1,500,000 of the working population unemployed. If this amount of idleness were equally distributed, it would be equivalent to four weeks a year; and if the average citizen could afford it, four weeks' holiday each year would be appreciated. It is the loss of four weeks' wages, which makes the prospect of four weeks of leisure so distressing. Thus the problems of unemployment and of low wages are inevitably bound together. The Beveridge Plan, as its author admits, imposes the maximum contribution which the average worker can bear. It follows, therefore, that if the amount of unemployment contemplated by it is exceeded, the plan breaks down because the contributions cannot be raised to the extent needed to meet a higher rate of unemployment.

A Memorandum on *The Problem of Unemployment* has just been issued by Lever Brothers and Unilever Ltd. This company is to be congratulated upon its public spirit and upon the objective and constructive fashion in which the subject is approached. It has not, however, been entirely successful. One reason is that there is not a really satisfactory explanation of the causes of unemployment. Describing the situation before the last war the Memorandum says: "Notwithstanding serious economic crises there was a rise in the general standard of living of the masses, and the spectacular growth of the population in industrialized countries created no permanent problem of unemployment; these countries were able to employ many times more people at many times higher wages than before their industrialization began. Government intervention in economic life was on a limited scale." Except for the remark that economic conditions were changed by the last war, there is no attempt to explain why unemployment between the two wars became so acute and prolonged. No mention is made of the large volume of evidence that one of the main causes of the deterioration in the situation was excessive government intervention.

It does not follow that all state action with regard to economic matters is either detrimental or inexpedient. But intervention in the shape of tariffs, quotas, exchange controls, bilateral trade treaties should be abandoned because of their proved noxiousness. Neither does it follow that state interference is the main cause of unemployment, for there were periods of depression and unemployment prior to 1914 when state action was at a low level.

A number of sound negative conclusions are well stated. For example, "that under-consumption is in reality a consequence of the interruption of productive activity caused by the trade cycle and therefore a symptom rather than a cause of the depression." And with regard to the common suggestion that the monetary system is responsible for depression, the Memorandum says: "The usual contention is that were the monetary system more elastic, expansion need never stop.

There is more to be said for the view that monetary systems by being too elastic, have failed to stop booms in time."

The view of the authors of this Memorandum is that "employment is irregular because of the violent changes in productive activity that characterize modern progress" and that "irregularity of capital investment is the real cause of unemployment." This is a view for which a good deal can be said. Statistical investigation appears to show that the variations in the volume of capital expenditure on new means of production is linked somehow with the trade cycle. This is not unnatural: when employment is good and earnings are high, it seems obvious that people will be able to save more money and to invest more. The real question is: why can they not go on saving and investing without detriment to employment. Or, to put it another way; is not irregularity of capital investment nothing but a symptom of some underlying cause which is responsible for the trade cycle including the variation in capital investment?

The remedy proposed is to damp down industrial expansion when it appears to be advancing towards a boom by means of credit restriction, heavier taxation and reduced government expenditure, while on the other hand if industrial activity appears to be slackening, to grant credit more freely, increase government expenditure and reduce taxation. This implies, as the authors point out, that in times of slack trade there will be a budget deficit and that the budget will be over-covered only when trade is good. The practical difficulties of deciding when these measures should be applied are obvious. Talking of the transition to peace conditions after the war the Memorandum says: "The temptation of fuller employment and quicker reconstruction will be great, but unless a wise restraint is applied the illusion that the unemployment problem is solved will in a few years have to be paid for by a major crisis." But what government will say to men who are seeking work, when work appears to be available: "You shall not work, because, if you do, you will suffer from worse conditions later on"? If the proposal could in fact be carried out, does it amount to any more than evening out the ups and downs of unemployment without affecting the total amount? If so, it is not a solution of the problem of unemployment but merely altering its incidence as between one year and another.

The Memorandum seems to be on the right lines when it draws attention to the fact that expanding industrial activity generates some force which frustrates it and leads to a depression. But what is that force? Is it not speculation aroused by the expectation of better conditions? And is not the decisive direction of that speculation to be found in rising rents and land values, with the holding of land out of use and the increase of land values to a point which makes development unprofitable? Is not this the one continuing feature which can be observed both before and after the last war? It would repay further consideration by those who are anxious to find a way out of our economic difficulties.

DEFECTS OF UTHWATT PLAN

THE FULL implications of the Uthwatt Committee's proposal for the State purchase of what are called "development rights in land" still seem not to be understood in many quarters. Members of local authorities and those interested in planning apparently consider that the main result of the proposal will be to save local authorities some or all of the cost of preserving open spaces or green belts on the outskirts of towns. This is a very narrow and imperfect view. The major purpose of the scheme is to impose a prohibition upon all development throughout the area affected, and the area affected is the whole country except the continuously built portion of existing towns.

It is true that a person who wishes to build a house or a factory in this prohibited area can apply to the proposed Central Planning Authority for permission to do so. If the Central Planning Authority agrees to the application, then it will expropriate the owner of the land and grant a lease to the person wishing to develop. If the owner objects to sell at the price offered, the matter has to go to arbitration and this may well be a protracted matter. Meanwhile the question arises whether the person applying to develop the land is to wait until this procedure is completed, and whether the rent which the Planning Authority ask him to pay will be affected by the result.

The delays and uncertainty which can arise from this procedure may easily discourage most of the development which would normally take place in the very extensive area subject to the scheme. It is this area which should supply many of the sites for relieving the congestion in the closely built area of the towns. Yet the result may be to force more of the demand for land for building into the town areas and to increase the price of land there. This is contrary to the fundamental idea of planning which is to assure more space, light and air.

The Committee say that their proposals "should not be such as to interfere unnecessarily with the economic life of the country or with individual enterprise. Planning exists for the planned, not for the planners." Planning should in fact supply a known and determinate framework within which people shall be free to act. But the proposal for acquisition of development rights does not do this. No one will know in advance in what areas development will be permitted, nor on what terms. This will only be discovered by isolated applications for permission to develop, and whether these applications are admitted or refused, it will not be clear on what principle the Planning Commission acts.

The whole scheme is cumbersome and bureaucratic. Moreover, it takes no account of the economic principles relating to land use and development. It does not help towards a reform of our system of local taxation which imposes such heavy burdens upon the use of land and relieves land which is unused. If it were applied it would indeed frustrate rating reform and make the radical solution by way of rating land values extremely difficult, if not impossible. In that respect it would tend to perpetuate the most evil feature of our present land system.