

be solved through increase in purchasing power which means increase in the earnings of the common working man. With adequate purchasing power in the hands of the people public works would quickly proceed just as all would be well fed, clothed and housed.

Therefore the test question must be: does construction of public works, financed by taxation either current or future, place additional purchasing power in the hands of the people? If our analysis is correct it does not and cannot. Public works are a necessary and desirable accompaniment of civilized society but we must not expect from them the impossible. They must be judged solely by their usefulness to the community, not by their ability to provide during construction better business or to mitigate slumps.

All of which would seem to establish the conclusion that if we wish to get to the root of the matter: to raise the wage level and increase purchasing power, we must find some other way than pouring out the taxpayers' money on public works. We must find some other way than this of financing them. And such a way lies ready awaiting us. Appropriate change in our fiscal system would attain the end in view. To-day we raise revenue by imposing taxation on the products of private industry or by burdening them with debt. The great majority of the taxes we now levy act in restraint of productive industry, penalize enterprise and raise the cost of living. The "Cure-Unemployment-through-Public Works" people should examine the workings of our fiscal machine, and inquire how far it is responsible for restricted buying power. Factories, houses, shops, businesses, are all the victims of the present punitive system. No sooner is any productive trade or undertaking embarked upon than the parties responsible become targets to be shot at and so effective is this in reducing production and raising prices that the system might well seem specially designed for those very purposes.

The pity is that there is no need to raise public revenue in this way. We are driven to it only because of refusal to avail ourselves of society's natural revenue—the economic rent of land which is due to society because it owes its existence to society and should be used to finance services (including construction of public works) from which all of us benefit alike. Were this great communal fund turned into the public treasury through adequate taxation of land values, with corresponding repeal of present repressive taxation, money would be available for public works, the raising of which would actually stimulate production and enterprise instead of obstructing them as is now the case. To raise revenue by appropriating land rent to public service does not add to cost of production as present taxation does. So far from harassing industry and enterprise the effect is powerfully to stimulate them for it presses into use at lower price all land in growing industrial areas now speculatively withheld or half used, opening out on all hands new opportunities for productive work. With penal taxation removed and natural resources set free there could be no limit to the resulting demand for labour and nothing could prevent such all-round rise in the wage level as would provide purchasing power, the want of which is the basic cause of present economic troubles.

W. R. L.

LABOUR'S AGRICULTURAL POLICY

IN A lengthy leading article the *Daily Herald* (19th January) expounds what it considers to be the proper policy to be adopted for agriculture. The objective is to make certain that "the efficient farmer is sure of a fair return, the labourer sure of a living wage, and the consumer sure of a plentiful supply of good, cheap food."

But the *Daily Herald* also postulates that we must determine "what is the minimum proportion that must be home produced for national safety." This is a requirement of a very different character, for the clear implication of it is that we must make some economic sacrifice in order that more food should be grown in this country during peace time in order to ensure that more food is grown in war time. It is impossible to support this argument by any kind of economic reasoning, and it is difficult to support it by any other reasoning. If it should prove to be impossible to keep the channels of trade open during war time, then it is clear that the population of this country would be deprived of many essential articles including many foodstuffs which are not produced in this country and many others which are not and are never likely to be produced here in sufficient volume to supply the needs of the people.

In its extreme reaction from a pacifist policy, the Labour Party runs the risk of throwing itself into the arms of the protectionists, who have always been fond of quoting Adam Smith's dictum that "defence, however, is more important than opulence." The experience of the last great war, as well as of others, has demonstrated that the reverse is true—that opulence affords the best means of procuring weapons both of defence and offence. The blockade of the Central Powers had as much to do with their downfall, as directly military measures.

Although it postulates that some minimum proportion of food must be grown at home in order to serve purposes of national defence, the *Daily Herald* has no suggestion to make as to the principles upon which that should be determined. It therefore falls back upon the convenient resource of those who have no principle to guide them: a permanent Agricultural Commission must be set up, responsible to Parliament "and charged with the job of drawing up a national agricultural plan." Here, again, the Labour Party would throw itself into the hands of the vested interests. The history of the Import Duties Advisory Committee, so lucidly sketched in a recent leading article in the *Manchester Guardian*, shows that when Parliament abdicates its functions, sectional and selfish interests inevitably prevail. There can be no such thing as scientific protectionism whether it be done by tariffs, or by import boards as the Labour Party propose, because the whole thing is uneconomic and unscientific.

The *Daily Herald* bases its policy upon the same assertion as the Government does its, that "there are not many branches of British agriculture which could withstand world competition," and that "this compels assistance even at the cost of purely economic welfare." The only difference is that the *Daily Herald* proposes to give the assistance by "paying subsidies from direct taxation." All that can be said in favour of this is that if subsidies are to be given it is better that they

should be given openly and accounted for openly in the national budget instead of being given by devious means which make the privileged interests private tax collectors on their own behalf.

Apart from that there is not a word that can be said in favour of direct subsidies any more than there is in favour of concealed subsidies. The *Daily Herald* says that its policy "puts no obstacles between the consumer and cheap food," but this is not so. It puts the obstacle of increased taxation between the consumer and cheap food. Instead of paying in higher price for the article itself, he pays in higher taxation. In mitigation it may be pleaded that not all the consumers will pay the additional taxation, but some consumers certainly will and they will pay all the more if others pay less. And if it be said that what is contemplated is heavier taxation of the rich which will redistribute wealth, the reply is that this (granted that it may be desirable in itself) has nothing to do with the policy under discussion, and in any case this taxation is required not to redistribute wealth but to distribute an economic loss caused by a false policy.

As a further argument in favour of this policy the *Daily Herald* claims that it "gives the farmer an expanding market." It can only do that if there is an expanding subsidy, and a subsidy that expands faster than the market, for the subsidy would require to be increased to a greater and greater degree in order to counteract the law of diminishing returns.

Another claim is that the subsidy "can be adjusted to give farmer and farm worker a fair income at whatever level of production is judged nationally desirable." No doubt the incomes of people engaged in any industry can be increased to any extent one pleases by subsidies raised by taxation of other industries, provided it is certain that the subsidies will remain in the hands of those for whom they are intended. Here we come up against the question of rent, and the *Daily Herald* says: "Land would have to be nationalized to prevent the benefits draining off in increased rents." A whole series of false ideas lies concealed in this short sentence. The subsidies at present paid are now being drained off in increased rents. Nationalization of land will not alter that, except that the rents will be earmarked for the benefit of the bondholders (whoever they may be) instead of for the present landlords.

If cultivation is extended to land which it is not at present economic to cultivate, the margin of cultivation will be depressed and all land above the margin will command a higher rent. If the land is nationalized this additional rent can no doubt be collected by the State, provided that its policies are not unduly influenced by the votes of farmers and other political pressure. Alternatively, and it is this that the phrases used by the *Daily Herald* seem to imply, the State can decline to collect the increased rent and leave the farmers to enjoy it. To the extent that such a policy is followed, the land will not in fact be fully nationalized but farmers will become part landowners, and the farmers will participate in increased rent in very varying degrees according as the policy of subsidies benefits different pieces of land. It is difficult to imagine anything more partial and unfair than this would be.

The *Daily Herald* also states that its policy involves

that "prices would have to be fixed by independent commissions, not by producers' monopolies" and that "distribution would have to be controlled." If prices are fixed at what the market would otherwise have fixed, then this provision is unnecessary. If they are fixed below, then the State with one hand takes away part of the subsidy it has given with the other. If they are fixed above, then an additional and concealed subsidy is given of the same nature as those which the *Daily Herald* condemns.

Control of distribution is a natural corollary of fixation of prices, for immediately prices are fixed at some level below what the market would have fixed, consumers are willing to purchase a greater quantity of goods than the market can supply them with. A system of rationing must therefore be instituted. Such are the results of abandoning economic principle.

In the case of agricultural land, as of other land, if we wish to secure the greatest production of wealth and to ensure that land becomes available at reasonable rents, we must charge the owners of land with payment of taxation based upon the market value of the land, and we must abolish the taxation which impedes production and adds to the prices of commodities.

Neither can we deal with one industry in isolation, but we must treat all alike. The expansion of the market for agricultural produce is only to be found by expanding the production of other things, not by penalizing other branches of production in order to subsidize agriculture.

RATING OF CROFTERS' HOUSES

THE VALUATION Appeal Court sitting in Edinburgh on 12th January decided against the crofters a number of cases in which it was contended that the houses on the crofts should not be included in the valuation for rating, but should enjoy the exemption from rating of improvements made by the tenants conferred by the Crofters Acts and the Small Landholders (Scotland) Acts. It was also claimed that these holdings should enjoy the benefit of derating conferred on agricultural lands generally by recent legislation. It appeared that in the particular cases under appeal the occupiers of the crofts gained their living by fishing and other occupations not of an agricultural character.

It is extremely important that the fundamental principle intended to be embodied in the Crofters Acts should be re-established namely that improvements should be exempted from rating. In view of the decisions which have now been given and of the other changes which have taken place in the law of rating owing to the complete de-rating of agricultural land and the partial de-rating of factories, it is clear that the question must be approached from a new point. The crofters and smallholders must make common cause with all land users in advocating that in every case the rates should be based on the value of the land alone and the value of the buildings and improvements be excluded from the valuations. In no other way can the rating system be placed on a sound footing, and it is only by combined effort that a sufficient body of public opinion can be brought to bear to secure the necessary reforms.