

## "FULL EMPLOYMENT"

UNDER THIS title *The Economist* has reprinted in pamphlet form a series of articles and letters which have recently appeared in its columns. Whether we agree with the conclusions arrived at we may readily agree upon the importance of the topic. It is true "that the mass of people in every country rate full employment, and the security it brings, higher than almost any other political object. If liberal democracy is not compatible with full employment, then it is liberal democracy that will go; and plans for the future will have to be laid on the assumption that the principles of Fascism (or conceivably of authoritarian Communism) will win the peace, whoever wins the war."

The first question is whether it is possible to ensure full employment for all those who are willing to work. To this *The Economist* replies that the war has given additional and emphatic proof that it is possible, but "it has always been known that full employment could be had at a price. What has once more been proved in the last three years is that it can always be had at the price of war. But can it be had more cheaply?"

It is, however, a somewhat misleading metaphor to say that full employment has been had at the price of war. In an economic view the price that has been paid is something different. The price that has been in wages. Some people it is true are earning higher wages than in peacetime but they are paying directly and indirectly much higher taxation and many have been putting large sums into war savings which are paid out again as wages for employment. Many others, and this applies particularly to men in the armed forces, are receiving less wages than in peacetime.

In short, if you can reduce wages directly, or reduce them indirectly by taxation, you can always employ more people. That is what the authoritarian states have done, so far as their policies have created full employment. That is one meaning of the choice between guns and butter.

It is in this sense that Lord Keynes is right when in his *General Theory of Employment* he pictures the merits of pyramid building as a means of giving employment. Moreover, if the pyramids can be built by slaves the problem becomes even simpler as they need be paid nothing except food and quarters.

But why trouble to build pyramids? The Beveridge plan omits that feature entirely. It takes part of the wages of those who are employed to give to those who are unemployed and without requiring the unemployed to do any work unless their unemployment lasts a long time.

This is not the problem of unemployment and its solution as the ordinary man sees it. What he wants is the opportunity to produce something which is wanted and valuable and which will out of its value yield him a wage and not as a subtraction from the wages of someone else.

What is the cause of unemployment? According to *The Economist* virtually every serious minded economist is agreed that "a depression occurs when the community spends less money than is needed

to buy the whole of the output of which it is capable." If this means that in a depression the community does not produce the whole output of which it is capable, and as a consequence spends only the equivalent of what it does produce, then it is certainly true; but it does not give any explanation—merely restatement of the fact to be explained. A few sentences later *The Economist* puts the matter in another way. It says: "But from time to time communities do get into depressions; they do spend less than is required to buy their output." This appears to mean that they spend less than the output actually produced. The reason for this, according to *The Economist*, is that "The community is trying to save in money without saving in real terms; it is trying to enrich itself by amassing claims on itself rather by accumulating physical property of lasting value." Unfortunately no reason is given why the community should act in this irrational fashion. In any case it is not the community which saves or which invests, but individuals. What is it that these individuals do when they "save money without saving in real terms"? Do they put their money in a stocking or bury it in the garden, or do they put it into the banks, building societies, and other investments? Surely the latter. And what do the recipients of these investments do? What queer impulse would induce them to agree to pay interest for the savings they receive and then keep those savings idle instead of productive?

There is one case, and only one case of any significance, and that is in land speculation. In that case an actual physical means of production is held out of use, and production is to that extent curtailed. The reason is that where land is increasing in value it may often pay to hold it idle and sell at a profit, because the holder pays neither rates nor taxes while he keeps the land unused, neither is the appreciation in capital value subject to taxation.

Apart from this important matter, which *The Economist* does not mention, what explanation can be given for "savings being in excess of investment"?

However, let us assume that this is the explanation. It amounts to this that people save, i.e., refrain from spending money on consumption goods in order that their money may be spent on production goods, but somehow the second step does not happen. How are we to correct this? *The Economist* says that there are two ways. The one is to give people more money to spend on consumption goods, and the other is to give them, or the State, more money to spend on production goods. The first alternative would be an attempt to frustrate the object people had in view in saving, and to give people money to spend which they have not earned is a policy likely to have doleful consequences, and one which it is difficult to stop when once started. Hence *The Economist* prefers measures which will lead to an increase of investment, i.e., an increased purchase of capital goods.

The method which has been popular in the past is public works but these usually result in roads, parks, public buildings and other capital assets which are not directly productive, and as *The Economist* says, "a

man who has saved all his life cannot live on the magnificence of the local town hall or on the smooth directness of the nearest by-pass." In fact such a policy tends, as we have already seen to totalitarianism. *The Economist* therefore would prefer to see "that private investment is kept steady at a high level." In other words, in its opinion, "the main endeavour of a Full Employment policy must, therefore, be to maintain a large and steady volume of expenditure on capital goods by persons and institutions other than the Exchequer itself." But how? One method is to reduce the rate of interest (by which is here meant the rate at which money can be borrowed and not the rate of return which it will yield when it has been invested in production goods). The idea is that the greater the difference between the rate at which money can be borrowed and the rate of return which can be obtained from the capital goods for which it is then exchanged, the greater will be the inducement to embark upon new enterprises. As *The Economist* itself observes that it would be "unwise to place too much reliance" on reductions of the rate of interest we need merely say that in any case reduction in the rate of interest must reach a limit unless the State embarks upon the course of printing money without limit with consequences that are well known.

One obstacle to investment is the apprehension of risk, and the trade cycle itself is a great risk. Investment would therefore be encouraged "if the State could firmly establish its ability to prevent cyclical depressions of trade." This, however, does not provide a solution but an example of reasoning in a circle.

It is suggested that much could be done by way of taxation. The allowances made from the income tax liability of industrial companies for depreciation of plant could be increased in bad years "provided the whole amount were spent." No doubt the amount would be spent. We should all welcome a reduction in our tax liability upon consideration of spending the amount remitted. Nothing could be more popular, but would it result in any more employment? If the State needs the money, it will find what it loses in this way in some other way.

We are all in favour of readjusting the incidence of taxation and one very important question is whether taxes are so laid as to encourage or discourage production. But this is not the point with which *The Economist* is concerned, because that would lead to the conclusion that bad taxes should be reduced at all times and not merely during depressions. Moreover the depression must already have arrived before this proposal can begin to operate.

*The Economist* supposes that at the price level of 1938 the requirement for full employment was that about £1,200 millions, or about one-fifth of the gross national output, should be spent on capital goods. It is not clear, although it seems to be implied, that this state of affairs would have to continue indefinitely. Apparently there is nothing queer to the writer of these articles in the idea that we can only be fully employed and happy if we are engaged in accumulating a considerable mass of additional capital. In other words it is asserted that if we are to be fully employed a large part of our labour must of necessity

be directed to producing things which we cannot consume and the only purpose of which is to enable us to produce more at some time in the future. If this is true, it is high time that someone propounded an argument capable of demonstrating so remarkable a proposition. Meanwhile we wonder how it was that people were able to obtain full employment under conditions in which there was little capital and little annual addition to what there was.

*The Economist* admits that there are dangers in the policy it advocates. One is expansion of bank credit, inflation and monetary instability. It says that "some instability in the value of money may have to be accepted as the price of stability of employment." But what if instability of money should cause instability of employment? Is that not possible?

Another danger is that there would have to be "fairly far-reaching control over international trade and exchange." This would be "necessary to prevent a flight of capital: it would be impossible to regulate interest rates or credit policy by considerations of the balance of payments." *The Economist* adds that "depressions are worse saboteurs of international trade than any tariffs or quotas." Has it occurred to *The Economist* that tariffs and quotas are causes of depressions, and that if they have to be kept in existence in order to carry out this so-called full employment policy, they may very well cause more unemployment than they cure? *The Economist* suggests that the trouble can be avoided by the "working out of devices by which international trade can be kept under control without being restricted." We shall be interested to see the result when someone has worked out the device for reconciling the irreconcilable. Meanwhile we subscribe to Abraham Lincoln's belief that a nation cannot be half slave and half free.

Another danger admitted by *The Economist* is that these policies will lead to "economic ossification" which we may add would also lead to unemployment. In fact the plan is likely to lead either to inflation and still more violent fluctuations of employment, or else to monopoly, restriction of production and chronic unemployment.

After all what we really want is more production provided that there is equal opportunity for all to take part in it and to share in its proceeds. The production that is wanted is of the things which people need, or of things they can exchange for what they need. When *The Economist* can tell us what prevents such production from taking place, it will cease to tell us that the problem can be solved by employing people to make what they do not want.

We are indebted to Mr Harold S. Buttenheim for the October-December issue of the *Planner's Journal*, the quarterly publication of the American Institute of Planners, 1313 East 60th Street, Chicago. It carries the full text of the review in October *Land & Liberty* of the proposals of the Uthwatt Committee, and with acknowledgments. That examination of the Uthwatt proposals is printed together with the examination of the Scott Committee's proposals, on land utilization, in our pamphlet *Land in Post-War Reconstruction*, price 1d. from our offices.

## FREE SPEECH IN STIRLING

ON 17TH MARCH Mr John Peter, M.A., Falkirk, addressed the Stirling Free Speech Club on the subject of "The Economic Basis of a Just Society," the large and appreciative audience showing by the subsequent questions and discussion how interested they had been. Mr Peter said that no national society, however just, will have much chance of standing, if it is liable to be attacked by aggressive neighbours. Behind the customs house there always is the military post, and nations are always ready to blame their neighbours for their economic misfortunes. Free trade is therefore a pre-requisite of a peaceful world.

Demands for a "New Order" and talk of "Poverty amidst (potential) Plenty" are evidence that our present society is admittedly unjust. This injustice is explained in many ways; most of these, however, mistake the shadow for the substance. Though a false credit policy, for example, may produce chaos where there is now merely confusion, no credit policy can right fundamental injustice.

The basis of a just society is the recognition by all of the equal rights of others. Since life itself depends upon access to land, private property in land and in land value is a violation of the principle of equal rights. It is patently absurd for individuals to claim ownership of the material universe. The ethic of private property is that a man is entitled to possess what his labour produces directly or by exchange. Land is not a labour-product and its possession enables some to reap where they have not sown while others are compelled to sow without reaping. The most practicable method of recognizing men's equal rights in the bounty of Providence is to make land value—rent—a communal possession.

Mr Peter went on to explain the causes of land values, why they were high here and low there; the effects of taxing land values; the effects of the present system of rating and taxation; that the cost of access to land is a vital difficulty in the housing question, in regional development and in the employment problem itself. The State cannot provide opportunities to work, only the land can. All reformers and planners find themselves up against the land question yet the usual way out is to "create a fund" which means simply to take from some, merely because they have it, and spend in behalf of others. The State has no magic method of creating wealth out of nothing for taxes only transfer wealth, they do not produce it.

The nature of the discussion that followed may be judged by the questions that were put and answered, so that all could agree it was a most instructive evening—questions and contentions such as that land value taxation had been tried and had failed, an erroneous conception of the Lloyd George Budget of 1909; that "land is already taxed in this country"—a venture by a tax-collector; that subsidies are sometimes a good thing and are not necessarily absorbed in land values; that we should tax and buy, which came from an elderly gentleman who claimed that his father was one of the pioneers of the Henry George movement, who had pumped Land Value Taxation into him in

his youth, but now, much wiser than his father, he regarded the Single Tax (which had not been mentioned) as an impracticable idea; the inevitable spectre of "bloody revolution" appeared; the proposal to tax land values was unsound because nothing had yet been done about it. More fruitful ground was occupied when methods of valuation were discussed to show how, practical, after all, the proposal was. The most important point of all was that the fundamental propositions in the speech were not challenged by anyone. Books and pamphlets were provided to the members of the Club for sale and for passing on to others. Mr Peter therefore reports a "very successful outing." The meeting was brought about as one of the results of the Press publicity upon which Mr E. J. McManus, Castle Douglas, is engaged, one of the correspondents with whom he had got in touch (Mr Monteith, Stirling) asking for a speaker. The meeting had more than a column report in the *Stirling Observer*, 23rd March. The Free Speech Club is widely representative of varying political views and is attended by many prominent professional and working men and women.

## LONDON COUNTY COUNCIL

IN HIS speech introducing the Annual Estimates 1943-44 of the London County Council at its meeting on 9th March, Mr F. C. R. Douglas, M.P., the Chairman of the Finance Committee, said: "There has been during the course of the war a considerable reduction in rateable values and this may continue for some time after the close of the war and will only tend to recover itself as damaged buildings are repaired and more buildings are erected and come into occupation. Moreover, a reduction in population may mean that rateable values will at the best take a very long time to return even to the pre-war level. If this be so, the burden upon the individual ratepayer will tend to increase. The arguments which influenced the Council to seek a reform of the rating system through the rating of site values thus obtain added emphasis. It would also be of great value in post-war reconstruction if there were a uniform valuation of sites established for rating purposes, which would form a check upon the price asked for land for public purposes. It is not opportune at this moment to pursue the discussion of these problems in greater detail but I think it is well that the people of London should be made aware that they are receiving earnest consideration and that the Council is determined to take all the steps which lie within its power in order to ensure that post-war reconstruction shall proceed as speedily as possible and upon a basis which will be fair and advantageous to the people of London."

## MESSAGE FROM DENMARK

We are happy to convey to our readers a message from the friends in the Danish Henry George movement, received by Mr Austin Peake, of Cambridge, through the Red Cross agency. It gives warm greetings, speaks of active fresh interest and says "you are in our thoughts." Mr Peake has sent an answering greeting on behalf of the British movement.