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“THOUGHTS ON THE NEW WORLD”

FIELD-MARSHAL SMUTS'S address to the Empire Parliamentary Association (25th November) contained what he called “very explosive stuff.” He suggested that “we may be faced with questions so vast, so complicated, so difficult and intractable, that in the end we shall have to be satisfied with making a pretty comprehensive armistice dealing with the general military question of ending the war, and leave the rest of the problems to a long series of conferences, to a long process of working out solutions without coming to any general peace conference at all.”

The speech was remarkable not only for what it said, but for what it left out. There was no reference to economic questions except an assertion that Great Britain would be impoverished. “From a material point of view she will be a poor country. She has put in her all. This country has held nothing back. There is nothing left in the till. She has put her body and soul and everything into it to win the battle of mankind. She will have won it, but she will come out of it poor in substance.”

It is worth while to try and state precisely in what this impoverishment will consist. In the first place there is the physical destruction by enemy action of houses and other buildings and equipment, and the sinking of large numbers of ships. Some new ships have been built, but we do not know what the balance of the account is. In the second place there has been lack of repair and replacement of existing capital installations of factories, machinery and other means of production. This may in part be counter-balanced by the erection of factories and equipment for war purposes, but it would be folly to suppose that these are all fully adaptable to purposes of peacetime production. A great deal of equipment devised for producing instruments of war must be written off as of little value for other purposes. In the third place there is an exhaustion of the fertility of the soil due to unwise and intensive methods of farming which the war has forced upon us. In the fourth place, there is the forced acquisition and sale by the government of foreign assets for the purpose of obtaining foreign currency with which to purchase needed supplies abroad. These assets are now replaced by government stocks which may yield their owners something approaching the income which they had before, but that income will now come from taxes levied upon

the people of this country. This leads us to the fifth great change which will have taken place, namely, the large increase in the national debt. This is to be looked upon, not as a loss of capital (for that would involve duplicating some of the losses of productive capital already enumerated), but as a shift in the distribution of wealth. The taxes levied to pay interest upon the debt will represent a transfer of wealth from some to others.

That in broad outline is the change which has taken place in the internal economy of the country. Similar changes have taken place in the economy of other countries, most of all in the belligerent countries, but to some extent also in the neutrals, the normal functioning of whose economy has been upset by the impact of the war upon their trading relations with other countries. These changes will make it more difficult for us to obtain needed supplies of food and raw materials which we have been accustomed to import and must import if our economy is to reach its full productiveness.

The prospect is at first sight an alarming one, and it would be foolish to attempt to minimize its seriousness. On the other hand, it is equally foolish to exaggerate the problem or to mistake its true character. J. S. Mill long ago drew attention to the rapidity with which a nation can recover from the ravages of war. Henry George points out that the existing stock of wealth is not permanent, but needs constant renewal. “Some forms of wealth will last for a few hours, some for a few days, some for a few months, some for a few years; and there are very few forms of wealth that can be passed from one generation to another. Take wealth in some of its most useful and permanent forms—ships, houses, railways, machinery. Unless labour is constantly exerted in preserving and renewing them, they will almost immediately become useless. Stop labour in any community, and wealth would vanish almost as the jet of a fountain vanishes when the flow of water is shut off. Let labour again exert itself, and wealth will almost as immediately reappear. This has long been noticed where war or other calamity has swept away wealth leaving population unimpaired.” Give men free access to land, the origin of all production; and give men freedom to exchange the products of their labour for the products of others, so that each may devote

himself to the task for which he is best suited. If those two things be done, the deficiencies can soon be made good.

But what do we hear whenever these questions are discussed? Little more than the assertion that war-time controls must be continued in greater or less degree after the war. It is said that control has been so successful during the war that it must be equally necessary in the peace. Yet what are these controls? They are simply methods of organizing scarcity. Their purpose is to prevent people from having the things they want, in order that those things (or the labour that would have made them) may be used for producing war-like supplies. They have been the means of preventing us from having butter in order that we may have guns. But the peace problem is very different. People will not demand guns; there will be no need to prevent them having guns in order to force them to have butter. All that will be needed is to remove the obstacles which might prevent them from having butter. Those obstacles are broadly of two kinds: those that prevent men from producing, and those that prevent men from buying or exchanging.

It may be said that after the last war recovery was not so rapid as might have been expected. That is true, but the reason is that recovery was impeded by many unwise measures—particularly by the growth of tariff barriers and other restrictions upon exchange; while the heavy increase in national expenditure was met by heavy taxation which accentuated the privileged position of owners of natural resources and encouraged land speculation and the holding of land out of use. These and other unwise policies led to the great depression, which dragged itself out over many years because of the attempt to combat it by more restrictions. Controls over the exchanges, over imports and exports, over marketing and other economic operations were then advocated as the remedies for those troubles as earnestly as they are now advocated as the cure of our post-war troubles. But they were then, and they will now be, merely means of creating and organizing scarcity; whereas the real problem is to get rid of scarcity and provide abundance.

It may be that the peace treaties will have to wait for years, but the economic relations between the peoples of the belligerent countries cannot wait. If the world is to be rehabilitated

quickly, the economic barriers which prevent the movement of goods and services to the areas which most need them from the areas which can best supply them must be abolished. So

also must the barriers be broken down which prevent men from using the earth, the only and indispensable source of all wealth. These and these alone are the essential means of solving

the economic problem. All else is at best palliative, and more probably positively evil as perpetuating the restrictionism which has afflicted the world between the two wars.

AGRICULTURAL POLICIES — LABOUR, LIBERAL AND CONSERVATIVE

DURING LAST year the Conservative, Liberal and Labour Parties have published pamphlets on their agricultural policies.* The most remarkable feature of these statements is not in the differences between them, but in the large measure of agreement. It is true that the Tory statement disapproves of land nationalization as a principle, but agrees with the Liberal that there is a case for State acquisition of land which is being badly used, while the Labour advocates purchase by the State of all agricultural land, but seems prepared to have this carried out piecemeal. Moreover, the emphasis in the Labour statement is not upon the principle that the land is the heritage of the whole human race which no one is entitled to monopolize—a principle that would not necessarily lead to State purchase—but upon the ground simply that ownership by the State would facilitate control by the State.

It is indeed the idea of control which underlies the policy of all three parties. The object to be achieved by this control is also largely a matter of agreement. It is to raise the prices of agricultural products, although they prefer to call this "stabilization of prices," or "fair prices," or "reasonable remuneration," or "just prices."

The means to this end are also largely agreed. There are to be marketing boards, and import boards, and tariffs. The Liberals, for instance, give away the principle upon which they combatted protection for more than three generations when they say that "so long as import duties are levied upon most manufactured goods, agriculture has a claim to a corresponding degree of State assistance." The Tories say that agriculture "asks for what most other industries already possess, and what, after the war, it may safely be predicted, all will insistently demand." The Labour Party says there must be "a comprehensible system of imports control" because "it is impossible otherwise to have an industry that can provide good wages and attractive working conditions to those employed in it and be alert and progressive."

There is thus unanimity in the view that this industry cannot survive unless legal power is conferred upon it to raise the price of its products to the consumers. Nor is this conclusion modified by the suggestion that consumers will be represented upon the agencies by which the policy is to be

carried out. We all know that the consumers will be impotent, because the foundation and the framework of the policy is to set up an organization for raising prices, and it would be stultified if the consumers had an effective voice to prevent this.

We have mentioned that the Labour Party statement includes a declaration in favour of land nationalization by purchase in a piecemeal fashion from time to time as the government may determine. But this obviously is not an essential part of its agricultural policy. It is an echo of past declarations, introduced perhaps to salve the conscience of ardent nationalizers. Its only bearing upon the general line of policy is that it gives the State an additional means of subsidising agriculture by, as landlord, reducing rents—a subsidy, like all others, to be borne by the general body of taxpayers and consumers.

Now what is to be said of this formidable consensus of opinion in all parties? Does it mean that in fact a solution of the problems involved has been attained? If the question is to be settled by a counting of heads and not by logic and economic science, then there would seem to be an end of the matter—except that it does not appear that the heads of the consumers, the vast majority of our citizens, are to be counted.

Or is it the case that the real issues have been obscured and evaded under a cloud of meaningless phrases? What does the preamble to the draft international Wheat Convention mean when it talks of "national and international measures for the regulation of wheat production in both exporting and importing countries, for the orderly distribution of wheat and flour in domestic and international trade at such prices as are fair to consumers and provide a reasonable remuneration to producers, and for the maintenance of world supplies which shall at all times be ample for the needs of consumers without being so excessive as to create a world burden as unwanted surpluses"?

What is a price which is fair to consumers and provides a reasonable remuneration to producers? Where is the formula by which this is to be tested? Let those who think that they have the ability to plan not only the domestic economic affairs of their own countries, but those of the whole world as well, produce this formula. Let us see what is its essence and how it would work.

What are the needs of consumers? and what are unwanted surpluses? Can any formula be devised by which these things are to be measured and determined? If so, let it be stated. If

not, then we may fairly draw the conclusion that these plans, like many which we have seen in the inter-war period, are devices for raising prices for the benefit (so it is hoped) of producers, and that the consumer will be left bereft of the one thing which so far has protected him—free competition between producers.

The whole approach to this problem is fallacious and deceptive. Agriculture is not one single coherent whole. The industry of agriculture is made up of millions of persons, producing many diverse things under the most diverse conditions. Let us take this country as an example. During the war agricultural production has of necessity been raised to a high level, but at a very heavy cost to taxpayer and consumer. Is it intended that this industry and every unit of it should be maintained at its war-time level or at its pre-war level or what? And if at its war-time level, why should not the producers of tanks, or guns, or other things of which the production has had to be expanded, also be entitled to have their industries maintained at a war level?

The approach to the problem is fallacious because it ignores the very first principles of economic action and of rational thought about economic questions. The whole object of economic activity is an adjustment of means to ends with the object of securing for the members of society the maximum satisfaction of their needs that can be got from the resources at their disposal. One set of needs cannot be treated in isolation. The need for food has to be related to the need for clothing, house-room, leisure, amusement, education and many others. And each of these categories covers a multitude of items, for which the need varies in the most marked degree from individual to individual. To raise the price of wheat may mean curtailing the individual's means of satisfying his need of butter or meat or clothing or holidays. And to raise the price of wheat means the diversion of resources in land, labour, tools, machinery and other things, not merely from other branches of agricultural production but from many branches of production.

In a totalitarian State these matters are susceptible in a sense of a solution, for every one has to be stretched upon Procrustes bed according to the will of the supreme authority and without regard to his individual need. And so far as we organise producers into monopolistic associations through import boards, marketing boards, tariffs, quotas and all the other devices of restrictionist ideology, just so far do we advance towards the corporative or totalitarian State.

* "Agricultural Reconstruction." Published by the Conservative Committee on Post-War Reconstruction, 6d. "Food and Agriculture." Liberal Publication Department, 4d. "Our Land: The Future of Britain's Agriculture." The Labour Party, 2d.