

by enclosures and evictions, and the growth of monopoly and restrictions upon freedom of exchange, which have brought us to the pass in which we now find ourselves. This question must not be obscured or evaded. The remedy is simple, but it is drastic and it must be applied.

Whose Advantage?

Many years ago, Mr Winston Churchill, in one of his great speeches in favour of the taxation of land values, made telling use of a story about Waterloo Bridge. The bridge was once a toll-bridge. Workers who lived south of the river and worked on the north bank

had to pay a halfpenny each way, amounting to 6d. a week. The bridge was freed; the toll-owners were bought out with public funds. The immediate effect was that the tenants of houses on the South side of the bridge had their rents raised by 6d. a week.

When school fees in elementary schools were abolished, many complaints were made by tenants to local magistrates that their rents had been increased on the ground that they no longer had to pay a few pence a week for the schooling of each of their children.

There is no need to multiply instances. Professor Thorold Rogers put the whole

truth of the matter in a nutshell. "Every bettering of the general condition of society . . . raises rent. The land-owner sleeps but thrives."

The Beveridge plan aims, at the cost of hundreds of millions of money out of private pockets and public funds, at a "bettering of the general condition" of our people. If it is adopted and proves as successful as its supporters believe that it will be, what will be the final inevitable result? Is it likely, so long as land monopoly remains unchallenged, that the landlords will allow us to live in a better country without paying a higher price for the privilege?

WHAT IS ECONOMIC FREEDOM?

ECONOMIC FREEDOM is a part of general freedom of conduct and action. But it is a very important sphere because economic activities occupy a large portion of man's life, and that portion which is most likely to bring him into conflict with his fellows.

A man is only free when he has the right to choose what he will do and what he will not do. In a free community his freedom of choice is limited by the freedom of choice of others. Although freedom is limited by the rights of others it is not thereby annulled, nor is it necessarily diminished. The rule of the road requires vehicles going in one direction to keep on one side and those going in the other direction on the other side. This does not lessen the freedom of the road user but increases it.

In the sphere of economic relations freedom of choice takes two forms. It consists in freedom of choice of the goods and services one desires to consume or in freedom of choice of the occupation one desires to engage in.

Freedom of economic choice can only be exercised in a free market. If some people desire more of a certain article, the movement of their choice in that direction tends to increase the price, and this tends to induce other people to produce more of that article.

Similarly if people desire to leave one occupation and go into another, the level of earnings in one will tend to go down and in the other to rise. If all men had equal opportunities and equal talents, then earnings in all occupations would become adjusted so as to take account of estimates made by each individual of the relative agreeableness or disagreeableness of each occupation.

Economic freedom can only exist where there is a free market both for goods and services. In a free market a continuous plebiscite is always taking place to determine what goods shall be produced, the ballot papers being the money which people offer for those goods. In a free market a continuous plebiscite is also taking place to determine who shall produce the goods.

In an unfree (directed, planned, communist, or monopolist) economy, the decision as to what goods shall be produced is decided by the managers of that economy. The quantity to be produced is decided in the same way. The kind and quality of goods to be produced

is determined not by the consumers but by officials. Similarly the people who are to produce certain things must also be chosen in much the same way.

In other words in an unfree economy the things which people have and the work which they do is determined by what someone else thinks they should have or do, and not by what they wish to have or do. The two phases, lack of freedom of choice of goods and lack of freedom of choice of occupation, go together. If the quantity to be consumed is fixed, the quantity to be produced must also be fixed, and so must be the means of producing it. A further consequence is that if the total quantity of any article produced is fixed at an amount which is less than a free demand would have required, the price will rise so that the strongest buyers will be satisfied and the weakest will not. The next step which will be taken to try and counteract that tendency is to ration the amount which each consumer can buy. In this manner a double restriction upon freedom of choice arises—firstly in the fixation of the total supply and secondly in the fixation of the ration. In fact every interference which is made with freedom of choice leads to further interferences in the endeavour to correct the discomforts and troubles arising from the original interference and leads to more and more restrictions and controls. This is the fate of totalitarian economies which, apart from the basic injustice of curtailment of freedom, result in formalism, red tape, inefficiency and restriction of production and of consumption.

Freedom of choice implies competition. The two things are indeed synonymous. But the idea of competition has become confused with certain abuses which arise, not from freedom of choice, but from imperfections in our social arrangements. For example in the minds of many people competition implies adulteration, shoddiness, and poor quality. These things are not the necessary consequence of competition, but arise either from lack of knowledge on the part of the buyer or fraud on the part of the seller; or else the buyer does know that the article is inferior but cannot afford a better one in which case less competition and higher prices will not help him.

Competition also implies in the minds of many people the idea that the competition of workers to get jobs is the

cause of low wages. Here we must remember that the value of wages is to be measured in the end not by the amount of money but by the amount of goods and satisfaction which the worker is able to get for his wages. Moreover, if the free market for goods is destroyed, the consequence is likely to be diminished production and the demand for labour and the real wage of labour is likely to sink.

All this is not to say that the society which exists has not grave defects. The question is what is the cause of those defects. Do they arise from too much freedom or from too little? Should we have more freedom or should we have less?

Broadly speaking the main obstacles to freedom of economic choice are monopolies. If there is an increase in demand for a monopolized article, the same quantity does not become available for consumers as would be available if people were freely able to engage in its production. Monopoly limits the freedom of choice of men both in their capacity as consumers and as producers. It results in the monopolist getting not only a greater amount of the wealth produced but also in his getting a greater share of a smaller total.

Monopolies may be based either upon the privileged ownership of natural resources, of land*; or else upon other limitations on production or sale such as arise from quotas, marketing schemes, tariffs, bilateral trade agreements, exchange

* A special class of monopoly arises in the case of railways, tramways, and other rights of way, and in the distribution of gas, water and electricity through pipes, conduits or cables for which rights of way are required. In all these cases the monopoly depends upon the exclusive right of the undertaker to the use of a narrow strip of land on, in or over the earth's surface, and the acquisition of the right to this strip is usually made possible by the State conferring upon the undertaker powers of compulsory purchase. The exceptional and monopoly position of such undertakings has long been recognized, and it has been usual to subject them to some measure of public control where they are not owned and operated by a public body. Public control has not in the past been an entirely successful instrument of regulating such monopolies. Whether it could be made more successful by a proper appreciation and application of the economic principles involved is a matter for consideration.

controls and other devices for restricting the market, reducing production and raising prices; or upon patents or secret processes.

All these things are the creation of law, and the law can be altered so as to abolish them.

The first, the most potent, and the most fundamental step is to abolish special privilege in land by requiring the holders of land to contribute to the expenses of the state in proportion to the site value of the land, whether it is used or unused, at the same time using

the proceeds of this taxation to do away with tariffs and other taxes and restrictions which impede exchange and prevent men from getting the most they can in exchange for their labour or the proceeds of their labour. In this way the opportunity to produce is enlarged and so is the freedom of choice of producer and consumer, while the inequality and restriction in the production of wealth is removed. It is in that way alone that economic freedom can be made complete and its benefits made available to all mankind.

THE NETWORK OF WORLD TRADE

THE ECONOMIC Intelligence Service of the League of Nations last year published under the above title a comprehensive and factual survey of world trade. (George Allen & Unwin Ltd. Price 10s.) An elaborate statistical appendix analyses the trade relations of no less than 173 countries with one another. As a result of this examination certain conclusions are reached which, although not unfamiliar to students of economic questions, attain an added significance from the weight of information upon which they are founded.

This investigation makes it clear that "international trade is much more than the exchange of goods between one country and another; it is an intricate network that cannot be rent without loss." No country was in the position in relation to any other country that the exports of the one were exactly balanced by the imports from the other. On the contrary by numerous and devious exchanges the circulation of goods extended throughout the whole world. This result is not surprising. In the internal economy of every country the same thing takes place. We should be extremely surprised to find two individuals who were in the position that the goods which they sold to one another were of precisely the same value. The bootmaker's sales of goods to his butcher are not likely to be equal to his purchases of meat. Indeed we should be rather surprised to find that they had any direct transactions of that kind at all. The trade between one country and another is made up of the transactions of individuals, and does not differ in its nature from the transactions which take place between individuals within the same country. Just as we should not expect the total purchases of the citizens of Glasgow from those of Birmingham to be exactly equal to the purchases of Birmingham from Glasgow, so we should not expect the exports and imports between Great Britain and the United States, for example, to be equal.

The attempt which was so frequently made in the period between the two wars to bring about such an equality by means of bilateral trade agreements, clearing agreements, import and export quotas and similar devices showed a profound ignorance of the real purpose and significance of trade. It interfered with the whole network of world trade and had the most disastrous consequences in diminishing the total of imports and exports and in depriving all countries of resources which were essential to their economic well-being.

The pattern of world trade was determined by the distribution of natural resources and of other advantages which enabled one country better to produce one thing, and another to produce another. It was in fact the principle of division of labour and of specialization, which is the prime cause of the increased productivity of labour, extended on a world-wide scale. Misguided and often selfish attempts to interfere with this went a long way towards destroying the advantages to mankind in general which should flow from improvements in the technique of production and transport.

The backward trend came to a climax after the financial crisis of 1931, when "many countries attempted to balance their foreign transactions by increased government control, particularly in the form of import restrictions. But while each country could generally restrict unchallenged imports from countries with which it had an import balance and could frequently oblige these countries to take more of its products, it exposed itself to retaliations if it attempted to restrict imports from other countries. The restrictions imposed were therefore largely discriminatory and for this and other reasons tended to balance transactions with each country separately rather than in the aggregate. Multilateral trade was thus reduced and replaced by bilateral trade. The disturbances in the system of multilateral trade ever since the late 'twenties reduced the amount which certain countries could spend on staple products in the world market; hence arose the problem of 'reduced commercial access to raw materials.' This reduction in demand, only partly offset by increased demand on the part of other countries, depressed world market prices; this in its turn besides disturbing economic conditions everywhere, reduced the yield on foreign investments, many of which became valueless, and discouraged capital exports."

The conclusion is this: "Modern civilization is based on a world economy which functions through a system of multilateral trade of a specific pattern that embraces the whole world. The present war, and particularly the reduction of British overseas investments, is likely to modify that pattern in the future. But the need for a world pattern of multilateral trade will remain as long as climates and geological deposits continue to vary from one area to another, as long as the factors of production are unevenly distributed over the face of the globe."

Here then lies the importance of the

pledge made by the signatories of the Atlantic Charter that "they will endeavour with due respect to their existing obligations to further the enjoyment by all States, great or small, victor or vanquished, of access on equal terms to the trade and raw materials of the world which are needed for their prosperity."

THE ATLANTIC CHARTER

ON 24TH FEBRUARY in the House of Commons, Mr Douglas asked the Secretary of State for Foreign Affairs how many nations have adhered to the Atlantic Charter; and in which cases ratification is necessary in order that the adhesion may become binding? Mr Eden replied: "Thirty-four nations have adhered to the Atlantic Charter. The Charter is a declaration of principle to which it is open to any Government to express adherence. The question of ratification does not arise." To the further question "Are we to understand that it is not binding upon any Government that adheres to it?" Mr Eden replied: "I did not say that. Pronouncements can be binding without being ratified."

Mr Douglas also asked the President of the Board of Trade whether His Majesty's Government are precluded from granting subsidies or giving other special assistance to exporters by the terms of the Atlantic Charter? Mr Harcourt Johnstone (Secretary, Department of Overseas Trade) replied: "There is nothing in the Atlantic Charter which defines the precise measures which should or should not be employed for the attainment of the economic objectives set out in that document. The measures to be taken for the attainment of these objectives are at the proper time to be the subject of discussions between the Governments concerned under the terms of Article VII of the Mutual Aid Agreement." Mr Douglas: "When is the discussion likely to take place?" No reply was given.

The economic difference from the mother country is radical, particularly in regard to the character of the European property. Instead of a mass of small and medium farms we find in North Africa a regime of great estates, worked by companies or individuals employing large numbers of proletarian natives.—Professor R. Marjolin on French North Africa, in the *Manchester Guardian*, 5th February.

At the Annual Conference of the Committee of Scottish organizations affiliated to the Co-operative Party held in Glasgow, 7th February, (*Co-operative News* report) a resolution was adopted on the Uthwatt Committee's proposals which went on to say that the conference rejected the proposals of the committee for the acquisition of land and the proposed levy on site values, and urged the Government to introduce legislation to require all holders of land to pay a tax on the full economic rent of the land, whether used or not.

The mover, Mr J. Allison, said it was a basic principle of the party that the land of the country should belong to the people of the country. Mr Gilzean of Edinburgh seconded.