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## WHAT IS FULL EMPLOYMENT?

IN A recent broadcast (reprinted in *The Listener*, 14th October) Sir William Beveridge discussed the question: Can unemployment be prevented? He pointed out that in many occupations there are seasonal or other inevitable fluctuations of activity, and that technical changes in methods of production will frequently lead to changes in the kind of labour needed. Intervals of unemployment arising from such causes could not be prevented entirely. In his view, the important thing was to make the interval a short one and to pay men unemployment benefit during it.

That, however, is not the real problem of unemployment. Barristers, for example, may have little or nothing to do for two months of the long vacation. There is no outcry about them being unemployed during that period. They expect to earn enough to live on during that period as well as during the rest of the year. The "interval", arising in this case from the way in which the Law Courts are organized, is no hardship, but rather a time of leisure and recreation.

The real problem of unemployment arises when the wages earned are only sufficient or barely sufficient to keep the worker in the period when he is actually working, without any surplus for accident or adversity, and when there is no alternative employment to be found when his job comes to an end for any cause. Sir William Beveridge says: "Full employment does not mean no unemployment. It means that, though on any one day there may be some men unemployed, there are always more vacant jobs than there are unemployed men, so that every man whose present job comes to an end for any reason can find fresh employment without delay."

If such a state of affairs could be established, there would be no need for concern about those able and willing to work. They would soon establish for themselves satisfactory wage rates. They would need no unemployment insurance, and the field of social insurance would be limited to the case of those who through accident, disease, or age were not able to provide for themselves. That Sir William Beveridge at the time he framed his report on Social Insurance did not contemplate such a state of affairs being brought about appears from the fact that he allowed for an average of 8½ per cent. unemployment in all occupations, or 10 per cent. in those occupations where unemployment insurance

at present applies. These periods are equivalent to four and a-half or five weeks a year as an average, and therefore still longer periods in some of the cases making up the average.

### Not Faked Employment

However, Sir William now appears to think that it is possible to achieve full employment in the sense in which he has defined it. He makes it clear that full employment "does not mean faked employment: digging holes and filling them. It means employment in producing things that are needed." This is an essential condition. Any dictator can, of course, produce a seeming solution to the problem of unemployment by forcing men to work at occupations they do not want, producing things which they and their fellows do not desire, at a pittance for bare subsistence.

Pursuing this train of thought Sir William observes that "it is no remedy for unemployment to reduce the supply or the productivity of labour. Raising the school age, making pensioners retire from work, reducing the hours of labour may be good things in themselves . . . but they are no contribution to maintaining full employment. All these measures reduce production by the person whose hours are shortened or who is withdrawn from work."

### Spending and Employment

The question still remains: how is the problem of unemployment to be solved. At this point Sir William becomes much less definite. He says: "We have, largely through the work of Lord Keynes, a clearer idea to-day of how mass unemployment may come about, and therefore of what must be done to prevent it. The level of employment is determined by the level of spending. . . . Maintaining full employment means somehow maintaining an adequate steady flow of spending to absorb all the productive resources of the community in meeting needs."

The crucial assertion is that the level of employment is determined by the level of spending. But is not the true proposition this: the level of spending is determined by the level of employment? If that is the true proposition, then it gives no assistance in solving the problem of unemployment. And if that is the true proposition, then all conclusions drawn from the reverse proposition of Sir William Beveridge are false.

What is at issue here depends upon the most elementary principles of

economic science, and if those who profess to be able to find a means of solving the problem of unemployment are wrong here, we may discount the prospect of their being able to find the solution.

What is spending? It is exchanging money for goods and services which we desire. Where does the money come from which we spend? It is received for the goods and services which we exchange for money. Hence there can be no spending without productive employment.

Spending does not create employment; it is the evidence of productive employment. Those who think otherwise are pretty sure to end up in the delusion which appears to afflict many so-called monetary reformers, that the solution of the economic problem is to be found in creating more money. What Sir William Beveridge's view is on this is far from clear. He talks of "the management of money to keep a middle course between deflation and inflation." If this has any meaning it appears to signify that money shall be so regulated that its action upon the economic situation is neutral.

### War Experience

Sir William says that "mass unemployment has been abolished in Britain twice in the lifetime of most of us—in the first World War and in the second." He adds that this sort of experience is not confined to war. "The Nazis got rid of a great deal of their unemployment in preparing war from 1933 to 1939. The Soviet Government got rid of theirs in bringing about the industrial revolution that has served them and us so well in this war." It is not irrelevant to add that Soviet policy was also in fact in a large measure preparation for war, and has been so expounded and defended by its partisans. Do these examples really point the way to a solution of unemployment, if at the same time we accept Sir William's postulates that full employment "means employment in producing things that are needed" and that it "does not mean the employment of slaves-directed to jobs by a totalitarian dictator at wages fixed by him"?

Do not let us be deceived by the experience of the war. Do not let us forget that many millions of our people are in the armed and civil defence services. They are not engaged in productive employment in any proper sense, although their activities are necessary and indispensable for safe-

guarding our liberties. They and many others who are engaged in ancillary occupations are being kept by the productive effort of those who are engaged upon more normal activities. Moreover, our needs have been in part supplied by the generous and beneficent plan of Lease-Lend, by the requisition and sale of foreign investments, the proceeds of which have been used to purchase goods currently needed, and by other abnormal devices which cannot be repeated.

It is going too far to say that what has happened during the war affords a precedent for solving the problem of unemployment in the sense postulated quite properly by Sir William of there being "always more vacant jobs than there are unemployed men," and that these jobs consist in "producing things that are needed," that is to say, in producing the things which people want and not the things which a dictatorship says they ought to have.

#### Government Spending

In his broadcast Sir William indicates the view that Government spending is likely to produce the desired result. But on the one hand the more the field of Government spending is extended, the more likely is it that the expendi-

ture will not be upon the things which people need, but upon the objects which some coterie think they ought to have, and so the field becomes open for totalitarian policies. On the other hand the whole idea puts the cart before the horse; spending whether by individuals or by the Government is the result of productive employment by individuals and not its cause.

#### Land and Labour

Can there ever be a rational approach to the problem if we forget that the only employment which matters is the application of labour to land in order to produce what men desire, and that this employment will be the more productive the more economically both the labour and the land are used? By economically we mean, of course, applying labour so as to get a given result at the least cost. Once this principle is abandoned, the way is open to many spurious devices for solving the problem of unemployment. It is only necessary to go back to tilling the land by spades instead of by ploughs and tractors, to spinning by the hand loom instead of by the power loom, in order to keep everyone occupied.

That is not the real problem. The question is to see that every obstacle

is removed which prevents men from using land most effectively and exchanging the products of their labour freely for the products of the labour of others, whether those others live within our own frontiers or outside them.

There remains indeed another problem which, in theory at least, can be separated from the problem of employment, and that is the problem of the distribution of wealth—that each should receive the full reward for his contribution to production. But in practice the two cannot be separated. Men are not likely to produce their utmost if they feel that they are somehow defrauded of the reward for that. (It is this perhaps which explains the evolution of the Soviet system away from the idea of "from each according to his ability: to each according to his needs" towards payment by results.) If, in the words of Sir William Beveridge, "a full employment policy for Britain must be consistent with the keeping of our essential liberties—of speech and association and political action and choice of employment," and if it achieves "more vacant jobs than there are unemployed men," then free bargaining will ensure that each is rewarded according to his contribution to production.

### THE SPANISH LABYRINTH

MR. GERALD BRENAN'S book\* is described in the sub-title as an account of the social and political background of the civil war. One fact which emerges on page after page is the importance of the land question, although he himself does not appear to be fully familiar with some of the developments of thought on the subject.

In the fifteenth, sixteenth and seventeenth centuries free discussion of social questions was prevalent. Sir Thomas More's Utopia circulated freely in Spain. The Church was influenced also by the economic system of the Incas. The Jesuit, Josef de Acosta (1590), wrote: "Without being Christian the Indians had kept that high perfection of owning no private property and providing what was necessary for all and supporting on a magnificent scale their religion and their king." Pedro de Valencia early in the seventeenth century presented an address to Philip III. in which he proposed that all land in Spain should be compulsorily nationalized (allowing out of charity a small indemnity in the form of an annual pension to the landlords who had been expropriated), and that this land should be let in lots to men who would cultivate it, with state supervision to see that they did so properly. Father Mariana, the greatest of Spanish historians, proclaimed the illegality of private property in land and demanded the intervention of the State in the distribution of natural riches.

But the views of the Church changed, and it resisted the efforts of the civil

power. It ruined Olivade, "the enlightened Minister of Charles III., who was attempting to repopulate the empty fields, for the Church was the largest landowner in Spain and felt itself threatened by his agrarian policy." The Carlist party was formed by the Church to defend its interests. In the Carlist wars mobs collected and burned convents and churches. "And here one must note two things—first, that the men who burned them were probably all practising Catholics; and secondly, that the convents were burned not by the middle classes but by the people." In 1835 Mendizabal passed a law breaking up the convents and confiscating most of the landed property of the Church. The estates, however, were sold and the people passed out of the hands of one set of landlords into those of another. Spain continued to be ruled by the landowners, and the Church supported them.

Mr. Brenan asserts that the statement that the Church is to-day a large landowner "is not of course true," but in the same breath he quotes Joaquin Aguilera as saying that they controlled "without exaggeration one-third of the capital wealth of Spain." And he himself says that "they owned railways, mines, factories, banks, shipping companies, orange plantations." Clearly a large part of this "capital wealth" was in fact land.

Although in the last century Spain appeared to have developed a constitutional democratic regime, the regime was controlled and manipulated by the landowners. In the small towns and country districts everything was manipulated by the political boss or cacique. The cacique was generally a

large landowner or his agent. They were practically omnipotent. "They appointed the mayors in the small towns and villages, controlled the local judges and public functionaries and through them distributed the taxation. Their fiscal principle was a simple one: to excuse themselves and their friends from paying taxes and to charge their enemies double or treble. They also usurped common lands, pastured their cattle on other people's arable, and diverted their neighbours' irrigation water to their own fields. If anyone tried to stand up against them, lawsuits were brought against him and he was ruined."

"In 1902 the Minister of Agriculture stated in the Senate that the drawing up of the new land survey showed that in four provinces the yearly concealment in taxation returns amounted to over three million acres, on which the tax due to the State would be at least three million pesetas. It was variously estimated that the fiscal fraud in property for all Spain reached from 50 to 80 per cent. of the total due. . . . In 1909 M. Marvaud, a competent and impartial witness, found small landowners paying from 180 to 250 pesetas tax per acre, while large estates close by paid nothing at all."

It is no wonder that "under the unrest and revolutionary action of the last hundred years lies the agrarian question." The starving labourers had to stand by and watch the crops on the large estates carried off to be sold at high prices in Seville and Cadiz."

The Agrarian Statute passed by the Republic in 1932 was a partial measure which did not go to the root of the evil. It applied only to the centre and the

\* *The Spanish Labyrinth*. By Gerald Brenan. Cambridge University Press. 1943.