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### THE INDUSTRIAL CRISIS AND UNEMPLOYMENT

In times of stress and trial it is proper there should be national stocktaking and that from every quarter should come voices of authority on what has brought our civilization so near to the rocks. Statesmen, bankers, economists and leading men of the business world are therefore giving of their collective wisdom and their pronouncements deserve respectful attention.

The phenomena themselves cannot be mistaken. Shortly summarized they are: unprecedented growth in powers of production since the war; unprecedented taxation of industry; unprecedented difficulty in getting the chance of working for a living; and unprecedented fall in prices of prime commodities.

From the high authorities referred to comes a veritable spate of counsel, much of it so contradictory that there can be small wonder if common John Citizen retires bewildered from the fray. Some of these authoritative voices cry "too much spending" and others "not spending enough." Some say that Free Trade and others that Protection is to blame. Some attribute the trouble to the incubus of war debts, others to cheapness of primary products, others to maldistribution of gold and premature return to the gold standard, others to want of confidence in the future, and yet others to lack of flexibility in wages—which means that wages should be reduced.

In pondering all this it does seem to us that though there are elements of truth in parts of what we are told, none of it is satisfactory as a full explanation of the phenomena, and the reason is that none of it is radical in the literal sense of going to the root.

Take the statement made by Mr Reginald McKenna to the Midland Bank shareholders last

month. He dealt with business depression and related it to the marked tendency for money to accumulate uselessly as time deposits in the banks. A large and growing part of the total volume of money is, he said, being left in the banks idle by its owners. Decline in advances has occurred solely because less accommodation has been demanded by customers of the banks and not from any reluctance to give it. This lessened demand for accommodation Mr McKenna attributes mainly to "developments in public psychology"—"a widespread feeling of depression" which must be got rid of if things are to improve. As to what causes this psychology, Mr McKenna says it is bad business and falling markets and that it will not disappear till the downward trend in prices is reversed.

There he leaves the matter. The curtain drops without information as to what causes the bad business and downward trend of prices. When we read this pronouncement we rise with the uneasy feeling that just at the critical point where we had expected something really radical and informing, our authority quietly slides off to pastures new and leaves the subject, like Mahomet's coffin, suspended between heaven and earth.

At the general meeting of Lloyds Bank the Chairman, Mr Beaumont Pease, covered much the same ground and left the subject much at the same point.

Turning to Mr Goodenough's address to the shareholders of Barclays Bank, we find like lack of determination to trace things to their sources—a like absence of the radical note. He attributes the depression in large measure to want of balance between the prices of raw materials and agricultural produce on the one hand, and manufactured articles on the other. This, he says, means that countries producing the former can buy but little from those producing the latter, so that depression occurs in both. He makes no reference to the crushing tariffs which in most primary producing countries (Australia is a notorious example) are imposed on the import of manufactured articles which primary producers must use; that this artificially raises the prices of their primary products and puts them at a heavy disadvantage in the world's markets. Surely a sideglance at least should have been given to this very disturbing factor of the case.

Viscount d'Abernon in his speech to the Liverpool Chamber of Commerce, though denouncing all tariff impediments to trade, comes in the end no nearer to the heart of things than do the bankers. At first our hopes rose when he told us that "failure to sell must not be attributed to the impossible supposition that all requirements are filled, but to the fact that those who want—the potential buyers—have not the wherewithal to buy." But disappointment was to follow, for he too, at this critical point, glided away instead of telling us *why* buyers are in this unfortunate position.

After this inconclusiveness it is with some satisfaction we turn from the financial experts to Mr Edward Carpenter. In his well-known work *Civilization; Its Cause and Cure*, he says:—

"Commercial crises flow primarily from the fact that the working masses for their wages

receive only a fraction of the goods they produce, and therefore can only buy back a fractional part of those goods: while the Capitalist classes (who could buy back the remainder) do not want more than a part of that remainder. Consequently there occurs every year on the one hand an accumulation of goods unused, and on the other hand an accumulation of capital awaiting re-investment and these two conditions together clog the industrial machine and bring it to a standstill."

This, at least, is carrying the matter a stage forward, but even Mr Carpenter does not say *why* "the working masses receive for their wages only a fraction of the value of the goods they produce."

Apart from the alleged accumulation of goods unused, which in our belief does not exist, we agree with Mr Carpenter. The situation is precisely analogous to that in a slave community where, no matter how diligent the slaves, or how productive their labour, they still receive no more than a bare living. Here it is abundantly clear that the slaves cannot buy back more than a fraction of the value of the goods they produce simply because their "owners" take the rest. In our more complex society, where men are nominally free, the reason why the working masses cannot buy back what they produce is not so clear though analysis will show that in essence it is the same. The "Alchemy" of Thomas Carlyle, which deprives men of their earnings, is at work here just as in the slave community though it takes on another form.

Let us try our hand at the analysis:—

The wage earner, being deprived of the natural alternative to wage labour (*i.e.* self employment on the land) is forced to offer his services on the labour market in competition with other would-be workers who have been similarly treated (or maltreated). In natural circumstances his choice would lie between wage labour and self-employment in "Nature's Workshop" but, that workshop being now closed to him, there remains no choice between wage labour and *idleness*. This unnatural situation forces wages down to the subsistence point and deprives them of all relationship to the value of what is produced which J. S. Mill defined as the natural remuneration of labour. That is why the wage-earner of to-day can only buy back a portion of what he produces.

Though something has been done to temper the blast by such agencies as unemployment insurance, old-age pensions, and trade union activities, round and about subsistence level wages will remain so long as alienated men must "beg for leave to toil." The problem is how to rescue the wage earner from this position and make of him a free bargainer to the same extent as is his employer. It can be done by restoring to him the natural alternative referred to which means the guarantee of a minimum reward below which he need not sell his labour. This end will be accomplished when we render speculative land withholding an unprofitable operation so that no man will want to hold land except for putting it to fullest use and no one will want to hold more than he can so use.

Endless opportunities for work and enterprise of every kind will then open out, the present unnatural competition for jobs will end and wages freed from the downward pressure of the unemployed man—come to bear their proper relationship to production. Wage earners will no longer "receive only a fraction of the goods they produce" and the industrial machine will cease to be clogged.

Turning to recurring industrial depressions, though far from denying contributory aggravations, we suggest that the depressions spring from the same tap root as does unemployment—speculation in the natural elements. To seek an explanation of this phenomenon (as now is the fashion) while altogether ignoring man's relationship to the earth on which he lives and from which everything he needs must be drawn, is surely to invite failure. No human relationship is more vital than that of man to natural resources, so that the laws determining this relationship must have the most far-reaching reactions on industry for good or for evil. Yet the authorities who have spoken pass over the whole subject in complete indifference. For our part we suggest there could be no room for these recurring crises in a community where land is free and speculative withholding unprofitable. In pursuing the argument let us try to remember that human needs are constant and that so are the natural elements from which alone they are satisfied. It seems to follow that where access to these elements is uninterruptedly available, work (*i.e.* industry) must also be constant, without ups and downs. But where land is reduced to private ownership and special inducement offered to owners to withhold it from use for the rise by exempting it from taxation so long as unused, the situation is quite different. The supply of land available to industry *at a price it can pay* then ceases to be constant because speculation for the rise takes place and the greater the expectation of rise the higher is the price put on land.

This artificially enhanced price proceeds to grow apace until it reaches the point where industry is unable to pay the toll demanded and a check sets in causing bad times. As the check to business becomes more intense demand for land slackens and the bottom is knocked out of the land boom. Land is then thrown on the market at prices nearer its true economic level and the fall continues till industry is offered sufficient inducement to take it up and set agoing once more. Good times then reappear but only to be followed in due course by the same dreary round to depression. This recurring rise and fall in barriers against use of land lie at the bottom of trade depressions and booms.

The cure is to see that the supply of land such as industry needs be *uninterruptedly* at its disposal at its true economic value. We must see that the supply of land remains *constant as provided by nature for the use of mankind*. This can readily be done by reforming taxation so that it falls on land according to value whether used or unused. Speculation in land values will then cease and the chief obstacle to steady industry be removed. There can be no enduring cure for our troubles till this step is taken.

W. R. L.