

Slum Areas: Their Cause and Cure

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A previous article by Mr. McMillan, called "All-at-Once But Step-by-Step," appeared in the May, 1940 FREEMAN.

★ TO ARRIVE AT a remedy for a social evil, one must firstly find the cause. The primary cause of slum areas is abject poverty. Without going into any technical matter, I would just ask the reader if he or she (and she more particularly) would live in a slum if dire necessity did not compel? "No, decidedly not," would be the answer of every sane person.

The primary cause of slum areas being self-evident, I must now answer the question—what produces poverty? This question to the scientific economist, is just as easily answered as the first, but certainly not in so short a space. However, space is precious, and I will be as brief as may be. In Book V., chap. 2, sec. 5 of John Stuart Mill's "Principles of Political Economy" we find this, which is bedrock truth:

"The ordinary progress of a society which increases in wealth is at all times to augment the incomes of landlords—to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were, in their sleep, without working, risking, or economising. What claims have they, on the general principles of social justice, to this accession of riches?"

If the reader will just consider the above quotation for a little while he or she will see that as we make progress, and a "greater amount and a greater propor-

tion" of the wealth produced by the people as a whole goes into the pockets of a comparatively few, mostly large holders of valuable sites, the greater must be the poverty among the masses. For illustration, let us recall that a century ago the wage-workers of what is now Greater Auckland got about the same as do the present wage-workers—just a living. True, some workers, by superior organization, get higher wages than others, but this only means that the unorganized, or unsheltered ones, are paying, in the extra cost of living for any increase of money wages got by organization. It is a form of economic cannibalism.

When you allow for the burden of taxation, you find that goods, like wages, are of about the same price also as a century ago, taking into account the better transport facilities inland and overseas, and the vast increase of productive capacity. But there is one thing, and one thing alone, that has risen in value fabulously, and continues to rise as Auckland grows. That thing is the site value, commonly miscalled land value. The annual worth of this site value, is "social rent," a name I have coined because I think it describes, better than all other existing terms, the true nature of the site value. It is the rental value of all social service, privately and publicly rendered, above costs of production; it is net value.

About a century ago, the site of Auckland was procured from the Maoris for goods to a gold value of £150, consisting of muskets, blankets, axes, gee-gaws and what not. Today the official valuation of that area is, in round figures, about £25,000,000! And the official valuations are decidedly on the conservative side in respect of site values, but full value for improvements, thus weighting the scales of justice in favor of the receivers of the social rent.

Any reader with a capacity for straight thinking will see at once from the above that the greater the progress the greater must be the poverty while this vast social rent fund is for the most part going into a comparatively few private pockets—largely the "rentier," the mortgage holding and money-lending classes, while the masses of the people become poorer and poorer. Sheer herd instinct, and the instinct of self-preservation, then drives them to demand State assistance, hence the inevitable drift to Communism under such conditions.

The obvious cure for the above malady is for society to collect the full annual social rent of all sites in town and country alike, and use that vast and ever-growing fund, in lieu of rates and taxes, for all forms of social service. Collection to be by the local bodies, and part of the rent being passed on to the State in recognition of State services. This would distribute the great social wage fund continuously, with no interest burden, and no need for local body debt. With taxation and private site rent burdens taken off the backs of workers, and

monopoly of land being made impossible, there could be no poverty among the able-bodied, and hence no slums. As the effect would be to always produce more jobs than men, there would be no unemployment among willing workers, and with the exception of the badly disabled, no need for pensions and charity. Not being able to invest large sums of money in site values, holders of spare capital would then have to lend it, at low rates of interest, for improvements of all kinds, particularly the building of houses and factories, and farm improvements.

Moreover, as this policy, called the Natural Justice policy, involves complete Free Trade, the social rent taking the place of Customs duties, building materials of all kinds would be at the world's lowest price, quality for quality. This would stimulate building intensely, and the building industry and ancillaries are the greatest employers of labor.

Immense gain would accrue to this system by virtue of the Natural Justice Freehold embodied. The man wanting land for a house, a shop, a factory, a farm, or any other purpose, would be able to get land merely by paying to the local body the full annual social rental value, and would not have to find money, or give a mortgage and pay interest, to provide a large capital sum for purchase of land. All this part would be available then for buildings and improvements, and yet the holder would be able to sell the title and improvements, and enjoy all the advantages of the freehold tenure.
