The Great Modernisation Myth

By E. P. MIDDLETON

JOHN MAYNARD KEYNES would be proud, were he here to indulge so human a quality, at the plain, if unadmitted, tribute to his theories contained in a recent publication of the U.S. Information Service.

This is titled *Modernisation in the U.S.A. — the Roosevelt Years,* and its author, David Cushman Coyle, is a man with an impressive list of publications to his credit. This handsomely got up pamphlet reads like a sort of parody of post-revolution propaganda from either Russia or China; no doubt inspired by this kind of national chest-thumping.

Indeed, the very symbol of revolution is used by Mr. Coyle on the first page of his fascinating history of the "Roosevelt Years." He even implies that the U.S. was ripe for revolution in 1932, while omitting, through some extraordinary myosis, to note the significant fact that this situation could arise in the "Land of the Free" fifteen years after it happened in Russia, land of tyranny and serfdom.

Mr. Coyle's thesis is that the U.S., in the hands of the "rugged individualist" administrations up to 1932, had come to the brink of ruin and revolution, and that Roosevelt appeared, like the Maid of Orleans, at the moment of crisis, to save the nation with a new concept of government.

Mr. Coyle is so sold on the imaginative uniqueness of the "New Deal" that he uses the term "modern" and its variants constantly to describe it — about twenty times at a rough count. He does acknowledge a debt to European "modern" techniques (like unemployment insurance), but these "had to be modified to meet the peculiar circumstances of American life."

The reason for the collapse of the U.S. economic system was really that progress in social and political development had not kept pace with technical progress. There was mass production but "insufficient mass buying-power." The cure, Mr. Coyle makes clear, lay in the rapid adoption of such "inventions" as the legal rights of labour and a national system of social security.

"Why," asks Mr. Coyle, "had the U.S. lagged so far behind the other industrialised nations in the establisment of social security?" Because it still clung to outmoded traditions; like the concept that it is "wrong for the national Government to do anything for the people if State Governments can do it," and the pioneer tradition of independence, "heritage of a nation of farmers, where people took care of their own families and helped their neighbours in time of trouble, but had little or no use for government help."

"Many influential citizens still cling to this tradition," says Mr. Coyle, "especially among those who pay heavy taxes and those who have financial interests that they do not want to be regulated." Those who clung to these outmoded traditions "had to give way to the pressure of conditions."

So the great "modernisation" began — with social security, which, of course, could only be administered by the central Government, since it alone "had enough taxing power to carry the load."

Under the heading "Land Reform," we are given the story, not of the one great revolutionary step which would have had any real validity and lasting value — collection of the land rent — but of how the Maid of Hyde Park and his band of "Modernisers" saved the nation's agriculture so that it could enjoy the fat future years of subsidy and state-purchased surpluses. The weapons in this shining armoury were the Farm Security Administration, which "bought large tracts of land" for re-sale to farmers on easy long-term purchase, and "Supervised Credit" at low interest rates. Mr. Coyle states that one of the troubles that affected U.S. agriculture before "modernisation" was that it was "so productive that the crops often glutted the markets." Post-modernisation "rescued thousands of low-income farmers and turned them into independent proprietors with a rising standard of living," despite the fact that it was the existence of these "independent proprietors" which Mr. Coyle tells us represented one of the major obstacles to "modernisation" in the past. "To be sure," we are told blandly, this "added to the problem of agricultural surplus — but *that is a common problem in well-developed free-enterprise agriculture.*" (My italics.) You can't, presumably, blame "modernisation" for that.

We are next led through the fairy-tale land of T.V.A. and the Soil Conservation Service until we come to the territory of Human Conservation, with its fascinating byways of the "Domestic Peace Corps," — the C.C.C., and the W.P.A., with its "crash programmes" of finding walls for mural artists to paint, decaying manor houses for architects to restore, and camp audiences for out-of-work actors and musicians to entertain and culturise.

But "modernisation," to be a thoroughly well-rounded job, had to be applied in the higher mysteries of Financial

Policy. "In 1929," says Mr. Coyle, "the Government had no institutions for stabilizing the economic system. Most of the leaders of finance and big business were confused (*sic*) by traditional notions of what the Government ought to do. Their principle illusion was that a balanced budget would so encourage investors that they would begin to build new factories and apartment houses, thus creating employment and launching a new wave of prosperity."

Before 1933 the U.S. was "saddled with a banker-controlled monetary system based on the gold standard." With the mounting depression, this system was only an obstacle to modernisation, which needed a flexible money machine by which the currency could be manged by the Government, with power "to inflate or deflate the circulating paper money and bank credit *according to the public interest*." (My italics.)

And thus we arrive on the broad open plains of the Country of the Blind — the "science"-blinded victims of Keynesism. There were too many factories and too little market for their produce. "What was needed was an expansive government policy. The Government needed to increase the quantity of money in circulation and the new money needed to be distributed to the unemployed and the other poor . . . who would buy the goods" etc. And so the U.S. got its built-in stabilizers "which automatically come into action both to cushion economic decline and to restrain over-expansion. The built-in stabilizers work when business is poor to cause a Government deficit and distribute money to the general public, to prevent a dangerous collapse of the consumer markets."

And the built-in stabilizers ? These tools of modernisation ? Well, there is Social Security — it helps "to sustain the buying power of the unemployed" — and "various forms of insurance, such as the Federal Deposit Insurance Corporation, to prevent the disappearance of people's savings in hard times." And "$47,000 million of federal savings bonds held by working people which they can turn into money if need be at the expense of the U.S. Treasury."

"Finally, the principle is well established, even though still denied by traditional extremists, that the cure for poor business is first of all an intentional increase of buying power produced either by cutting taxes or increasing government expenditure, *or both*." (My italics.) Mr. Kennedy is at the moment aiming to do just that.

The Roosevelt Years are the years in which the U.S. was dragged out of the abyss of its own digging by a visionary who was enabled, through the prostration of the nation, to lay the foundations of an edifice, the architects of which were Beveridge and Keynes. They in turn derived their ideas from Fabian Socialism, the London School of Economics and the *mélange* of European mixed-up pseudo-economics which produced, among other things, Hitler, Mussolini, the second world war and the cold war.

To describe this process as "modernisation" is surely just about the last word in double-think.

L'Impôt Unique

L'IMPOT SUR LA VALEUR DU SOL: OBJECTIONS ET REPONSES **is the title of a new publication written by M. Max Toubeau, secretary-general of la Ligue Française pour la réforme foncière, fiscale et le libre échange.**

By FRANK DUPUIS

IN THIS attractively produced booklet of forty pages, the commonly-met objections to land-value taxation are tabulated under ten headings, and anfswered briefly but effectively.

After a short introduction explaining that a land-value tax is not a mere land tax, and that the object is to replace not add to existing taxes, M. Toubeau examines the common view that justice has no relation to taxes, which are inevitably unpopular, and that the only fiscal problem is to obtain revenue as unobtrusively as possible, so as to disarm resistance. He shows how in practice such subterfuge always fails to allay the sense of injustice, and leads ultimately to dangerous social consequences.

Land or property taxes as at present imposed are justly resented because they penalise the owner for his industry and improvements. A just system must distinguish between the value of the improvements on any particular site and its "social value" or economic rent, which exists independently of any contribution made by the owner. Land is the indispensable requirement of humanity, its extent is limited, and monopoly of this essential element reduces society in general to dependence upon the owners.

The anomaly of present arrangements becomes obvious in the spectacle of valuable land held out of use for speculative purposes. The needs of society in general inevitably increase the value of such sites, enabling the owners to pocket vast sums without making any contribution to production. By collecting these sums for public purposes justice would be done, monopoly abolished, and the improvements made by estate owners could be relieved of the penalties at present imposed. Recognition of the justice of this policy can be traced in the records of earlier, simpler societies, notably in the *grundskyld* of the Vikings.

To meet the objection that a national land tax had long been in force in France but produced such an insignificant return that it was repealed in 1948, M. Toubeau examines the history of this tax in relation to the full economic rent of land. In 1790, under the influence of the Physiocrats, an attempt was made to value land alone, but this was never completed, and subsequent fiscal history has seen a decay both in the methods and administration of land-value taxation, and a transition from direct to indirect taxation. All that now remain are a few trivial and arbitrary land dues for local purposes. Estates are sometimes valued for fiscal purposes, but no machinery exists for establishing the true value of land. Neverthe-