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### "THE PRINCIPLES THAT DETERMINE WAGES"

"The distinction between the laws of production and the laws of distribution is not, as is erroneously taught in the scholastic political economy, that the one set of laws are natural laws and the other human laws. Both sets of laws are laws of nature. The real distinction is that the natural laws of production are physical laws and the natural laws of distribution are moral laws."—Henry George in *THE SCIENCE OF POLITICAL ECONOMY*.

"Just as the subsistence of the labourers who built the Pyramids was drawn not from a previously hoarded stock, but from the constantly recurring crops of the Nile Valley; just as a modern Government, when it undertakes a great work of years, does not appropriate to it wealth already produced, but wealth yet to be produced, which is taken from producers in taxes as the work progresses; so is it that the subsistence of the labourers engaged in production which does not directly yield subsistence comes from the production of subsistence in which others are simultaneously engaged.

"Capital does not supply the materials which labour works up into wealth, as is erroneously taught; the materials of wealth are supplied by nature. But such materials partially worked up and in the course of exchange are capital.

"Capital does not supply or advance wages, as is erroneously taught. Wages are that part of the produce of his labour obtained by the labourer.

"Capital does not maintain labourers during the progress of their work, as is erroneously taught. Labourers are maintained by their labour, the man who produces, in whole or in part, anything that will exchange for articles of maintenance, virtually producing that maintenance.

"If bad government rob the labourer of his capital, if unjust laws take from the producer the wealth with which he would assist production, and hand it over to those who are mere pensioners upon industry, the real limitation to the effectiveness of labour is in misgovernment, and not in want of capital. And so of ignorance, custom, or other conditions, which prevent the use of capital. It is they, not the want of capital, that really constitute the limitation.

"For if wages are drawn, not from capital, but from the produce of labour, the current theories as to the relations of capital and labour are invalid, and all remedies, whether proposed by professors of Political Economy or working-men, which look to the alleviation

of poverty either by the increase of capital, or the restriction of the number of labourers, or the efficiency of their work, must be condemned."—Henry George in *PROGRESS AND POVERTY*.

"The Principles that Determine Wages" was the subject of a paper read by Mr. W. L. Hitchens at the Economic Section of the British Association Annual Meetings, held at Edinburgh, 9th September, and the wage fund theory was over it all. Those present were told that the most burning question in the industrial world to-day was the proper apportionment of the proceeds of industry between labour and capital, and they were left to infer that human and not natural laws must direct the proper division of the product: "The wages question was in essentials simple to grasp, but the solution was by no means simple; employers could not be forced on a large scale to pay a prescribed wage; the right to strike and the right to lock out was always in the background; arbitration was, as a rule, a questionable practice needing to be adjusted to an ever-changing environment; the law of supply and demand must be qualified by the important principle of a living wage for all men; it was also important to remember that if the law of supply and demand worked badly the fault lay not with political economy, but with themselves; the system was all right, the trouble arose from employers, employed and consumers alike; it was the hearts of men that must be changed, not the forms of industrial organization."

At the close of a newspaper column of such inconsequent talk, Mr. Hitchens came to his main principle; and as if nothing had ever been said or written to question the "theory," he declared that "wages depended on the accumulated wealth of a community." "This," he continued, "was obviously greater in times of progress and development than during a period of stagnation and retrogression. And that being so it was inevitable that wages should fall, and the question was to determine what wages they could afford to pay in each industry without losing their foreign markets. Profit sharing might do some good, but then again it might not; State Socialism and Industrial Guilds were high-sounding phrases that gilded the pill; but there was much to be gained by experiments; what industrial prosperity depended upon was stable political conditions combined with individual liberty." In the light of what has been written on the subject, quite apart from our experience, it was truly an amazing performance.

The opposing view of the matter is that wages are that part of the produce of labour which the labourer produces now; that there is no great hoarded stock to fall back upon, and that wages must be what is left after the monopoly deductions are made from the produce, after the parasites and the pensioners on industry have taken their share.

LAND & LIBERTY speaks for no mean body of

opinion on its cure for industrial unrest. It is an opinion that is not out of sympathy with much that Mr. Hichens has said, but it runs counter to his economic interpretation both as to what wages are and what are the governing factors in the case. The field of inquiry and investigation into industrial and social problems is by no means closed against the teachings of *PROGRESS AND POVERTY*, though the Press and the politicians keep away from it, the while they stuff the heads of the people with opinions that never seem to have any correspondence with basic facts. But talk as they may on the comfortable side of things, the wage fund theory has been found out to be a brass-faced imposture, a sort of pagan deity that in the name of economic truth blocks the way of all ethical aspiration. It still remains a "principle" to its professed adherents, but as it is put to the test it changes into an unabashed expediency that even its high priests and lesser lights cannot very well recognize or defend. In such difficulties they leave the "principle" to look after itself while they turn to something more or less despairing.

Unemployment, with all its savage inroads into the body politic, is the question of the hour. The voice of the Government is to the effect that the cure lies in improved trade, which is like saying to an invalid that the way to convalescence is to get well, or to a starving man that the remedy is to eat something. The Labour leaders cursed with the teaching of the schools and the fecklessness of the Fabian Society have no radical remedy to advance. The President of this year's Trades Union Congress, held at Cardiff last month, favoured peaceful development, and urged that if the workers would join the co-operative movement it would provide a mighty weapon, one of the mightiest that could be used to further their emancipation. Other voices are heard calling for the restoration of the economic life of Europe. Doubtless the European newspapers give space to similar calls for more settled conditions in Great Britain. A more general cry is to stop spending money on military adventure overseas and devote the money to the provision of work on jobs at home. These counsellors seem never to have met the proposition that a demand for commodities determines the direction in which labour shall be employed, and that therefore what they are suggesting is merely the taking in of some workers somewhere and throwing others now in employment into idleness.

Under pressure the Government announce a policy of helping the local authorities to raise loans for relief works, and the Trades Union Congress and the Executive Committee of the Labour Party declare unemployment to be a national problem and ought not to be made a local burden. Their proposals are: the stimulation of production for exchange, national and local public works of social utility, adequate grants in aid and loans to local authorities, adequate maintenance for those for whom employment cannot be found.

A Labour leader, Mr. Philip Snowden, writes to *THE TIMES* that increased output is the supreme industrial question. "There is only one source," he states, "from which wages can be paid, and that is the National product. The larger that product is, the larger the wages of labour will

be; and the cheaper the cost the larger the trade." The answer to this statement is that there is no such thing as a "national product" out of which wages are paid. There are some few national workshops, but these apart, there is just the produce of labour taken from field, factory and workshop which, so far, is happily free from national direction and control. Nor is it true that the wages of labour depend upon the amount of wealth produced. If a labourer received what he earned that might be so, but as a practice whatever the labourer may put into the pool by his labour, what he takes or gets out of it is determined by circumstances of quite a different character. The supreme industrial question is not output; it is rather a question of opening up the natural opportunities to output. By all means let us strive to gain the highest possible output, but let us first of all see to it that the choking weeds of monopoly are cleared from the natural springs and wells of trade and industry. Mr. Snowden declares "the present load of local rates and national taxes" to be "an intolerable burden on industry," and adds that "if the taxes were spent on schemes which encouraged trade and improved the health and skill of the workers taxes would return their value to industry." But is it not true that experience of this expenditure is that the return goes not to industry but to monopoly in the form of higher ground rents and values? Rate expenditure is as it may be, and there is ever so much to do and mend up to suit the public needs. The question is how the rates and taxes are to be collected—on industry or on monopoly?

Why is the answer to this question so persistently shirked by Labour leaders? They pass it by just like ordinary politicians. They profess to have greater insight, but they talk and write as if they were in league with those who are out to keep labour from its own. In plain language it is the man at the gate who fixes the wages of the men inside. Industry is carried on under laws that narrow the field of employment, and instead of massing their full weight against this obstruction organized labour begs for maintenance and cries out for money to spend on works of relief. The taxpayer is being bled to death, and instead of being directed to the communal value of the land from which to take supplies he is told to pay up and look pleasant. Why is this so? Will some Labour leader not tell us why they are so determined to persecute the hard-pressed worker and allow the monopolist to wallow in the fat of the land?

Mr. Churchill at Dundee, 24th September, said that since the Armistice the Government had spent £105,000,000 on the relief of unemployment. He blamed the collapse of international exchange and Bolshevik agitation for the industrial situation, and the *SUNDAY OBSERVER*, a thick and thin supporter of the Government, answers: "Foreign markets are stagnant; that labour has its case and will not be brought to repentance by the prosecuting counsel." The other day the Government scrapped the Industrial Council brought into play some two years ago to cope with problems of the larger size, and the Prime Minister now announces another of the same, to be composed of local authorities, manufacturers, traders,

bankers, and organized labour; another council that is to show more wisdom than those who direct it, or who brought it into being.

In an interview with the London Labour Mayors who had pursued him to his holiday retreat in Ross-shire the Premier said: "If you were to ask me where to find a new tax I could not find it." The deputation was struck dumb. They had never heard of a tax on land values, or that but the other day Mr. Lloyd George himself went up and down the country "Limehousing" about it and its great merit as an instrument to open up the land to every kind of industrial expansion! Here is his last reference to the question at Glasgow, 4th February, 1914: "We want new rating. I don't profess to know your rating system in Scotland, but I know the rating system in England and Wales very well, and certainly in England and Wales we want first a complete change in the methods of our valuation for assessment purposes. They are crude, inefficient, and open at the present moment to grave suspicion of partiality. The valuation under the Act of 1909 secures, for the first time, a real valuation of the land and of the structures thereon separately, and I can assure you we mean to make use of that valuation." And again, 4th May, from his place in the House of Commons: "We propose that this valuation should be the valuation on the assessment of the real value of the property, separating the site from the improvements; and, to prevent any misconception, let me say there is no intention to transfer the whole burden from the composite subject of site and hereditament to the site. But we do intend that the taxation of site values shall henceforth form an integral part of the system of local taxation. That was what I meant by broadening the basis of taxation."

If what Mr. Lloyd George then said was true, what is wrong with the same policy to-day? And if the Labour Party stand for the Taxation of Land Values, why cannot its accredited leaders say so when the chance comes their way?

The Government must find work or pay, is the demand of the Labour Party, and it is met by an opposing current making, in the interest of trade, for a sweeping reduction of expenditure, mingled with cries of anger and distress from the outraged taxpayer. In the circumstances things go from bad to worse, and, with the single exception of Mr. Robert Smillie, there is no one to call for that "one hour in the execution of justice worth seventy years of prayer." Work, or pay, is a poor enough slogan if there be no direction as to where to find the primary essentials to both. No Government that ever existed could by taking thought add one single opportunity to work other than those provided by Providence. What the Government can do is to abolish the unjust laws that keep men from access to the natural storehouse. For reasons best known to themselves the Labour leaders do not want to give this direction, but they will stay lost until they do.

The principles that determine wages are the principles that determine trade and employment. The present crisis proves the absence of any accumulation of past wealth from which to pay wages. Wages come from produce, and if there be any scarcity why cannot more be produced? There

need be no lack of capital, and if there is, at any time, the land, the raw material of all capital, is always there from which to draw upon for further supplies.

J. P.