

### A Risky Speculation

In fact land nationalization does not solve the land question. It perpetuates for an indefinite period the existing system under which the workers and producers are subjected to heavy taxation because of the failure to take land value for public revenue. Land nationalizers in the past expressed the hope that the period during which this would continue might be short because increase of land values would amortize the debt created to purchase the land. They failed to realize, however, that if market value is paid, then the payment has already included all the increases in value that the market could foresee. But the situation now is still more adverse for the land nationalization theory. The tendency at present is for population to fall. This tendency will to some extent at least counteract the effect of technical improvements and specialization of labour and industry in raising land values. We need not hold the extreme view that if the present trend of the birth rate continues the population of this country will decline in the course of a century to five millions, but there is at any rate reason for the greatest caution in accepting any policy based upon anticipation of a continual and rapid rise in land values over a long period.

### Administrative Problems

Still other problems arise out of this proposal. If the State is to be the landowner then it must either administer the land itself or it must let it to tenants.

If the land is administered by the State, then the State must take the responsibility of providing the equipment and determining the use which is made of it.

If the land is let on short tenancies, then the same result follows, for the tenant will not be prepared to adventure his own capital.

On the other hand, if the land is let on a perpetual tenure, fresh problems arise as to the adjustment of the rent when the land value rises or falls, and this problem is complicated by the question of the variation in the value of the original improvements on the land, which the State acquires in the process of land nationalization.

### The Simple Alternative

All these problems are avoided by land value taxation, for the amount which the landholder will pay under that system by way of tax will automatically be adjusted by reference to the value of the land alone, as periodically revised by general valuations of land value, and the occupier will make his own arrangements and be solely responsible for the improvements.

At the same time the occupier will have a continual pressure brought to bear upon him to use the land well because he will have to pay the same amount of tax whether he uses it well or ill. In fact, when the taxation of land values has been carried to the extent of taking for

public revenue the whole annual value or economic rent of land, the State will in an economic sense be the owner of the land, receiving its full value, and the land holder will be the owner of the improvements, although in a legal sense the land holder will still have all the rights of ownership as regards the use and disposition of land subject only to the overriding right of the State to collect the land value year by year.

If land were nationalized it is evident that a very large proportion of it could not be used in any direct fashion by the State. Where it was reasonably well developed and productively used, all that the State could do would be to let it to the present occupiers. In order to obtain the control of the small fraction for which immediate use or change of use was necessary, the State would be obliged to purchase all the rest including the buildings and improvements upon it.

### Piecemeal Schemes of Land Purchase

The complications and difficulties and financial disadvantages of land nationalization have indeed become so apparent that its advocates do not propose to nationalize the whole of the land at one step, but propose merely that the State and the local authorities should be free to purchase as much land as they please, when they please, without requiring that the acquisition should be for some definite and specific purpose as it usually has to be under the existing law.

Even so the problem of acquiring this land at a reasonable price remains unsolved. No equitable standard of valuation can be found unless and until a general valuation has been made showing the value of all sites, and unless this is made the basis of national taxation or of local rates. It is only by this two-way pressure of valuation as a basis, both for taxation and purchase, that a fair valuation can be achieved.

### The Rent of Land and to Whom it Belongs

Land nationalization lays undue stress upon the legal fact of ownership, and too little upon the economic fact of private appropriation of land value. Some advocates of land value taxation also refer to the evils of private property in land when they intend to refer to the private appropriation of economic rent. The latter is the central point. The flow of land value into the pockets of those who hold land deprives the community of the natural revenue which it has created and earned, causes a grievous weight of taxation to be imposed upon the individual earnings of the people and especially of those who are least well off, and causes enormous inequality in the distribution of wealth. It leads also to speculation in future values and the holding of land out of use with its accompaniment of unemployment, reduced wages, and a still further distortion of the distribution of wealth.

These evils can be directly and natur-

ally dealt with by land value taxation. Land nationalization as we have seen postpones to an indefinite future any recoupment of the land value to the community. In effect it leaves in private hands the enormous values which have already attached to land and only recovers for the community future increases in value, the amount of which no one can with certainty foretell. Every step in land value taxation, on the other hand, is a positive achievement in recovering for the community land values which now exist, and the rapidity of this process remains in the hands of the State.

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## CORRESPONDENCE

### THE "MULTIPLIER" EFFECT

To the Editor, LAND & LIBERTY.

Sir,

Referring to the pamphlet "*The Problem of Employment, Beveridge Fails to Solve It—What Will?*" I do not feel I can quite agree with your argument against the "multiplier effect" idea of employment, which seems to me to have a certain amount of truth in it. Of course, I certainly agree that an employed man cannot add to the total output of the community more wealth than he himself produces—but the production of wealth and employment can be, in certain circumstances, two entirely different things.

To take your illustrations—an unemployed man placed upon a plot of unused land might conceivably produce more than the necessities of life for himself and his dependants. In such a case, he could exchange his surplus wealth for, say, lessons in algebra by someone out-of-work but competent to give them, if his fancy ran in that direction: he would in fact have created employment for one additional person. And the same could be said about the million men working in diverse occupations: if they produced a surplus of goods to their own needs, they could exchange this surplus for services, thus giving employment to additional people.

Is not this a question of the balance between what is commonly spoken of as productive and non-productive labour? If unemployed people were put to work upon non-productive activities, such as digging holes and filling them up again, as suggested by Sir William Beveridge, because they have produced no wealth, the "multiplier effect" evidently could not be brought into play: and this is where he and Keynes are wrong. Instead, a forced levy would have been made upon the people who were producing wealth.

Yours etc.

(Miss) G. E. READ.

REPLY.

[Production and employment are two different things. If employment is measured by time worked and not by the

result of the work done, then there is an easy way of abolishing unemployment. It is to adopt methods of production which require more labour to achieve the same result. For example, if it takes twice as many men to cultivate land by means of horses and ploughs than are needed if tractors are used, then employment in this occupation could be doubled by prohibiting the use of tractors. But this is subject to the important proviso that the men employed are each paid at half the previous rate. In other words the produce of their labour is divided between twice as many persons.

This is not a solution of the problem of unemployment which anyone would consciously accept. It is, however, one which may be accepted if it is disguised. The way in which it can be disguised is by inflation of such extent that the money wages remain the same while their purchasing power is diminished. Or the same result can be achieved by taking money from people in taxation and using it to employ people who would otherwise have been unemployed.

By such devices the amount of employment as measured in man-hours worked may be increased, and yet the amount of wealth produced may remain stationary. It can be said that this prevents the frustration and deterioration suffered by those who have nothing to do, and is to that extent commendable. But it is not a solution of the problem of unemployment in the full sense in which we must desire it.

The illustration you give of an unemployed man being set to work on a plot of unused land, and exchanging part of the wealth he produces for the personal services, for example, of a teacher does appear to be a genuine example of the "multiplier effect." Closer examination is, however, required. In theory at least the unemployed man in question, instead of working so long in producing material wealth, might have worked for a less time and in the time gained have taught himself algebra. He would thereby have procured himself the same sum total of satisfaction with the same total time of application of his labour, provided that he was as competent to teach himself algebra as the man with whom he exchanged part of the wealth he produced for instruction in this subject. The proviso brings out the essence of the example, and shows that it is really a case of greater efficiency and greater total satisfaction secured through specialisation, or, as Adam Smith so pregnantly called it, the division of labour.

It is on this account that in the pamphlet to which you refer after giving the highly artificial case of a man set to work on idle land and producing everything he requires, the more natural illustration is given of a large number of men so set to work, enjoying all the advantages of division of labour and securing maximum efficiency. In that case no multiplier effect arises because there is no gain in

efficiency by exchanging with persons outside the group. It may be said, and truly said, that no community is so large that it would not have something to gain by exchange with others. This, however, is nothing more than the basic argument in favour of universal freedom of trade. It may, if one likes, be described as a "multiplier effect," but the description is not very apt and indeed misleading.

In this connection it is instructive to observe that Sir William Beveridge in his book on "Full Employment" does in effect contradict the argument for complete free trade and advocates measures of restriction and regulation in order that one country shall not "export its unemployment" to another. It is, therefore, clear that his interpretation of the "multiplier effect" is something quite different from the beneficent effects of the division of labour. This reinforces the conclusion that the plan he proposes is at bottom one which multiplies the amount of work without correspondingly multiplying the results of that work.—*Editor L. & L.*

### OUR VILLAGE LAND

To the Editor, LAND & LIBERTY

Sir,

I am a member of the Burnley Rural District Council and of the Assessment Committee for Nelson, Colne and district. We find that in our village over 95 per cent. of the land is derated and taken out of the valuation lists, the average rental of such land including houses and buildings being from £1 to £3 per acre per annum, equivalent, at 20 years' purchase, to from £20 to £60 per acre.

On September 6, 1932, the Parish Council purchased back land (not adjoining a road) for a memorial recreation ground for £250, this being equal to £160 per acre. I have examined the deeds and found this correct. Not one of the persons signing the deeds knew the price per acre paid; the electors of the Parish did not know.

We require houses for the young people when they come back; our problem is the land. It is difficult to get land for building under 3s. a sq. yd. or approximately £726 per acre. Surely the people will waken some day. We in the Burnley R.D.C. have formed a Parish Council Association with 232 members; also we have formed a Lancashire County Association of the Parish Councils. The subject of Land Value Taxation should be brought before these Associations.

Yours, etc.,

IRVIN WALTON.

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