

# HENRY GEORGE SCHOOL MAGAZINE

MAY 1956

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**HENRY GEORGE SCHOOL OF SOCIAL SCIENCE**

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# HENRY GEORGE SCHOOL MAGAZINE

(Edited by a panel of Tutors)

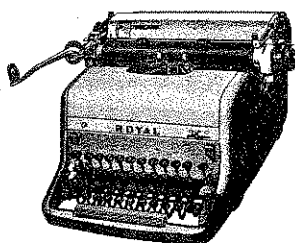
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## Editorial



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The purpose of the School Magazine is to provide articles, news and comments dealing with political, social and economic matters as an extension of the study classes of the School; to expound the first principles of economic science and social justice and show their validity, relevance and significance when related to current economic problems; to sustain interest among ex-students and to inspire participation in the School's work.

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PEELING THE PUBLIC. It is an odd coincidence that no sooner did the light of publicity dim over the enquiry into the proposed Egg Marketing Scheme than we found ourselves in trouble with potatoes. The Potato Marketing Board is not serving as a good advertisement for an Egg Marketing Board. Under recent legislation the Potato Marketing Board now have powers to fine any farmer £10 for every acre of potatoes he grows in excess of his allotted quota. This itself is not likely to engender confidence in the Board's power to maintain full supplies at low prices in the future.

Reports on the potato shortage have been conflicting. Not all are agreed that the dry summer is to blame. Some assert that there is no real shortage of potatoes at all. Jeremy Thorpe, in "Any Questions" on Friday, 27th April, maintained that the blame for the shortage of potatoes could be laid fairly and squarely at the door of the Potato Marketing Board, who have restricted supplies by what is now popularly known as "the fiddle of the riddle." Mr. A.G. Street, the farmer, who was another member of the Brains Trust, stung to reply, asserted that this was, after all, no different from the restrictive practices of trade unions! He made no attempt to contradict Jeremy Thorpe.

The Evening Standard, 20th April, makes the impudent comment in its Editorial that the potato shortage is a challenge to the housewife. "She

can exercise her ingenuity in finding alternatives to the elusive and expensive potato... The potato shortage can reveal to every family whether there is the plainest of plain cooks in the house - or an aspiring culinary artist." The Standard offers the further suggestion that the housewife can help to lower prices by refusing to buy potatoes! Presumably, when prices have fallen through their action, the housewives can start buying once again - and of course prices will remain where they have fallen!

EGGS AND IMPUDENCE While still on the subject of impudence, we would like to refer to the statement of Mr. MacKenna (Counsel for the National Farmers' Union) when he made his final submission to Mr. Baker, Q.C., who is conducting the enquiry into the Egg Marketing Scheme. Mr. MacKenna said that among those who objected to the Scheme there were the amateur political objectors - the many individuals "who had stated some theoretical arguments and so-called economic truths, and made somewhat vague and general statements about monopoly, free trade, totalitarianism and so on. They should be regarded as taking advantage of the enquiry to air their theories."

The man's language gives him away. His statement reminds us of the story of the junior counsel who found written across his brief: "No case - abuse Plaintiff's attorney." Such words as 'amateur political objectors', 'theoretical arguments', 'so-called economic truths', 'somewhat vague', etc. betray the lack of rational argument. Mr. MacKenna, of course, has no answer to the economic and moral theories which support free trade and condemn monopoly and totalitarianism. He has to do his job, we suppose, but we wish there was a kind of Hippocratic Oath that would bind lawyers to stick to pure logic and eschew emotional and coloured words.

SALMON Mr. Justice Harman held, in the Chancery Division on 26th April, that bottled processed salmon were "Fish products, frozen or preserved" and not "fish." Certain food importers had asked him to decide whether jars of salmon processed in brine in a Dutch factory came within the former category, so that the company could import them into Britain. The Commissioners of Customs and Excise contended that the contents of the jars were "fish", the import of which was prohibited. Mr. Justice Harman said that the list of articles which the Board of Trade licensed for import contained a bewildering variety. He observed, "this method of controlling trade seems to me pre-eminently a restrictive practice. You forbid everything, and then you license a few things and therefore, prima facie, it being a restrictive practice, it is for those who wish to justify it to show clearly that the restriction is authorised by Parliament or some instrument which derives from Parliament." He ruled that the jars of fish were "fish products,

preserved." The Customs and Excise were to pay costs.

Every aspect of this case is unsavoury, excepting perhaps the salmon! There is the absurdity of a judge having to waste his time - and the Court's time - in deciding the case. There is the Customs officials' waste of time. There is the bewilderment of the Judge, who gives a well-merited rebuke at the law he has to administer and try to understand. And, finally, there is the despair of many reasonable people that we shall ever recover from this malaise; and the apathy and cynical indifference of people in high places, who would never dream of attacking established institutions for fear of unpopularity with the vested interests of monopolies, sectional groups or whoever is involved.

TOBACCO. In a letter to the Manchester Guardian recently a correspondent said that once we admit that excessive smoking is bad for the health and begin to do something about it, we shall begin to think about the fact that excessive smoking is undoubtedly good for the revenue. He said that the political parties should be considering the implications of such a loss of revenue to the Exchequer (£668 million was collected from tobacco last year). Then came this gem - "It will mean a loss of revenue to the tobacco manufacturers, who may well apply to the Chancellor for financial assistance." The point about this remark is not that it is a revolutionary suggestion, but that it is typical of the way people think today. Let anything go wrong with farming or industry, and there is always the State ready to step in and nurse back to prosperity whichever section is affected.

NO REBELS NOW? A writer in a national weekly asserted recently, "We are all Keynesians now." We have also been told by those who lead, guide or mould public opinion that we are all socialists now. And of course we are all "Welfare Staters" and protectionists. Another variation of the same theme that often appears in our economic text books is the one that asserts that everyone nowadays accepts that we must have a state-planned economic system. It is not easy to be a rebel; to get out of line is not to be respectable to say the least. Adam Smith writing on the restraints on imports into the country had this to say of the rebel:

"The member of parliament who supports every proposal for strengthening this monopoly is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more, if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger arising from the insolent outrage of furious and disappointed monopolists."

The path of the nonconformist is indeed hard, whether he be battling against privilege, prejudice or ignorance, but then he gets a feeling of exhilaration that the "yes-man" can never know.

UNDERNEATH THE CLICHES  
(A Thumbnail Review  
of the Budget)

Wondering what we would have done if we had had to present a Budget for 1956/57, we are reminded of the reply given by an inhabitant of an isolated village, who was asked the way by a motorist who was lost. "Its terribly difficult," said the local,

"If I were going anywhere, I wouldn't go from here."

Although we wholly disagree with the Chancellor's approach to the problem of taxation, it is well to try to understand the present economic position and to examine the measures proposed to remedy it. The problem has been stated often enough - but usually in misleading terms. In a nutshell, the problem is to balance the State accounts and at the same time to "fight" inflation - that is, maintain the value of the pound. The two are linked because it has been found necessary to resort to inflation (creating of paper money) in order to help to balance the books, the proceeds of National Savings and taxation having proved insufficient. Treasury Bills have been used as the instrument of monetary inflation and the nationalised industries appear to have been financed exclusively in this way. To what extent the Budget proposals and new financial policy will be effective in reducing the need for further inflation remains to be seen.

The plain facts of inflation are, however, seldom presented to us in a plain unequivocal fashion. Instead, the responsibility for inflation is thrown upon us and we are exhorted and bullied into saving, for with a certain cruel logic it is true that if the Government can use our money, then to that extent it need not resort to the printing press. The following, by the Financial Editor of the Manchester Guardian, 18th April, is much to the point. The underlining is ours.

"The nationalised industries are for the time being to abandon their efforts to borrow from the market under Treasury guarantee... But they will still be wanting as much money. They will get it as advances from the exchequer and the exchequer, as things stand, will raise the money by further issues of Treasury Bills. That would be inflationary. 'My purpose,' said the Chancellor, 'will be that this sum for the nationalised industries, with other borrowing by the Government, should be successfully absorbed by the public during the year - that is, draw in real savings and not depend on inflationary finance.'"

Just after the Budget, the Government announced a new £250 million loan. It is believed that the purpose of the loan is to pay off Treasury Bills held by the banks. An increase in the National Debt is a poor substitute for monetary inflation! We do not pretend that balancing the Budget is an easy matter in present circumstances, but the bewildering and unstable superstructure of our present economy with its subsidies, tariffs, licences, quotas, restrictions, Welfare (workhouse?) State, loans, grants, monopolies, Exchange Control, marketing boards, stupid rating and taxation systems and all the paraphernalia of the plan-happy economists, offers a wide field for economic reform which, other things apart, would render such Carey Street and Epsom Downs activities by the Government unnecessary.

# ABILITY PROPERTY & EQUITY

Mr. L.F. Desmond takes us up on our March Editorial, and suggests that we have oversimplified the question of "rent of ability" and under-estimated the force of arguments which advocate that it be communally shared. Our reply follows the statement by Mr. Desmond.

The second and third paragraphs of the March Editorial intrigued me, but condensed as they are I wonder if they convince those not already convinced?

I foresee people with a religious philosophy saying, "As God created the differential values in land, so He is responsible for different individual abilities (and not the individual himself). Are we so sure He wants the individual personally to appropriate his 'rent of ability' or may He not rather require gratitude to Him expressed by contribution to the Community (true charity)?"

Even without a religious philosophy and without employing such theological arguments, people may feel the force of arguments of that type. "Am I my brother's keeper?" "Yes", is the reply of the traditional and orthodox ethic. The thought lurks; if we are not personally responsible for our 'rent of ability', are we entitled to appropriate it all as ours or ought we to subscribe it to a common fund from which all share equally? In preaching individual rights, are we really so disinterested and motivated solely by claims of social justice?

Whatever the answers, your last paragraph, last two sentences, provokes a further reflection. Given the present relations of production, who is to determine the real extent of individual produce and how is it to be determined?

The conception of the natural justice of free competition (minus land monopoly) is, given the 'rent of ability', one which is not and cannot be taken for granted. That conception underlay the Darwinian view of evolution (natural selection) and led to disastrous results ("The weak to the wall" philosophy of Nazism). Evolution reaches its highest form in mankind via his co-operation or association, as Henry George avers when discussing civilisation. Some Georgists write as if competition and co-operation are identical, but that also cannot be tacitly assumed.

I think it is fair to say that many people are groping towards a social view which implies that 'rent of ability' may largely result

from benefits conferred by Society on Society - just as land values are. If that be so, Society may be entitled to a return. While people do think this, and I am not so sure that they are wholly wrong, they will not be impressed by labelling Marxism as a "superficial" philosophy however ignorant they may or may not be about the distinctions between various kinds of property.

In conclusion, am I too presumptuous in supposing I have put my finger on the real core of the social question as commonly expressed? If not, it is along a line of approach which copes with these considerations rather than one of coldly formal economic doctrine that you can best reach those not already persuaded, perhaps even those who succumb to the appeal of "the superficial philosophy".

#### THE EDITORS REPLY

The person who feels impelled by his religion or by his particular ethical outlook to share his natural ability with others can do so without any difficulty. Whether this same person would feel justified in calling on his neighbours to help to force others do likewise, is another matter. To try to force a man to love his neighbour is to make nonsense of the word love. Laws therefore which compel men to share their natural ability are contrary to the concept of loving one's neighbour. In seeking justice for one's neighbour there is not the same problem. As to those who rightly reply in the affirmative to the question, "Am I my brother's keeper?", they may realise only too well that they may not be acting in the best interests of their brother if, having secured equal rights for him, they encourage him not to rely on himself but on others (the lame and the sick are obviously exceptions here).

Mr. Desmond says that "the conception of the natural justice of free competition (minus land monopoly)... underlay the Darwinian view of evolution", and produced the "weak to the wall" philosophy of Nazism. We would like to know just where Darwin and his followers mention land monopoly! Competition, like "laissez-faire", is not wrong in itself, and therefore should not be made the scapegoat for other evils. The conditions under which competition is obliged to function are often regarded as the result of competition itself. And why assume that there is always only one prize when competition takes place? Competition is not aggression but a means of measuring ability.

To argue that there is not enough wealth to go round and to say that people have to compete in order to live, is not an argument against competition even if the premise were true - which it is not.

The next question is that of determining the extent of individual contribution to society. The answer to this is competition. Men making screws or painting the Forth Bridge are not in need of complicated formulae to decide the value of their contribution to society. Render a service or create wealth, and society will put a value on it in fair exchange. The ramifications of modern productive methods make

no difference to this principle, although its practice may be frustrated by artificial obstacles.

Mr. Desmond says that it cannot be tacitly assumed that competition and co-operation are identical. They may not be identical, but they are certainly not antagonistic. Both competition and co-operation are necessary parts of exchange. We have labelled Marxism as a superficial philosophy and we are unrepentant. Here is Marxism straight from the dictionary: "SUPERFICIAL: pertaining to the surface; not penetrating; not the substance of a thing; shallow; not deep or profound; reaching and comprehending only what is obvious and apparent." According to Marxism you are either of the "boss" class or the working class; you are an employer or an employee, a capitalist or a worker. The boss gets the profits and the worker gets wages. The worker cannot see any farther than the man who pays him his wages. What is this but a superficial view of the economic system?

To take up some further point We are familiar with the argument that a man's ability (or part of it) is due to something conferred on him by society. We do not deny it. But we do deny the conclusions usually drawn from this, namely, that because of this a man owes something to society. Imagine ten men to represent society. Let each man debit himself with value 'x' which he "owes" to the other nine men (society). Would not each man then find that he has been credited with value 'x' from the other nine? And would not all debts be discharged automatically?

Here is another disturbing thought for those who flirt with this idea of sharing individual natural advantages communally. What of the beautiful woman, fine of figure and charm of manner; has she not an advantage over her plain sister? What of the man with a passion for Beethoven (which he would not trade for all the riches in the world); how does his position compare with that of the man to whom music is just a noise? What of the man who glories in a summer sunset and what of he who sees only that the sky is red? Is it not superficial to think of advantages only in terms of ability to produce wealth? But logically, should not all such advantages be shared? Nature has her own way of sharing advantages. With a poor digestion we often get a love of poetry; with big feet or ginger hair we may well get joy and a deep appreciation of painting, or wind enough to run a mile in four minutes. It is injustice rather than anything else that stifles natural ability, as the uneducated masses in Asia testify.

Because man seeks to satisfy his desires with the least exertion, any attempt to equalise the rewards of ability would tend to level everyone's ability down to the lowest. Why develop ability then, when its rewards are shared compulsorily by others. Why develop ability when you can share in that of others? Space precludes us from developing the theme further, but we invite readers to participate in this discussion. Mr. Desmond has a provocative pen, even if we do suspect him of baiting his line just to see who will bite!



# CONTEMPORARY COMMENTS

END OF ACT ONE. The egg marketing enquiry, which finished at Church House today after 34 days, will have provided bedtime reading of rather more than a million words for Mr. Heathcoat Amory, who now has to make up his mind whether to let the scheme go forward and if so, whether any proposals for amendment are to be put up to the farmers' unions. There were more than seven hundred objectors to the scheme and 80 witnesses have been heard. Unofficially it is estimated that the inquiry will have cost more than £50,000. If the Minister should decide that there is a case for the scheme, with or without amendment, a lot more stages have to be gone through before it would come into operation.

(Manchester Guardian, 14th April.)

FREEDOM IS EVERYBODY'S BUSINESS! "Most of the objections on these points come not from producers of eggs, who would be affected by the provisions, but from consumers - no doubt well-intentioned people, but in this respect somewhat interfering. If producers are content to submit to the discipline imposed under the marketing scheme, that is surely their business."

(Mr. B.J. McKenna, Q.C., in his final submission on behalf of the N.F.U.).

LIMITLESS NATURE. Nearly 80 percent of the world's animal species live in the sea, including 16,000 different types of fish. One cubic mile of sea water contains 200 million tons of every mineral known to man.

(O.N. Gugen, Br. Sub-Aqua Club, Evg. Stand. 13th April).

CAUSE FOR "SPECULATION". Now, I flatter myself that I am a good business man and understand the principles of sound trade; in fact I will go further than that and say that I am a bit of an economist as well; I mean that in my time I have read Adam Smith, Ricardo and the other great authorities, indeed I have read even that old rascal, Henry George, who wanted to tax land values, on which my good old grandfather used his foresight and laid the foundations of a nice little fortune.

(From "Man the Madman" - by John Nibb, Pub. Elliott Stock, Lon.)

SURPLUS ECONOMICS: The current farm problem is said to be a matter of

surpluses - some seven billion dollars worth of farm commodities which the government either owns or holds under loan. As a result of the careless use of the term "surplus", we are expected to believe that the farm problem exists because there are "too many farmers" or "farmers produce more than we need."

In an economic sense, with a free market, the words "surplus" and "scarcity" simply do not exist. Only when the market is tampered with - when prices are set either too high or too low - do we find surpluses or scarcities. Unless we first recognise that the farm problem is basically a government-made pricing problem resulting from tinkering with the free market, then we are fairly certain to come up with a faulty solution.

(W.M. Curtis, in "Ideas on Liberty", U.S.A.).

MORALITY AND THE LAW. Mr. C.A. Joyce, who is a writer and broadcaster and headmaster of Cotswold Approved School, commenting on the domestic influence on crime, said he believed that everyone was now a little less honest than they were, and if convictions were not increasing there was an increase in crime in that there were some things today which were perfectly legal and at the same time perfectly immoral.

(Manchester Guardian, 23rd April, 1956).

Mr. Joyce may be right, but we wonder if he has ever considered the reverse - namely, that there are things perfectly moral and at the same time perfectly illegal! When the State makes a crime by statute, that which is not a crime in morals, then it is inviting disrespect for law, delinquents, tax dodging, licence fiddling, surreptitious drinking, smuggling etc. - Eds.

HOW ITS DONE. One valuer said: "Assessing shops is the most fascinating part of the job. I stand outside for hours watching people come and go. This gives you an idea of the shopkeeper's trade - vital for assessing rent."

"Shops near bus or railway stations interest me most. A site a few yards one way or the other way may make all the difference to a man who has forgotten to buy a tube of toothpaste and is trying to make up his mind whether to get one while his train is waiting. All such things are reflected in the rental value of a site."

When the valuer has made up his mind how much in rent he would pay for a shop, he has to do his mental somersault - and imagine himself the landlord. The figure he decides on, after haggling with himself, is the fair rental value." (News Chronicle, 17th April).

An excellent example of how the qualified valuer measures site value. But having measured the community-created advantages of position, the valuer should be instructed to stop there, and not to go on to measure the private expenditure, initiative and enterprise of the user of the site for taxation purposes. In short, let him pay for the use of what is really communal property, the site value of land, and let the community keep its hands off the results of his labour. (Eds.)

# INFLATION MADE RESPECTABLE

Walter Elliott, M.P., in The Daily Telegraph, 26 April

There are some people who, being dead, still live, and among them John Maynard Keynes ranks high. Those long, lean legs, with his bony cat-face mounted atop, still stalk Whitehall. Open any anonymous door in any of the dingy Treasury corridors, and you feel Maynard Keynes might still be disclosed, plunged in the depths of some shabby armchair, looking round in the full arrogance of his humility, to expound the recantation of his last opinion but one.

Keynes was that most un-English phenomenon, the professor who made good in affairs. Or, if you like, bad. For Keynes was the Man who made Inflation Respectable. If you wish to see his monument, look round.

What was the secret of his strength? It was an immense irreverence; and a power of vivid advice, tendered with a supreme disregard of its ultimate consequences. I remember how, as a young and enthusiastic Financial Secretary in 1932, I demanded from one of the deepest pundits of the economic art, "How shall we cure unemployment?" He gravely said: "We must shake confidence in the pound." I reeled as though blasphemy had been spoken. Yet it certainly was a prescription. And it was a prescription which worked. But not, perhaps, for ever.

As soon as any group of facts had been incorporated in a formula, the sinewy and agile mind of Maynard Keynes began to twist at it, to see where it would come unstuck. In the evening of his days he spent nearly as much intellect and effort in the attempt to secure a sterling unit closely linked to gold as he had spent in earlier days in filing that link away. He did not consider this at all inconsistent, any more than a sailor does when he casts off or takes up the moorings of his ship according to the state of her voyage. But this sort of readjustment is a slow and painful process in the handling of States.

Keynes never gave full weight to the momentum which ideas acquire as they gather way, nor to their power of devouring other ideas and gaining strength thereby. An idea which has really got loose, in practice carries on till it has crashed into some immovable obstacle of fact - and brought half the world down in the shock of its arrest.

In the days of the Depression, Keynes set a ball rolling, that

of inflation - a boulder, rather, whose leaps and bounds are still crashing through all restraints. Now Keynes had the economist's full horror of inflation as such. In "The Economic Consequences of the Peace" he describes in the most uncompromising terms the moral as well as the financial disasters to which inflation gives rise. But that was in 1919. In 1923, the case was altered. Keynes published his "Tract on Monetary Reform." Of this Roy Harrod simply says, "Keynes, almost single-handed, killed that most ancient and venerable institution, the Gold Standard."

It is interesting to note the arguments which weighed with him. In the new system, the system of a managed currency, Keynes brushed aside "the boggy of a great inflation." He considered England to be so mature that the authorities could be trusted to carry out a policy of monetary reform faithfully, not indulging in any orgy of note issue. This in spite of the vehement attacks on the Treasury and the Bank of England that he had just been making. Again he believed and acted on the doctrine that the human race could now be "left to their own sensible devices, pure motives and reliable intentions of the good." Has this proved true? It has not.



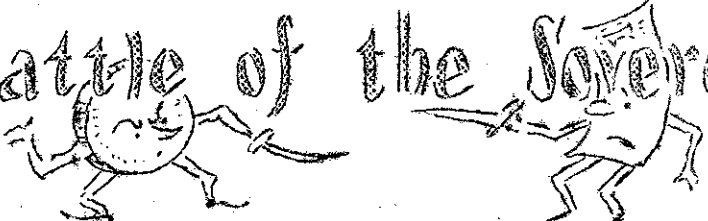
Much was to be said for the doctrine of home development, of selective enterprise; of the community, as well as the entrepreneur, being heard when new and old enterprises were being weighed in the balance. But this is another way to describe Protection; and when it came to Protection, Maynard Keynes was the foremost of its accusers - until, of course, the time came, in 1931, when he preached its necessity - to the confounding of his erstwhile supporters.

Nevertheless, the idea of spending your way out of a depression, or indeed out of anything, got going; and as Mr. Harrod chronicles ruefully, was brought out of the pigeon-holes at a point, of all periods in British history, least suitable for such an undertaking, namely, 1945-1950, to run the frailest economy any great State ever existed on.

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SUMMING IT UP! In a letter to the Evening News, Mr. J.F. Eggleston, lecturer and banker wrote: We are now witnessing the shattering effect on sterling of the theories of Lord Keynes and his acolytes. It was Lord Keynes who wrote that "gold is a barbarous relic" and imagined fondly that the value of inconvertible paper money could be obtained by Planned Management.

# Battle of the Sovereign



The Court of Appeal, by a majority, on March 20th, reversed the decision of Lord Goddard (the Lord Chief Justice) that the tenants of shop premises in Cardiff must pay their quarterly rent in Bank of England notes equivalent to the value of 475 gold sovereigns. The tenants' appeal was allowed, with costs, and Lord Goddard's judgment awarding £7,505 as five quarters' rent to the landlords was set aside.

The "gold clause" which the Court was asked to construe was in the 99-year lease of shops in Queen Street, Cardiff, assigned by Montague Burton, Limited, in 1953, to the Co-operative Insurance Society Limited, of Corporation Street, Manchester. The annual rent of £1,900 was payable quarterly "either in gold sterling or Bank of England notes to the equivalent value in gold sterling." Said Lord Justice Denning "A man who stipulates for a pound must take a pound when payment is made, whatever the pound is worth at that time. If we are now to hold gold clauses valid in England for internal payments we may find every creditor stipulating for payment according to the price of gold and every debtor scanning the bullion market to find out how much he has to pay. What then is to become of sterling? It would become a discredited currency unable to look its enemy, inflation, in the face. That should not be allowed to happen."

On September 29, 1955, the bullion value of 1900 sovereigns was £5,610. "In my opinion", he concluded, "the rent payable under the lease is £1,900 per annum, no more and no less. I confess that I am glad to be able to come to this conclusion because of the detrimental effect which any other view would have on our sterling currency."

Mr. Justice Harman, however, did not agree. He said that if £1,900 was intended in all circumstances to be the measure of liability that could have been effected simply by leaving out all words about gold sterling in the lease. He could see no reason why parties to a domestic document should not adopt the gold clause as a method of evaluating their liabilities, and he found nothing in public policy which should prevent a landlord from attempting to protect himself against fluctuations in the value of money. The reference in the contract to gold or gold coins did not import an obligation to pay in gold coins but imported a standard of value. Leave to appeal to the House of Lords was granted.

Lord Justice Denning's defence of the paper pound comes a little late; the fact is that the paper pound has not been able to look the gold sovereign in the face for very many years and this is due to successive governments debasing the currency. Well might the paper pound blush with shame! We shall watch with interest the appeal when it is heard in the House of Lords.

THE RIVAL PHILOSOPHIES  
OF  
CAPITALISM

By Dr. Harry Gunnison Brown, Professor Emeritus  
of Economics, University of Missouri

(continued from last issue)

If capital can come into existence only as there is saving and investing, should saving and investing be discouraged in every possible way? Or should there be incentive?

Is it important for the community that there should be capital? Is it important that there should be a great deal of capital? Is it a fact that men can produce more of the things they need for living and for living comfortably and well, if they are adequately provided with capital than if they are not? If so, is it appropriate and wise that we permit those whose saving and investment bring capital into existence, to enjoy a share of the added output which the capital makes possible? If we permit this, then there is an incentive to voluntary, individual saving and investment.

In a free society in which, therefore, economic life is carried on through free markets (where there is competition) and free private enterprise - such a system is commonly referred to as a capitalistic system - an incentive is present and expresses itself through the mediation of the market. Capital yields a return - a net per cent over and above the expense for repairs and depreciation - to the owners of capital. ...

The Communist, the Marxist, and the socialist tell us that such income is robbery. Is it? If so, just who is being robbed? If the interest on capital is really but the added product made possible by saving, why is it less justifiable than wages which are really but the added product made possible by the worker?

But is there a gain to wage earners from allowing owners of capital to derive income from it? Or can it be said that, however fair and just the enjoyment of interest by owners of capital may be, no advantage accrues to labour from permitting it?

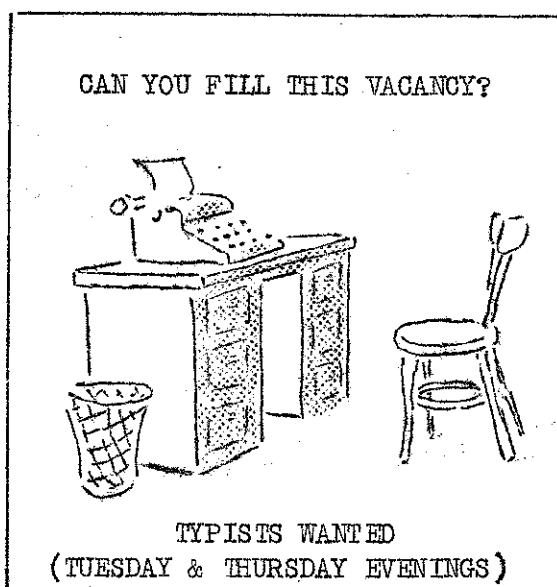
The important facts to consider here are: first, that labour can produce far more and earn far more when it is well equipped with capital than when it is not; and second, that if an adequate return on capital can be gained in a state or nation, a larger amount of capital

will be available for the use of labour.

To illustrate the advantage of capital to labour, suppose two men of equal skill working side by side in a factory, one of them being provided with adequate and good tools and the other with inadequate tools or very poor tools or no tools at all. Or suppose two men trying to catch fish, one of whom has a good pole, the best of bait, a net, and a boat to carry him where there are many fish. The other has nothing but a half-rotten stick and a bent pin - or perhaps only his bare hands. Or we may contrast a farmer and his two sons working on a farm adequately provided with the best of farm buildings and machinery, with another three who have nothing but three hoes and no building in which to store produce.

It is unnecessary to multiply illustrations. We all realise that workers can produce much more with capital to aid them than without it. We all know that if an employer would not provide capital for his employees to work with, he could not afford to pay them the wages that other employers offered, and so would not be able to get any employees, or to keep them if he did manage to get any.

We have seen that what the owner of capital can receive from it



is affected by the fact that added units of capital contribute diminishing amounts to production. .... Let us suppose that there is, in the United States \$400,000,000,000 of capital, and that the difference in annual product between having or not having the last or least important thousandth \$400,000,000 of this capital is 24,000,000 or 6 per cent. But the difference between having the entire \$400,000,000,000 of capital and having none at all, leaving workers with not even pointed sticks but only their bare hands, is much more than a thousand times as great. Not to have the last or least important \$400,000,000 of capital might decrease the product by

little more than the income yielded to the owners of it. But to have no capital at all would not merely deprive capital owners of their incomes. It would so paralyze all production as to deprive wage earners of almost all their wages and result, inevitably, in the death of most of them and their families. For the well-being of workers, then, and not merely of owners of capital and land, it is essential that there should be capital

- and a great deal of capital. Without capital - poverty - starvation - the death of millions ... and the destruction of civilisation would be inevitable. ...

We have capital because some of our people have saved, - gone without goods and services they might have enjoyed having. Workers who are equipped with capital are more productive than workers who can use no capital. They are more productive than workers who have to get along with less capital or poorer capital. Does it not follow, then, that those who save and, through their saving, make possible an addition to capital, are fairly entitled to an income return from their capital?

But the tax system to which we in the United States are accustomed today, goes unnecessarily far in taking away from those who save and invest, the natural reward (in extra productivity of industry) of their saving. Is there a better way of securing tax funds adequate for the maintenance of the necessary services we expect government to render? Is there a way of securing public revenue - at any rate, much more of it than we now do - that does not lessen the incentive to save and invest in capital and that does not burden the poor? Is there such a system? Is it anywhere in use?



"... GOES UNNECESSARILY FAR"

Throughout some of the states of Australia, and in some of the districts in other Australian states, such a tax system has been in use for decades. In those districts and states, the land or site, which no man has made and which owes its value to past geological forces and to community growth and development is taxed instead of the capital that results from man's work, saving and investment. Buildings, machinery, planted trees, crops, drainage ditches, the fertility put into the land by the owner or user of the land - these are not taxed.

Under this system, saving and the investment of savings in the production of capital, are not penalised. Statistical studies show that in the parts of Australia where this tax system is in force, there is more capital constructed and more dwellings; and there is much less land held out of use for speculation. This last statement is especially significant in the light of the fact that more than a third of the land in the average American city is held vacant. Labour is thus, in those districts in Australia where the land is taxed more and capital is not taxed, better equipped with tools and other capital; and it is more adequately provided with land. Labour is therefore more productive. Land is cheaper to buy and the ownership of homes becomes easier.

But it is a mistake to regard this reform as having only human-



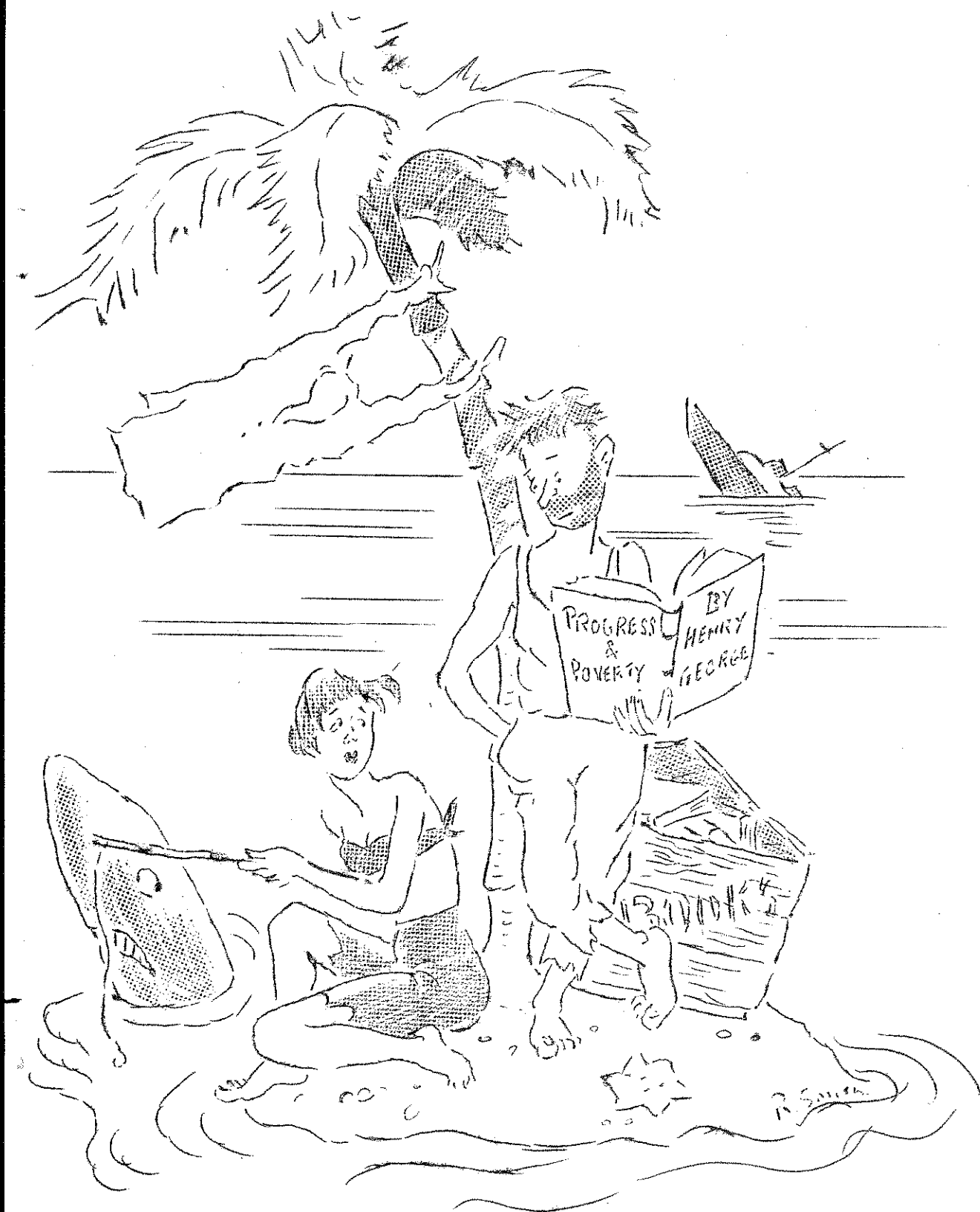
itarian aspects. It has a clear and definite relation to business profits.

To untax all real estate improvements of every kind and all other capital and instead to draw heavily on the rental value of land, as such, including sites and natural resources, would be to adopt a form of taxation more consistent with the principles on which free private enterprise is defended and more favourable to capitalist incentive, than any other form of tax whatsoever. When business leaders gain a clear understanding of this, it is hardly likely that they will prefer a continuance of heavy taxes on capital and its income to an increase of taxes on land values. In working for the adoption of this reform, these business men will be not only serving their companies, they will be, also, strengthening and thus helping to perpetuate the system of free enterprise.

EDITORS' NOTE. Improvements in the arts of production made possible by the use of capital, if not monopolised, do tend to go directly to the labourer - and they go in the form of lower prices for products. It is competition that sees to this - competition among capitalists. If this were not so, then the rate of interest would increase with the rate of increased production made possible by inventions. But why the benefits from increased productive power do not remain with the labourer to build up permanently his standard of living is the question posed and answered by Henry George in "Progress and Poverty." Although today taxation and privilege profits are making great inroads into the wealth that is produced, Henry George's argument is still valid. Here is endorsement from two economists:

Frank D. Graham, Prof. of Economics, Princeton University: The real unearned income is that which accrues to an individual without his having done anything which contributes to production. Of the several types of such income the most important is that which issues from the site value of land. The recipient of such an income does nothing to earn it, he merely sits tight while the growth of the community about the land to which he holds the title brings him an unmerited gain. This gain is at the expense of all true producers, whether they be labourers, enterprisers or investors in industrial equipment. The taxation of this gain can do nothing to deprive the community of any service, since the donee is rendering none.

Thorold Rogers, in the "Manual of Political Economy": Every permanent improvement of the soil, every railway and road, every bettering of the general condition of society, every facility given for production, every stimulus supplied to consumption, raises rent. The landowner sleeps but thrives. He alone, among the recipients in the distribution of products, owes everything to the labour of others, contributes nothing of his own. He inherits part of the fruits of present industry and has appropriated the lion's share of accumulated intelligence.



"I can't understand this chap's emphasis on land!"

# ASIAN NOTEBOOK

INDIA. "The Hindu way of life is still the way in which 85 per cent. of India's people live in their half a million villages. It was designed for a village world, isolated, and to a large extent self-sufficient. The kingpin of this world is the landowning farmer of the Brahmin or Warrior castes - the two highest, socially. Lower castes till the landowning farmer's land for him; artisan castes supply him with what he needs besides food. Serving castes do his laundering, barbering, scavenging; and tradition allows him to treat the lowliest among these as untouchables.

For centuries, the lowliest accepted their status docilely, because their religion told them that only by so doing could they aspire to eventual salvation and rebirth in a higher caste. Also, they had security: the landowning farmer was equally bound by religion to employ everyone, give a share of the produce to everyone, lend money for emergencies and ceremonies, and provide the village with leadership. The system rigidly regulates everyone's function, and when it works it is extremely stable."

(Philip Deane, The Observer, 8th April, 1956).

To the extent to which the landlord takes the earnings of those who toil on "his" land, there is so much less effective demand for food and so much more effective demand for the things which the ruling classes desire, (seeing that their demand for food is necessarily limited.) Herein lies the root of the Malthusian theory.

JAPAN. Most people believe that Japan is a small overcrowded country. Actually its density of population is a little less than that of Britain and we know that Britain has vast resources for food and housing if only the grip of monopoly could be broken. Japan seems to have a lot in common with Britain. The following quote from "Hiroshima Diary" by Dr. Michihiko Hachiga (translated by Warner Wells, Gollancz 1955), casts some light on a subject that would bear more examination, (p.48).

"Our defences (i.e. Japan's) had been prepared for incendiary bombing, and I considered it nonsensical to think the enemy would use incendiary bombs on a city with as many rivers and vacant lots as there were in Hiroshima."

(Our underlining).

It is the same story the world over. Could not the fear and distrust of nations jealously viewing "foreign" economic activity be said to stem largely from economic insecurity at home? Too many vacant lots in too many parts of the world may yet lead us to a future world of one vacant lot if we do not solve our basic economic problems. The Menace and Promise that Henry George spoke of is still with us today just as promising and just as menacing.