

111. If growers are taxed, the same amount of any product may possibly reach the market and be sold, but less of the proceeds of the sale will be available for the supplier. This will mean less money for him with which to demand from the market, which means less supply for him. This means that taxes reduce wages. Taxation is similar to a drought, a war, or a social disaster. Even if it is objected that a government which imposes taxes supplies goods and services in exchange (less the cost of levying the taxes), the objection ignores the fact that the taxes are unnecessary if the government collects its own proper revenue, and also the fact that private enterprise will usually do the job more cheaply and efficiently.
112. The beautiful equilibrium of the market cannot be side-stepped or ignored; the prosperity of every producer involves the prosperity of all others. The inflation of J.M. Keynes, and the innumerable taxes and interferences by well-meaning but ignorant governments, upset and distort the equilibrium, inflicting great losses on the whole community.
113. Protectionist governments always strive to promote exports and discourage imports. This is an impossibility, and if it were possible it would be impoverishing, because imports are wages and are the sole reason for anyone to produce and exchange. Increased imports mean increased exports. Decreased imports mean decreased exports. So, in spite of the fixations of governments, trade as such always means an excess of imports.
114. The profit, i.e. the excess of imports over exports, made by every exchanger, is the motive for producing goods and services. The profit-motive and the free exchange of goods and services are beneficial to all. They appear to be harmful only when the market is distorted by privilege and obstruction and by the poverty which they create.

## CHAPTER 17

### VALUE

115. Value has been called the heart and soul of economics. As with capital, value is a great area of confusion in economics, and the wide-spread following of Marx has greatly added to the confusion. His theory of value and surplus value has scarcely anything to do with real value, and his ideas of capitalism have nothing whatever to do with capital but are basically an attack on the effects of political privilege and misgovernment. His general theory of value is examined later.

116. The first point in the study of value is that economic value, i.e. exchange-value in the market, is entirely different from use-value or utility. Many things have high use-value but little or no exchange-value, e.g. air. And vice-versa, e.g. diamonds. Accordingly, from now on in this book, as in all books of true economics, value always means exchange-value.
117. The real and final basis and cause of value is labour. Labour produces wealth which alone has true value. Money measures value, but does not cause or produce it. In fact, the use of money reduces value, because money is a labour-saving device and so makes things cheaper or lower in price and value. It is because things cannot be produced without labour that they have value. If diamonds lay in heaps on the street they would have no value, though their utility would remain.
118. The economic value of anything to anybody is the extent to which its possession enables its possessor to dispense with, or economise in, labour, not the amount of labour which was necessary to produce it. However much labour was necessary to produce the article, it now has only the value determined by the amount of labour now necessary to produce it or to obtain for it in the market. 1.
119. Adam Smith, David Hume and the Physiocrats, the first real economists, had arrived at the truth about value, but not completely and without ambiguity. Smith correctly says: "The real value of all the different component parts of price is measured by the quantity of labour which they can purchase or command". 2.
120. The commonly-held Marxist theory of value, that it depends on the socially necessary labour which produced it, contains at least one element of truth, namely that it relates to labour. But it misses the vital economic point of dispensing with or commanding labour. Original necessary productive labour is irrelevant. The Marxist theory is, of course, saner than the weirder theories of value which make value depend on edicts of government, or of education, or of psychological and subjective factors, which influence the personal ideas and values of different people and groups, but not the market or exchange value which is the same for the rich and poor, the snob and the tramp, for the healthy and unhealthy, for the normal and the queer, for the educated and uneducated. Only market-value relates to economics.

Economics is concerned with the great social economy, or dispensing with or reducing labour by exchange, and so the true theory of value is part of economics.

121. The Marxist theory also ultimately fails because it does not account for those market-values which arise, not from labour but from privileges and misgovernment, e.g. the value of slaves, land or monopolies. 3.

#### Is Value Good or Bad?

122. Everything in economics relates to economy of effort, and therefore to the great economiser - the market. Value is economically (not morally) to be reduced as much as possible, because the higher the value the more the necessary labour. The only economic "sin" is exerting more labour than is necessary, and nobody ever does this voluntarily and intentionally but only when his own ignorance or absent-mindedness, or force, fraud or violence on the part of others, is present. The market itself is an indication of knowledge and intelligence, and in it people always act economically, i.e. they constantly strive for cheapness and low value. Labour is the only cost in production; in the market all labourers work economically and conscientiously towards reducing cost. They know that it cannot be entirely eliminated, but also that the market is the social organism for reducing it. Thus plenty is assured and scarcity eliminated as far as possible.

The relationship of moral badness to economic badness is seen when one realises that it is privilege, i.e. inequality, caused by unethical misgovernment, which increases labour and value, i.e. economic badness.

#### The Two Kinds of Value

123. All the foregoing leads up to the two *kinds* of value, which in economics are called Value from Production and Value from Obligation. Another term could be Economic Value and Political Value. Yet another term could be real value and spurious value, and yet another could be 'good' value and 'bad' value.
124. Value from Production arises naturally when labour produces anything of exchange value. Every useful product, i.e. wealth, has economic value because people must exert labour to produce it for themselves or to obtain it in the market. Normally they obtain it in the market by exchange, all parties to the exchange making a profit at the minimum cost. But as labour and cost can never be completely eliminated all real wealth will always have a value. This is healthy and economic.
125. Value from obligation or political value, on the other hand, is un-economic and arises when misgovernment confers privilege. The person

on whom the privilege is conferred is thereby enabled to take something out of the market without putting in the economic equivalent. The producers receive less than the proper economic return, or in other words are robbed. Thus the market is damaged and distorted. If such attacks on the market by misgovernment are sufficiently strong and frequent the economy and civilisation will die. One of the worst attacks is taxation, because taxes in the last analysis are used partly to maintain privilege and also because taxes create and maintain a great and growing class of unproductive workers who masquerade as producers and who take out without putting in.

126. The Australian Treasurer (March 1984) stated that the economy is fragile, and that the present depression must continue. In truth, however, the economy is extremely strong, but has been reduced in strength by the fantastic attacks and raids on it by our governments and by their privileged interests. The market reels under the weight of the un-economic values which mean high prices, and is even in danger of death.

If our rulers are economists as well as would-be benefactors their objective must be the *elimination* of value from obligation, or anti-social value, and the *reduction*, as far as possible, of all economic value, or value from production. Both objectives are achieved by the free market.

#### Land Value

127. Land-value is the greatest example of value-from-obligation. In a slave-economy (as already mentioned) slaves, though not the products of labour, bear a price in the market and have real value and price. This value is morbid, one of the symptoms of social disease caused by misgovernment. It is anti-economic and anti-ethical. A great political sin is committed by government granting to slave-owners the great legal and political privilege of violating the rights of the slaves by making them private property. The value and the price of slaves disappear when the slaves are liberated and their rights restored to them.

Our modern economy suffers from a possibly even greater political sin and violation of human rights, i.e. the gigantic privilege conferred on land-owners of permitting them to appropriate as their own income the economic rent, which is the socially-produced surplus product (the total product in excess of wages) and the true revenue of the community. When it is misappropriated by the land-owners it is to them an unearned income which is "capitalised" into market-price (see "capitalisation" below). When the rent is restored to the community both the land and the people will be liberated, and the price and value of land will

disappear. This will be a fundamental and incalculable benefit to everybody and land will no longer have a price, or "cost". 3.

128. Summary of the most important points of this section.  
Rent is social and beneficial, arising from social development and progress.  
Land-value and land-price are anti-social and socially evil, and can be abolished by good government.  
See "The Sovereign Remedy" later (Part VII).

#### Capitalisation

129. This strange jargon denotes a result of the evil abovementioned, and has nothing to do with capital. It is the conversion in the market of an unearned income into a lump sum (miscalled a capital sum, or capital). The slightly complicated explanation is as follows. Anybody who is looking for an income from spare money looks for what is called an 'investment'. He will put his money into anything which appears 'safe' and from which he will receive an income without working for it. He is not concerned whether or not that income comes from production. He can buy on the market a variety of "investments", such as shares, or a business run by others, or income-producing land (improved or unimproved). His main concern is that he shall not have to work for that income.

If he buys land he is really buying the capitalised, privately-appropriated rent of the land (apart from the improvements, if any, which are quite a different matter). So he will offer a price or sum for his investment which, if invested in any other "safe" investment, will yield the required income.

Thus, if the best obtainable current rate of interest is 10 percent per annum he will pay \$100,000 for real estate which will yield him a net income of \$10,000 per annum. If the current rate of interest is 20 percent per annum he will pay \$50,000 for the investment. So the market price of the real estate is the "capitalised" unearned income of the land, plus the market price of the improvements.

The improvements are a complicating factor, as they are not land but are products of labour. So it is best to concentrate on the "investment" in land only, as unearned rent can be capitalised and improvements cannot. The essential feature of investment is that the income must be received without working. Nobody will buy an investment if the income

must be worked for. When the rent of land is taken as the community revenue the unearned income will disappear.

130. No individual can produce rent, a surplus product. When a land-owner is also a labourer working on his land he produces by his labour his wages which belong to him. But he cannot produce or increase rent, which is produced only by the labours and progress of the community. By substantially improving his own land he will help to increase the rent of all other land, but not of his own.
131. Land, of course, has no cost. It is produced and supplied, not by labour, but by nature, without cost or human exertion of any kind, and is freely available to man. This fact is expressed in scripture as follows: "The whole heavens are the Lord's: the earth he has given (not sold) to the children of men" (Psalm 115.16).

Labour is the only cost in the production of wealth and services. If land, a natural resource, is exhausted or worked out in production no economic cost or loss results. The extracted land still exists, though in a changed form, and there may be ecological loss and a reduction of opportunities.

When land (including minerals) is sold in the market, what is really sold is not the soil but the site. The soil itself is almost always only a minor part of the package. The chief item in the sale is the social advantages which follow, among which are proximity to all the activity of a large population, including roads, shops, water, electricity, transport, churches, schools, post-offices, police and hospitals. Land-sale advertisements always feature what you are really buying. In towns and cities fertility is a very minor feature. But the greatest element in the price of land is the capitalised unearned income from the rent of the land. 4.

When land is worked up by labour into wealth it is no longer land until the wealth (ultimately) returns to the land, i.e. when it loses its fitness to satisfy human desire.

Notes to Chapter 17:

1. "Value - Normal and Morbid" by H. G. Pearce, 1946 edn., at page 191 also 1987 edn.
2. "Wealth of Nations" (1776) by Adam Smith, Book I, Chapter VI.
3. "The Science of Political Economy" and "Dictator-Democrat" (Par. 253).  
Important Notes: Karl Marx, in "Capital", Vol 1, Chapter 33, p. 841 (Charles Kerr's edn. 1906) says: "The expropriation of the people from

the soil forms the basis of the capitalistic mode of production". As to expropriation, see the whole of his chapter 33, and also John Strachey's abridgement of Marx's "Capital" (1937) which enlarges on the great expropriations in Scotland, especially in the Sutherland Estates (pp. 38-47). See also "Our Old Nobility" by Howard Evans (London 1909).

Marx, however, is totally confused about labour and capital. He imagines that capital exploits labour. Not grasping that labour produces everything, including capital, and is the only mode of production at all times, in all places and in all circumstances. Capital is idle except when labour is using it to produce, so that capital by itself produces nothing. The "Capitalistic mode of production" is a confusion.

Labour, not capital, must be liberated, not only by political equality but also by free and equal access to land.

Capital is the product and the tool of labour, and never employs or exploits labour. Labour always employs capital. Privilege, injustice, force and fraud, supported and perpetuated by public ignorance and apathy, have reduced labour to wage-slavery. Capital can only benefit everybody, especially labour.

Marx's most fatal error is in departing from the fundamental basic definitions, making him imagine that land can be capital and that capital includes land.

4. See "The Great Australian Myth" (1983) by E. P. Middleton.

## CHAPTER 18

### THEORY OF VALUE

132. A sound theory of value must account for not only the value of wealth, which is produced by labour and sold in the market, but also for the value of everything sold in the market but not produced by labour, such as slaves, land, monopolies and licenses. My theory of value propounded throughout this book does account for them all, but Marx's theory (surplus value) is expressly confined to the 'capitalistic' rigging of wages of the workers. The popular theories that purport to explain the value of land are based on the erroneous idea that land is 'scarce' and 'hard to get' and so bears a value and price which reflect the alleged difficulty of getting to it and to the things contained in it, are if possible even more