

# A POINT OF PRINCIPLE

*This extract from "Old and New Economic Liberalism" by Professor Eli F. Heckscher, the famous Swedish economist, which was published in Stockholm some years ago, has been translated by Mr. Ole Wang of Norway, a Vice-President of the International Union for Land Value Taxation and Free Trade.*

SO FAR there is a high degree of harmony in free competition. But then there is another factor which we have so far intentionally not considered, namely, the natural resources. There is no need to point out that they have an importance for the satisfaction of human wants fully comparable to that of capital (saving) and labour. Furthermore, natural resources are available in a degree insufficient for all the purposes which they can serve, and it therefore follows that they must command a price which, by preventing a too high demand, will lead to such utilisation as is considered most important. Land, or building sites of various kinds, water power, mineral deposits, etc. must therefore have a value or command a price; and in many cases a very high price, seeing that they are indispensable and that their quantity has not been increased.

All this is true, but does not belong here. The question is not whether the natural resources should command a price, but whether this price should create an *income* for their owners — and there is all the difference in the world between these two questions. We have seen that *interest on capital* was not only a necessary price but was also *required as an income*, because otherwise saving would be very much reduced, but nothing similar applies to the profits derived from natural resources, ground rent or whatever you will call it. In other words; saving is a result of endeavour, of conscious human acting, but land, mineral deposits, water power, etc., are not in any sense the result of human activity. If interest disappears saving

will, to a more or less degree, stop; but if the rent attaching to natural resources is withheld from their owners, not a single acre of land, or ton of ore, or horsepower in a waterfall, will cease to exist. Therefore, the price of natural resources as an income for their owners can never become part of a harmonious economic system, however much some of the less discerning and less distinguished inheritors of the liberal political economy have tried to prove it.

(Here follow some considerations on personal natural gifts, which the author says cannot be considered in the same light as impersonal natural resources).

It therefore seems to me that it is impossible for a new economic liberalism to reject in principle the idea of the community appropriating the yields of the natural resources. Ricardo, who was the foremost expounder of the Law of Rent (even though not the first to discover it), was not in favour of this appropriation. However, rather than being the result of theoretical economic reasoning his aversion was, as far as I understand, due to a general idea that any state interference was inexpedient. The *philosophy* of the old economic liberalism scarcely deserves much respect. It is as a purely economic theory that it endures. As such its value has not appreciably diminished.

As is known, the school which advocates the appropriation by the community of the natural resources or their yield, is called *Georgeism*. It is a belief sometimes met with even amongst politically educated liberals, that *Georgeism* more or less coincides with socialism. No mistake could be greater. Far from coinciding with socialism, *Georgeism* is the most pronounced old school liberalism that now exists. It is even scarcely an exaggeration to say that the social view represented by *Georgeism* is that the state should collect the economic rent, but not be further concerned with economic or social life, and it is worth noting how many things *Georgeists* have in common with such ultra-individualists as Herbert Spencer.

The appropriation of the ground rent is often proposed to take the form of land-value or ground rent taxation. Like the problems of monopolies, it is a very complicated and far from easily realised programme. Its possibilities and limitations would necessitate an extensive discussion which does not belong here. What concerns us here is only the point of principle that this programme must form part of the new economic liberalism, which cannot fulfil its mission or live up to its teaching without it.

## Cottoning on

**EVEN** the less financially minded citizen is cottoning on to the fact of inflation. Once anybody realises that the rise in the cost of living is simply a euphemism for a fall in the value of money (luckily for Governments, this has taken a very, very long time to sink in) he

shouldn't want to hold money any more. If he can get somebody else to lend him money, repayable at a discount in real terms, so much the better for the borrower.

— Margot Naylor, *The Observer*, May 30.