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EDITORIAL

Nationalisation by the Back Door

HOW to Win Firms and Deceive Voters is explained in the Labour Party's pamphlet *Industry and Society*. This is a policy statement on future public ownership prepared by the national executive for presentation next month at Brighton to the Party's annual conference. With calculated vagueness it sketches proposals for commandeering a vast section of the so-called private sector of industry. Many thoroughgoing socialists of the old school regard these as a betrayal of socialism; they would have preferred a candid listing of the industries which a future Labour government would nationalise. They overlook the popular disenchantment with nationalisation. A dozen years ago millions of gullible people could be found who were prepared to believe the extravagant claims made in favour of state ownership. Today there are few, apart from the thoroughgoing socialists, who harbour any illusions on that score. In our view it is for that reason that the national executive (of which Mr. Aneurin Bevan is a member) has recommended this "back door" approach to public ownership. But it may be, as some commentators have suggested, that the executive* shares the popular disappointment with state monopoly.

Right at the outset the reader is reminded of the self-contradictory purpose of the Labour Party by this quotation from its 39-year-old constitution:

"To secure for the workers by hand or by brain (1) the full fruits of their industry and (2) the most equitable distribution thereof that may be possible, upon the basis of the common ownership of production, distribution, and

* Writing in *Tribune*, September 13, Mrs. Barbara Castle, M.P., one of the authors, refuted the belief that the executive was unanimous. She claimed that she and Mr. Bevan were among the executive members who criticised the statement. Mr. Hugh Gaitskell, M.P., speaking in Leicestershire, September 13, said: "I am surprised and sorry that after the national executive committee has reached agreement on its policy statements it should be suggested that we did not agree at all. Such suggestions are not true." Whom to believe?

exchange and the best obtainable system of popular administration and control of each industry or service."

We have inserted the italic numbers to draw attention to the contradiction. Consider two men: "A" produces ten units of wealth, while "B" produces twenty. An "equitable" distribution would benefit "A" at the expense of "B". Both would receive fifteen, whereupon they would slacken their effort: "A" would have less need to work so hard, and "B" would see little point in working to support the other fellow. A progressively diminishing pool of wealth would be "equitably" shared between them.

But if each worker retained the full fruits of his labour, there would be marked disparities in earned incomes. The diligent would receive a better reward than the indolent, the able more than the incompetent. That is the just and natural order of society. If that is what members of the Labour Party desire they must delete from the quoted section of their constitution all words after "to secure for the workers by hand or by brain the full fruits of their industry."

Our policy alone will achieve that object. There must be access for all to the land on equal terms, public revenue must be derived exclusively from the rent of the land, tariff barriers and every other form of privilege, restraint and artificial encouragement must be swept away, and a sound currency established.

LAND VALUES

If not completely ignorant about land values, the present Labour Party executive certainly shows no anxiety to recover them for the people. Whether this is because they fear the power of the rent-receivers or because they judge, rightly, that free land would sound the tocsin for socialism is anybody's guess. However that may be, they permit themselves to mention land values, and in a most specious way. One of their principal proposals is that the state

should buy the equity shares of unspecified industries. Attempting to justify this, they write:

"In the past, socialist thinkers argued that the value of land increased steadily and automatically over the years, thus bringing to its owners a completely unearned increment. This led to proposals for the public ownership of land, or for tax measures designed to remove this unearned increment. Today it can fairly be said that many of the characteristics *once ascribed* to land are now possessed by the equity shares of industry. No one can deny that there has always been an immensely powerful case for at any rate the municipal ownership of land or of improvements in land values in the neighbourhood of large cities. Had such land been *purchased* during the nineteenth century, many councils would today be enjoying large incomes, and the burden of the rates would be correspondingly reduced. In principle, the same arguments today apply to the ownership of industrial shares." (*Italics added*).

"Once ascribed" indeed! Do modern socialist "thinkers" deny as well as ignore the fact that the rent of land today responds to increases in population and improvements in the arts in precisely the same way as ever it did? And why this preoccupation with incremental increases in the value of land? None of the value of any piece of land anywhere has ever been "earned" by the land owner concerned: he has been able to receive it only because of the existence of monstrously unjust legislation. The large incomes which councils could and should have been enjoying all these years would have flowed into their exchequers if local taxation had been levied on the value of land instead of on buildings, etc. It is not too late to introduce legislation so that councils may collect the community-created value of land.

SHARE PRICES WOULD RISE

By their false analogy between the value of land and the value of industrial shares, the executive lose sight of the philosophical distinction between the natural element, to which we all have an equal right, and things made by man, which are properly the private property of their owners. They do not go so far as to propose confiscation of industrial shares, but say that there are a number of ways in which "the community" may come to own them. Shares could be purchased by the trustees of the proposed National Superannuation fund (this policy is examined on another page) or accepted in payment of death duties. One looks in vain for other ways in which equities might be acquired, and is assured that "it is not our intention that the Government should indulge in a widely inflationary scramble for shares: both the timing and occasion for acquiring shares will need careful consideration." Be that as it may, if the Government entered the market with millions of pounds to spend, share values would rise dramatically, to the delight of shareholders. One can but hope that tax monies would not be used to enrich them in this way.

Why should the Government buy shares? One answer, already quoted, is that "the community" should share in the profits of industry. Another reason, we suspect, is that the executive expects no abatement of inflation under a Labour Government, and has noticed that the yield of taxation falls as the value of money declines, while on the other hand the value of industrial shares rises. But the main reason, of course, springs from the desire to control industry which is said to be necessary on the grounds of equality and the distribution of wealth, as well as to facilitate economic planning and the control of social power. Attention is concentrated on the emergence of a distinctive form of business organisation—the large firm—which dominates the "private sector" of industry. There are some six hundred or so such firms, and it is on them that the executive have cast covetous eyes. They are willing, at least for the present, to let the little fish swim free—"in the host of medium and small businesses which exist the traditional sanctions and rewards of capitalism can still operate . . . risk taking can still incur penalties and win rewards and there will still be some scope for individual initiative."

A NEW PRIVILEGED CLASS

The large firms are able to accumulate capital and to finance their own development to a considerable extent. This relative, and in some cases, complete, self-sufficiency can be largely attributed to the political and fiscal barriers which the Labour Government erected between profits and dividend distribution, and which the Tories have maintained in lesser degree. The stability and prosperity of these large companies is said to have been substantially underwritten by the state in its determination that there shall be no more slumps. As a result, risk has practically disappeared. For various stated reasons the power and influence of shareholders is said to be progressively diminishing. Tensions are developing between them and the rising professional managerial class, the members of which are more concerned with ploughing back profits than with distributing them, and with their own salaries, status, promotion, power and pensions than with dividends. Present tax concessions enable them to enjoy various privileges—houses provided free or at nominal rents, chauffeurs and gardeners on the company payroll, interest free loans, and the like, and to send their children to expensive fee-paying schools, the company bearing a substantial part of the cost. The executive throw up their hands in horror at such goings on. They are no less concerned that although, in their view, share ownership has become relatively unimportant economically, it continues undisturbed as a cause of the unequal distribution of wealth. Rummaging through the ragbag they bring out other arguments to pave the way for their proposals.

PRICES, PROFITS AND WORKING CONDITIONS

Presumably Government nominees would sit in the Board-rooms of each company in which the State held shares, voting as instructed by politicians and Whitehall bureau-

crats. The executive assert that there is no intention of intervening in the management of any firm which is doing a good job, but that we may take with a pinch of salt. The power to do so would be there, and sooner or later it would be exercised. Higher prices and lower profits—which would then be a matter for public concern—would inevitably result. The recent strike of provincial bus crews employed by private companies in which the Government (through the British Transport Commission) has substantial share holdings indicates that state participation in private industry does not automatically confer benefits on the workers affected. Similarly, the British Government's holdings in Anglo-Irian Oil were a source of embarrassment during the difficulties created by Dr. Mossadeq a few years ago. Competition would not be tolerated, whether it came from abroad or from small privately owned domestic concerns. Protectionism would be further entrenched, prices would be artificially rigged, and the semi-nationalised firms would enjoy special privileges and facilities for borrowing, obtaining materials, labour, etc. at the expense of the rest of industry. Political considerations would be paramount and the way would be open for uneconomic wild cat-schemes to be undertaken. It is an alarming prospect.

IRON & STEEL AND ROAD TRANSPORT

The purchase of shares would be accompanied by other measures. Categorically the executive assert that a future Labour Government would re-nationalise the iron and steel and the long distance road transport industries. Their other suggestions are more tentative. They believe that public ownership of a single firm might suffice to break a production "bottleneck" or to restore competition to a monopolistic industry. The state might pioneer new industries from scratch. There would have to be various measures for central planning and control, to take work to areas where there were pools of unemployment, to safeguard the balance of payments, and to control investment. There would be encouragement and restraint. Ways ought to be found to make the large, virtually autonomous companies accountable to the public, probably by amending the Companies' Act. The executive believes that a code should be drawn up and, if need be, given the force of law, to govern questions of recruitment, promotion, compensation for redundancy and the like, and it suggests that the section of the tax code which relates to business expenditure should be thoroughly reviewed.

In our view this policy is totally irrelevant and exceedingly dangerous. It would not lead to a greater production or a more fair distribution of wealth: only an all out attack on land monopoly and privilege in every form would do that. It would not improve working conditions in industry. It would not raise wages or reduce taxation, increase choice or reduce prices. Nor would it enlarge the present meagre opportunities for self-employment and the exercise of individual initiative. Its adoption would be one step further on the path to the totalitarian state.

P.R.S.

September, 1957

Notes of the Month

SUPER PLANNER FOR "FREER" TRADE

A "most exciting and perplexing job"—to quote the *Daily Telegraph*—has been entrusted to Mr. Reginald Maudling, the Paymaster General. In August he was appointed to supervise and co-ordinate negotiations for Britain's participation in the proposed European Free Trade Area. The appointment serves as a reminder, if one were needed, that the proposed scheme is anything but free trade in the accepted sense of those words. Real free trade requires only the removal of present artificial obstacles to the free flow of goods—tariffs, quotas, exchange controls, and the like. Only the British Government can remove the barriers which stand between British consumers and overseas suppliers. It is neither needful nor proper that it should discuss with foreign governments whether, and how, and to what extent it should tax or untax its citizens. Its duty is to the British people, not to European politicians. In this sense the protracted and intricate negotiations, now proceeding, may be fairly condemned as being politically undemocratic. If they result in agreement which restricts the right of the people to buy whatever they wish from whomsoever they please, this will be commercially undemocratic. It is the intention of the present Government, aided and abetted by the Opposition, the T.U.C., industry and commerce that consumer choice should be so restrained to the supposed advantage of vested interests.

"KEEP US IN CHAINS" — T.U.C.

THE fear that free imports from Europe might throw Britons out of work is expressed by the General Council of the Trades Union Congress in its annual report published in August. It suggests that countries in the proposed European Free Trade Area should be obliged by treaty to prevent unemployment. A draft clause on these lines for inclusion in the projected treaty to set up the Area was submitted to the Chancellor of the Exchequer in June, after members of the General Council had met Ministers in October, February and May. The text is not given. The General Council expresses concern about unfair competition and low labour standards in other countries, and believes that measures against dumping would not protect British industries.

Those who are enriched by the mercantilist exploitation of labourers and consumers must laugh up their sleeves when the elected representatives of the exploited reveal how completely they have swallowed their false arguments. But it saddens those who know that the ordinary trade unionist (like everybody else) would benefit if the monopoly grip on natural resources were loosened, if his