

Politics of Reason.

No. 3.

JUSTICE in INDUSTRY
THROUGH
Socialist Market
Economy.

By

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FOREWORD

THE working class of this country has been in a difficult position ever since the end of the Miners' Lockout in 1926

On the one hand there has been the tendency of many of the official leaders to fraternise with the exploiters who are unscrupulous enough to use the goodwill of the workers for their own ends. On the other hand the criticism of the left wing, useful as it may have been on the negative side, has not advanced matters. In order to do this its criticism would have had to be followed up by a programme which could have formed a sound foundation for a socialist policy. The suggestions and proposals which have been put forward, whether by right-wingers or by left-wingers, are defective. Their weakness lies partly in the absence of principles on which the various demands could be based and partly in the impracticability of the proposals themselves. Both these defects are bound to undermine the faith of the workers in a socialist policy.

The series of pamphlets entitled "Politics of Reason" seeks to expound a system of socialist policy which shall justify its claims and their application by an appeal to reason. Two men have contributed most to the development of this policy in recent times. Leonard Nelson, who is well known to the readers of this series, and Franz Oppenheimer, the German socialist economist.

In view of the "Peace in Industry" talk it seems opportune to call this pamphlet "Justice in Industry". It puts forward such demands as the workers cannot surrender even for the sake of peace unless they are prepared to relinquish for all time their hope of achieving a socialist state of society.

The second part of the title emphasises the principle that collectivism—a form of society in which no exchange on the market takes place—is not compatible with the demands of socialism.

Those who are already prejudiced in favour of one or other of the current economic theories will find little in this pamphlet with which they can agree. It is written primarily for those young workers who at the beginning of their political activities seek a system that is based on the firm ground of reason so that they may devote their lives to its realisation.

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CHAPTER I

THE PRESENT SITUATION

1

THE origin of the present capitalist system lies in the enclosure of the common land

In the middle of the eighteenth century most land in England was owned or at least cultivated in common, the system of serfdom being abolished. Though there was a Lord of the Manor in the village who had certain privileges on the common, there was practically no one in the village quite without land, even agricultural labourers had rights on the common.

Certain enclosures had taken place in the sixteenth and seventeenth centuries, but most land was enclosed between the end of the eighteenth century and the middle of the nineteenth. Slater estimates that out of a total of about thirty million acres of arable land six million acres were then enclosed by Acts of Parliament, and eight million acres without such Acts.

By these enclosures the land in question was divided between a small number of Lords of the Manor and freeholders who thus became big landowners. At the same time large masses of cottars, and especially of agricultural labourers, lost their right to the land completely. The enclosed land was either turned into pasture or let out to farmers or kept completely out of use for hunting grounds, etc.

Thus a small class of big landowners keep the land out of proper use, they have neither bought that property nor acquired it by their labour, they have simply taken it from the peasants. The big estates of modern England are "*enforced property*". The enclosures have created an artificial land monopoly. This means that not everyone who wants to cultivate land as an independent farmer may do so though there is sufficient land available for that in England.

Those who rent land for farming have to pay a *monopoly tribute* to the landlord which is included in the rent. This land monopoly is still in existence, the process of monopolisation is not yet finished.

even in 1927 a number of enclosures of common land in England took place

There has thus been no real *free competition* on the land since the time of the enclosures. This means that in order to procure a certain amount of commodities farmers have to spend more labour than would be necessary if the land monopoly did not exist. This is true to an even greater extent of the agricultural labourers. Both groups of men are practically without means of production of their own, they have to rent land or to sell their labour and in either case they are exploited by the monopolists

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On the other hand, large masses of cottars and labourers were forced to leave the land when they were robbed of their right to the common. They had either to migrate overseas or into towns, so that the enclosure of the land only completed a process that had started with the abolition of serfdom.

Those who migrated into the towns without means of production had to accept work there under any conditions. The only thing they could do to avoid starvation was to sell their labour at any price that the employer offered. As there was a supply of labour power which outweighed the demand for the same wages were extremely low.

The employers in town industries acquired the position of monopolists towards the workers. As they had the means of production and the masses who flocked into the towns had none, the former had a *buying monopoly* in regard to the labour of the latter. Their monopoly enabled them to extort from the workers a monopoly tribute or surplus value (in the words of Karl Marx). This is still the situation to-day, large masses still migrate from the land where big landed property makes progress impossible. There is still a supply of labour in excess of the demand in urban industries. The difference between just wages and the wages which the workers actually get goes into the pocket of the employer as a monopoly profit.

The surplus supply of labour power finds its expression in the existence of the large "reserve army" of unemployed, who bring down the wages of the employed in times of bad trade and keep them down in times of boom.

Again, there is no free competition in town industries. The fact that the above-mentioned buying monopoly exists makes it impossible for everyone who wants to take part in an industry to do

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so on equal terms with others. Or, in other words, in order to procure a certain amount of commodities the worker has to spend more labour than he would if the monopoly did not exist. Free competition is only possible between worker and worker or between employer and employer. But the present capitalist system is characterised by the fact that society is split up into monopolists on the one hand and exploited on the other.

This split is a division into *classes*. There is class war between these classes, the exploiters try to increase the exploitation and the workers try to diminish it. But the two sides do not fight under equal conditions. The workers, being practically propertyless, are sooner starved in an industrial dispute than the employers. That is the experience of the last years.

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This brings us to the third phase in the development of the capitalist system, a phase which has had its worst effects in Great Britain since the War. Competition among the employers leads to numerous inventions and improvements which lower the cost of production. The use of more and better machinery thus lowers the amount of labour which is spent in manufacturing a single article and diminishes therefore the cost of manufacturing this article. At the same time this process increases enormously the total amount of commodities produced in a certain industry and offered on a certain market. Mass-production thus tends to lower the price of commodities on the market. It increases, therefore, competition between the producers which again leads to the invention of more labour-saving machinery.

But this process cannot be beneficial to the workers under the present system of monopolies. The existence of the buying monopoly of the employer caused by and combined with the land monopoly means that part of those who have lost their work by the introduction of labour-saving methods, have to join the "reserve army" of the unemployed. This again causes the wages of the employed to be forced down even more. The employer, who wants to lower the cost of production for the sake of competition on the market, can do so by cutting down the wages of the workers. The consequence of all this is that, in the third phase, the purchasing power of the working class in England is rapidly decreasing. As a result, poverty, distress, vice and crime are increasing. This

development is, as mentioned above, most obvious since the War

As long as the above monopolies exist the "home market" for consumers' goods thus becomes smaller and smaller in comparison with the productive capacity of the industry. This has two effects. Capitalist industry, requiring a growing mass-production, has to find foreign markets. The growing competition which results among the industries of the different countries, in combination with nationalism, creates imperialistic aspirations, political power is put at the service of exploitation. Colonial oppression and wars are the inevitable consequence. Apart from the struggle for foreign markets imperialistic wars have another root in the struggle for the land monopoly in colonial countries. As soon as the land can be enclosed in these countries a class of propertyless wage-earners comes into existence who can be exploited as cheap labour.

But in spite of these desperate attempts of the exploiting classes to avoid over-production and to secure their economic predominance, industrial crises cannot be avoided. At a time of crisis the market is glutted with things that do not find buyers. The market of goods is flooded with commodities of all kinds, the labour-market with labour power. Profits and wages drop, industries are run at a loss and finally a growing number of enterprises is closed down. Production is thus restricted to the strongest firms until over-production has more or less disappeared and the whole process starts over again. And this is all the more true since foreign markets are rapidly decreasing. Those countries to which Britain exported its goods are becoming industrialised countries themselves, and we can foresee a time when they will compete successfully with the older industries of the Western countries (the United States of North America included). This is already taking place to some extent.

To escape from the difficulties on the home market by going to foreign markets can only be a temporary solution of the economic problem. Each foreign market is after some time a home market for its own industry. The purchasing power on markets of foreign capitalist countries—and in these countries the land is enclosed—is as much endangered as that of the home market.

Thus capitalist industries seek their salvation in the formation of world-wide *combines* with the aim (so far achieved in a few industries only) of limiting production and keeping the prices of certain commodities at a level that allows the producers a high

profit. If all or almost all enterprises of a certain industry are united in one combine this combine acquires a *selling monopoly*. The buyers of the products of this industry have then to pay a monopoly tribute in the form of an artificially high price. (It does not make any difference to the workers whether the concern is a national or an international one.) So long as these combines can use the political machinery for their aims they can keep the working class down. The workers have nothing to gain by the formation of these combines. Increasing limitation of output will diminish employment and high prices will lower the real wages. On the other hand such a concern can even pay high wages to the workers whom it employs and offer them other privileges, it will thus endanger the solidarity of the working class. So that at the moment when the starved masses, driven to despair, revolt against the exploiters, they may find part of their fellow-workers on the side of the capitalists. It is not sure how this last fight will end that is supposed to lead "necessarily" and "inevitably" to the breakdown of the capitalist system.

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Karl Marx has undoubtedly the merit of having shown us the way in which scientific sociology will have to be developed, so far as the division into classes is concerned. But he has neither explained the surplus value in the right way as a monopoly tribute, nor has he kept to the principle which he himself formulated that capitalist exploitation is only possible where the land is enclosed.¹

Henry George has seen the real connections far more clearly than most other economists. He has not only recognised that modern capitalism is only possible where no equal access to the land exists, but he has also emphasised the fact that the present land-monopoly is an *artificial* one. By that he means that there is sufficient land cultivable for everyone who wants it, land which is kept out of proper use by force. (In Chapter VI we shall explain Henry George's attitude more in detail).²

P. J. Proudhon was the first to put the principle of justice at the foundation of socialist economics and may, therefore, be mentioned in connection with our theory.³

¹ Karl Marx 'Das Kapital' 1869. English Translation "Capital" 1886.

² Henry George 'Progress and Poverty' 1884.

³ P. J. Proudhon 'Capacité Politique des Classes Ouvrières' 1865. English Translation "The Political Capacity of the Working Classes" 1876.

Finally, it may be remembered that even before Adam Smith wrote his "Wealth of Nations" a French economist, Richard Cantillon, had made it clear in a very excellent way that exploitation is caused by big landed property. His book on Economics appeared as early as 1755. In this book there may also be found a full description of the way in which prices and wages find their level in the fluctuation of the market.¹

CHAPTER II

HOW TO ABOLISH EXPLOITATION

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AN understanding of the origin of capitalist society will help us in finding the means to abolish exploitation.

We have been able to recognise that the land-monopoly causes exploitation on the land and enables the employers in towns to have a buying monopoly in regard to the labour of the workers. On the other hand, growing competition, together with the declining purchasing power on the market of consumers' goods, leads to the formation of trusts which have selling monopolies in regard to certain articles. In each of these three kinds of monopolies those who are dependent on the monopolists have to pay a monopoly tribute which means an unearned income to the monopolist.

This development clearly indicates the way of the second "Industrial Revolution". Throw the land open to those who want to work on it and the accumulation of unemployment will disappear. In other words *break the land-monopoly and capitalist exploitation must break down*.

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At first sight certain objections arise to this device.

(1) The price of the land is so very high that those who settle on the land will be in debt from the beginning.

(2) Many people do not want to go on the land and, therefore, unemployment in towns will continue, especially in view of the enormous percentage of unemployed since the War.

¹ Richard Cantillon 'Essai sur la Nature du Commerce en général 1755

(iii) It would not be wise to change England back from an industrial country into an agricultural one.

(iv) And even those who want to cultivate the land would not be able to carry on agriculture efficiently because they have not the necessary tools, machinery, etc

(v) But even if the attempt were made to transplant the unemployed on to the land, there is not sufficient agricultural land in England available to provide everyone who wants it with a decent farm

(vi) Big landownership can arise out of the new distribution of the land if a peasant is allowed to own the land on which he works

We have to deal here with these objections in detail and that will give us an opportunity at the same time to develop our system further

Firstly, it is not possible to break the land-monopoly by buying all landowners out. The land must be thrown open to the people, as a rule without compensation to present owners. But it is only necessary to expropriate so much of the big landed property that more land is available than is demanded. And it is only just to expropriate so much land because, as we have shown, the big landed property is enforced property, taken from the people by robbery. There is no moral or economic reason for compensation.

Secondly, even if no one wants to go back to the land, the process will take the same course as if people actually wanted to go back. Land will be demanded first by those who now live on the land, farmers and agricultural labourers. They will first take the land that is the best for their purpose. As soon as they start to cultivate their own land they will demand tools and machinery, houses and at least all commodities of a simple kind. (They may not be able to pay for these goods from their own funds at the beginning, but credit may be given to them which the Socialist State may, for instance, get out of a land value tax on urban land in the big cities.) Consequently the demand for these articles will rise, automatically employment in town-industries will increase. If employment is increased wages go up, the workers in town-industries will be able to buy more commodities. Their increased demands will give more employment on the land and in the towns, more workers will be absorbed and more land will be taken into cultivation. This process will continue, it will absorb all unemployed and prevent the employers from extorting any surplus-

value from the workers (We do not of course consider here the effects which an increase of agriculture in England must have on other agricultural countries)

This argument answers the third objection at the same time. Our programme is not intended to change England from an industrial to an agricultural country. It has exactly the opposite effect, it will make agriculture more efficient and therefore give a new stimulus to town-industries. By increasing the demand for the products of the towns it will even accelerate the development of industry, but it will at the same time automatically regulate production according to demand.

It is understood that under a just economic system and when a real League of Nations has secured peace, every country will produce the kind of things for which it is best adapted according to its position, climate and other conditions. Therefore, if a certain kind of agricultural product could be grown cheaper in other countries than in England, no one would propose a system under which this crop would be grown in England. But it would be a mistake to judge of that from the present situation. It may be that under the present land-monopoly wheat-growing is cheaper in America than here, but it is at least doubtful whether the same would take place without monopolies. Experts agree that great parts of the English soil are better for wheat-growing than that of any other country.

Whether it is more profitable to grow wheat in England or to import it depends partly also on the tools and machinery that are used.

This brings us to the fourth objection. If the land were thrown open, it is said, those who wanted to work on it could not very well make a living on it, because they could not apply the proper means. Indeed, the experience of Russia has shown how necessary it is to help the farmers on newly cultivated land by credits, etc. Apart from that, producers co-operative societies can be formed and can use the now existing machinery and help their members to make a good start. To throw the land open for cultivation does not mean to go back to the form of agriculture before the enclosures where everyone worked for himself on his little plots of land which might be scattered all over the common. If there are really such strong tendencies for co-operative work as certain socialist economists suppose, co-operators will then have an open field before them in

developing British agriculture to a high degree of efficiency. Finally, it must not be left out of consideration that no one can expect a sudden jump in the prosperity of agriculture. Development goes by degrees, and the misdoings of the present landlords have destroyed village life to such an extent that it will be necessary to start again on a very low level. But this level will, firstly, be higher than that of the present agricultural labourer, and, secondly, means the beginning of a period of growing prosperity.

The fifth objection can easily be answered. Agricultural experts agree that an independent English farmer, applying the present methods of agriculture needs forty acres on the average to make a living for himself and his family, taking all special circumstances into consideration¹. But there are more than thirty million acres available for agriculture in England and Wales. This means that there is room for at least seven hundred and fifty thousand families on the land. On the other hand out of about ten million families in England and Wales only about two hundred thousand are now living on the land². There is therefore, room for at least five hundred and fifty thousand more families on the land in England and Wales. These figures speak clearly in favour of our system.

Finally there is an argument that needs to be dealt with in greater detail. The question is whether after the redistribution of the land by breaking the land-monopoly the present state of affairs can be brought back because of an abuse of property-rights on the land. This question is usually raised by those who advocate the nationalisation of the land as a means of preventing exploitation. They are opposed to private ownership of the means of production and, therefore, object to our proposal that a man should be allowed to take a piece of land and cultivate it as he likes. It may happen, they say, that someone who is by chance a little "better off" than his neighbours can buy these out and afterwards enclose the land. He may then keep the land out of proper cultivation or out of any kind of cultivation.

Our answer to this objection consists of several parts.

(a) A tax on the value of the unimproved land, which tax is also to be paid on the land if not cultivated properly, will prevent

¹ Compare e.g. Curtler "A Short History of English Agriculture" 1909 pp 97 and 99. Also Levy "Large and Small Holdings" 1911 especially page 97.

² Agricultural Statistics for England and Wales 1926. Also "Manchester Guardian" No 25162 21/4/27.

people from keeping valuable land out of proper use

(b) If the land is thrown open (if more land is available than is demanded) the average agricultural land will be available in abundance and therefore will have no value at all. To enclose part of it would be senseless. There is no need to economise in what is free. No one would enclose a certain amount of air for the sake of keeping it out of proper use.

(c) But even if we suppose that at a certain time all average farming land would be occupied by working peasants, the enclosure of land would not be profitable because average farming land would have a value on which the tax would have to be paid.

(d) As a last means there remains always the possibility that the just Government will interfere to prevent exploitation.¹

Those who advocate nationalisation of the means of production put State-interference at the beginning of socialist economy and base the whole development of society on it. We put State-interference as a last means which should be applied if no other way out exists. Why do we take that attitude? This question brings us indeed to the main point of justice in industry.

CHAPTER III.

FREE COMPETITION } PRICES AND WAGES

7.

WE define free competition in opposition to monopoly relations as a state of affairs in which all who want to take part in an industry may do so with equal opportunities to acquire wealth (equal apart from differences in personal qualifications). The establishment of a system of free competition thus conforms to a high degree with justice. For the principle of justice demands equality of rights.

But before we explain how free competition works in industry we have to deal with the one natural check to equality of income which exists even in such cases where all monopolies are broken. That is the difference in natural capacities and qualities. The qualities of body, mind and will differ in degree and kind. One person who has certain qualities in a high degree is able to acquire more wealth

¹ "Politics of Reason" No. 1, page 5

with the same exertion of labour than another with the same qualities but of a lower degree. Apart from that, capacities of some kinds are more in demand than others and will therefore get a higher price than others. We shall deal with that in a later part of this chapter. But under just conditions it will not be possible for the members of certain groups to get a much higher income because of the better education that they receive. Where equal chances for mental and physical development exist, experts and highly trained specialists will not be so rare as they are now and will therefore not receive a monopoly income. The higher income that they will receive when the monopoly in education is abolished, will arise from the greater value of their service and thus have quite a different source from that of the monopoly profit. And if no one has an excessive income in the form of monopoly profits, no one will be ready to pay excessive prices for works of art, etc. However, the differences in personal qualifications form the only inevitable check to full equalisation of opportunities.

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If we deal with free competition itself we have first of all to remove the prejudice that free competition means the furthering of private, selfish and antagonistic interests and a check to the development of co-operation and unselfishness.

How do human beings behave when they have equal opportunities to acquire wealth? Everyone of them has certain interests, the most urgent necessities are the same for all, but in regard to higher interests human beings differ. Some see their perfection in music, some in painting, some in sports, etc. But their interests are by no means only sensual or selfish ones. Human beings have an ethical interest which lies originally dormant in them, that is, to do their duty towards others and to strive for high ideals, the interest to help others and to cultivate love and friendship. Therefore when everyone strives to satisfy his interests, he may also strive to satisfy ethical interests. How far he does the latter is a matter of *education* and not of economy. But for the sake of satisfying his interests, he must acquire wealth, and in freely competing with others he is in no way hindered from following his aspirations for the common interest.

But this is only one side of the case. What does "furthering the common interest" mean? It means to carry on industry according

to the rule "From each according to his capacities, to each according to his needs" This is exactly free competition, everyone can choose the work he wants, can regulate the amount and kind of his labour by his needs and thus finally satisfy his interests according to his personality Where equal opportunities for all exist, apart from natural differences in qualifications, it is of course impossible for one man to procure for himself by spoliation the goods that others have produced, except through theft

Finally, if producers freely compete with each other that will be a stimulus (that is a powerful impulse on the will) to create as much wealth as possible Therefore the community as a whole will have the highest amount of wealth at its disposal, if only each person produces as much as he wants Production will be most efficient and distribution will be as just as possible (We shall deal with this very important point more in detail in Chapter IV)

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We shall now explain the central idea of socialist market economy by dealing with prices and wages as they are determined under just conditions Prices will of course always exist in one form or another, because people will always exchange the things which they produce Wages are nothing else than the price of labour power The argument that the "new order in industry" will do away with paid wages does not, therefore, concern our exposition As long as things are manufactured for exchange wages exist And as long as things are exchanged prices exist, whatever form these may have

How are prices determined on the *free* market? Different producers offer their products on the market In principle there is again no difference whether we consider the market of goods or the labour market But for practical reasons we shall consider these two markets separately It does not of course affect our argument whether the producer is an individual or a collective person, such as a share-holders' company or a larger combine Therefore the objection that we advocate an antiquated system does not concern us

In socialist market economy everyone will make the things from which he expects the highest degree of satisfaction for his interests, directly or indirectly, and he will offer them on the market which is most favourable for him His interest is two-fold, he wants to get as high a price as possible, but he wants to keep the price down so

that he can successfully compete with other producers. However, he cannot continually go below a certain limit which is fixed by the cost of production including cost of transport and of course the cost of his own maintenance. Above that limit, his gain will be the higher the greater the demand for his articles compared with the supply, and the greater his total sale.

In scientific economics prices can be determined far more exactly, but we need not go into the details of that here. We have only to consider whether prices which fix themselves in the way described fulfil, as much as possible, the condition of justice, that is, the condition of equality of opportunities to acquire wealth. And this is indeed the case. For in the long run and on the average, all producers of any kinds of goods will derive the same degree of satisfaction in selling their products. And this not only because each person will choose the industry and the market which are most favourable for him, but also because every deviation from the equilibrium of equal satisfaction will automatically adjust itself. For if there is a special advantage in selling a certain article the number of producers of this article will increase and therefore the amount of articles produced by them. This will lower the price until the degree of satisfaction for the producers in the industry concerned will only be as high as that in any other industry. The opposite will happen if it becomes specially disadvantageous to produce a certain article. A smaller quantity of this article will be produced, until the average producer in the industry concerned is at least as satisfied in it as in any other industry. Thus, where free competition rules economic life naturally tends to such a state of affairs that every producer can satisfy his interests to such a degree that he would not gain any advantage by changing over into another industry.

There may be certain differences in income, but these arise from the fact that some producers are enabled to have an extra income because of certain qualities, which not everyone can acquire, that is, because of special "qualifications". But such an additional income can never lead to the accumulation of great unearned fortunes

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Naturally our argument in regard to prices can almost be repeated if we now proceed to the discussion of *wages*. Each person will

offer his labour in such an industry and under such conditions as he thinks most favourable for himself, whether he has means of production of his own or no. The interest of the worker (he sells his labour power) is two-fold again. He wants to get as high wages and as short hours as possible, and general conditions of labour which are favourable for him. At the same time he wants to compete successfully with others who offer their labour power. Under the present system of monopolies a surplus supply of labour power exists. Therefore competition among the workers drives wages down to the starvation level. But when the land is thrown open and the process which has been described in Chapter II has absorbed the unemployed and increased the demand for commodities of all kinds, there will be a shortage of labour power. Therefore wages will rise to the just level at which each person, the organiser, the director, the skilled worker, the semi-skilled and unskilled get so much that they cannot expect a greater total amount of satisfaction of their desires in any other position. (During a period of transition from the present system, owners of many means of production may have a certain passing advantage over others, which advantage will, however, rapidly disappear through division by inheritance alone.)

Would wages be equal in socialist market economy? Just as little as prices would. One pint of milk will not cost the same as one pint of petrol, and one hour of farm work will not be paid the same as one hour of mining. We said that free competition regulates wages, the income of an independent farmer is the lower limit of wages under which no one will work or need work under normal conditions. The amount he gets above that limit depends on the demand for his kind of labour in relation to the supply, and on the expense of training in his occupation. But compared with the present situation an enormous equalisation of income will take place where socialist market economy prevents monopoly income.

11.

But if wages are not equal how is it possible then that wages can be just under free competition? We must not forget that in socialist market economy free choice in regard to the conditions of labour is possible. One person may choose well-paid but dirty or tiring work like that of a miner because he wants to save up for a long holiday. Another may prefer a kind of labour where wages are lower but in

which he can lead an outdoor life, etc. Only the individual's own free choice can decide what he prefers. Though wages are not equal nevertheless the total amount of satisfaction—and that means wealth in the widest sense of the word—is on the average and in the long run the same for all individuals in all industries.

The differences in kind and degree of interests will lead to equal satisfaction from work in different industries, directly or indirectly, and where there seems to be a great advantage in one kind of work above others so many will flock into that industry that the opportunities to acquire wealth there will become equal to those in any other industry. Therefore no one will have cause to change his place. Thus the automatism of free competition will straighten all deviations from the equilibrium of justice, at least after a transition period. We do not of course presume that everyone can easily change from one industry into any other. But young newcomers in industry will choose those jobs that bring the greatest advantages with them, small numbers will continually migrate into towns and take up the most favourable trades. In certain industries a quick adaptation of newcomers to the kind of work that is demanded is possible. If, however, a sudden change in the conditions of an industry tends to bring misery and injustice with it, State interference may be necessary in order to help the workers who are affected.

Equality of opportunities is thus secured by our system, for naturally those kinds of work are best paid that involve the greatest inconvenience (the greatest danger, the highest death-rate, etc.). For in these the supply of labour will be smallest until wages have risen to a level at which they attract a certain number of men.

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So much for the general outline of our system. But we have to deal here with one objection that generally arises from the side of those who strive most earnestly for the removal of all class differences. Your system, they say, maintains the distinction between workers and employers. It thus allows a class of "bosses" who live on the backs of the workers and exploit them. Two remarks will be helpful here.

(1) The shortage of labour will enable everybody to get a place where the total amount of satisfaction of interests is as large as possible, so that exploitation will be impossible.

(ii) An employer also will not on the whole and in the long run get more than the value of his labour—unearned income is almost impossible for him. He can by no means “boss” the workers. If he does not fill a useful position, he will not make a living. The industrial organiser has an income that is determined in exactly the same way as that of a manual worker and will not necessarily be higher than that of the latter. Possibly it will even be lower than that of certain categories of workers. Where equal opportunities for all in regard to education exist, an organiser has as little a monopoly of his profession as a miner has of mining.

One further point should be mentioned here. The invention of new machinery will indeed occasionally throw men out of work, though, even if no increase of production takes place, such inventions will result rather in shortening the hours of work than in diminishing the number of people in employment. But on the one hand, even those who lose their work need not remain unemployed and, on the other hand, those who remain in the industry concerned will not allow an unearned income to go to the employers. Theoretically two cases are possible here. either the prices of the products in question will remain the same as before the invention—then the workers can obtain higher wages or the same wages for shorter hours—or the price of the products will drop so much that the total amount of values produced will remain the same as before the invention. In this case the benefit will go to the customers. In practice we shall have a combination of both tendencies. But in neither case can the employers extort any surplus value from the workers.

The question as to whether over-production or over-population can set a near end to this process will be dealt with in Chapter VII.

CHAPTER IV

PRIVATE ENTERPRISE AND STATE INDUSTRY

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In this and the following chapters we shall deal with some special problems of economics which are of great practical importance. Though we have nothing new to add, except in Chapter V, we shall

explain our attitude towards those problems in detail, in order to prevent such objections as may arise from misunderstandings

We understand by *socialism* a state of human society in which private ownership is limited to the condition of justice. By *collectivism* we mean a system in which private ownership is completely abolished. Since Karl Marx most socialists have been collectivists, or at least advocates of a system of State industry in which the means of production are, to a great extent, commonly owned. Some of them may despise the term "communism" but collectivists are communists in the economic sense of the word. In order, however, to do justice to those who are somewhat milder in their attitude towards the suppression of private enterprise, we shall distinguish a kind of "semi-collectivism" which stands somewhere between private enterprise and collectivism.

Why has collectivism become the general belief of socialists? Several combined reasons are mentioned here

(i) The working class is tired of the disputes between employers and employees in which the latter are naturally so often the losers. Antagonistic interests clash and the result is of no advantage to the workers. A system in which the means of production are commonly owned is supposed to prevent such disputes.

(ii) Competition among private employers leads to disastrous price-cutting, especially in times of crisis and consequently wages also are cut. The result means a loss to the workers. National ownership of the means of production will prevent this.

(iii) Selfishness prevents the present owners, who are only out for profits, from applying such methods of production as will secure the welfare of the workers and guarantee at the same time a maximum of productiveness. This is true in regard to houses, workshops, machinery, working time, permanence of employment, provisions for women and young workers, old age pensions, etc., etc. If the industry were under the control of the workers all these difficulties could be removed.

(iv) Nor do the present owners give the best service to the public. They produce goods and give services of an inferior quality, partly because they want to compete with others and partly because they have a monopoly in regard to certain articles or services.

(v) It is the right of the workers to have as much control with regard to the conditions of industry as anyone else, therefore industrial democracy must be established.

(vi) Wherever the whole of an industry of any kind is united in one single combine the association is practically all-powerful in regard to working conditions as well as in regard to prices. But these combines, put under the control of the nation, would be just the form of industry which would give the best service to the people

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In examining the above arguments this must be said in the first place

(i) Where a shortage of labour exists and the land is free, in the case of any dispute the employer is not in the least better off than the workers. He has therefore not so much interest as at present in provoking disputes. Socialist market economy is thus sufficient to remove this difficulty

(ii) Again, where a shortage of labour exists, the employer cannot cut wages, in whatever way he may cut costs. Socialist market economy thus eliminates also this difficulty

(iii) Again, where a shortage of labour exists, the workers practically have control over the industry, they can therefore demand better conditions all round. The employers will be interested to make the work more attractive. Complete nationalisation of the means of production is not necessary to achieve that aim

(iv) Under the present system, where the employer can easily make a high profit by extorting the surplus value from the workers he has indeed not much stimulus to give better services to the public. But under a system of really free competition his only way of competing successfully with other producers is to make his products or services more attractive. (We have to keep this in mind in judging of the apparent success of some municipal and national enterprises, compared with private ones. The fact that, for instance, certain municipal tramways are more efficient and give a better service to the public than private ones does not thus prove anything either in favour of or against public or private enterprise in socialist market economy. Those municipal enterprises may now give better service than private ones in view of the control by municipal authorities. But the private ones are capitalist enterprises which can increase profits by cutting wages, a process which the municipal ones cannot accept to the same extent.)

(v) In socialist market economy the workers will indeed have

much more control in industry than to-day. They will be quite free to choose their own conditions. Their right to self-determination will be fully secured by the very fact that competition is completely *free*, that is, free from monopolies. No democracy nor rank and file control can secure this right in a better way.

(vi) Our principles demand that we should abolish the monopolies, the selling-monopoly of trusts to which the advocates of State socialism refer must also be broken. Whether this is possible by the methods which we have put forward so far, or whether other steps must be taken, will be examined in Chapter V. We shall show there that the nationalisation of all industries is by no means necessary to break the selling-monopolies.

Apart from the last point, our explanation proves that there is no necessity to nationalise the means of production. This of course does not solve the question as to whether it is desirable to do so.

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Before we can decide this matter we have to make clear certain terms which are always used by those who advocate common ownership. As a matter of fact, we have to deal with two different systems.

(i) Workers control over industry which may either be State industry or not. This control is supposed to have the form of strong trade unions and factory councils which determine the course of the enterprise by democratic methods.

(ii) State industry. All industries are nationalised, they are administered by commissions and committees which are either elected by the votes of the workers or appointed by a central Government or a similar body.

We have to distinguish between two systems of State industry: collectivism, which means the absence of private property, and semi-collectivism in which prices and wages are fixed by the body that controls State industry. In the latter case wages may be either completely equal or differentiated.

But the first of these cases can be ruled out completely. Because, whatever the faults of the present capitalist system may be, no one is sure whether any sort of democratic control will not have the same results. It is inherent in the very idea of democracy that it leaves it quite open what sort of institutions or measures it will bring into existence. But what we are looking out for is a proper

system that will guarantee an efficient and just course in industry and not an arrangement which leaves it to the chance of a majority decision. (See "Politics of Reason" No. 1, page 13 ff) What is true of democracy generally is also true of industrial democracy. We cannot here repeat the familiar criticisms of democracy.

We consider now a system of economy in which the State determines the course of industry, either in complete collectivism or semi-collectivism. In both cases the conditions of labour (kind of work, wages, working hours, etc.) and the conditions of life (kinds of products, prices, etc.) are essentially fixed by the State. Free choice by the individual is impossible in such a system, the right of many individuals to reasonable self-determination is violated. As human beings differ in regard to their interests, desires and capacities, the individual himself alone can determine what conditions of labour and of life are the best for him, within the limits of equal rights for all. State-industry does not consider this essential fact. Spiritual exploitation of those who have less opportunity for self-determination than others is therefore inevitable where State monopoly in industry exists. The only consequence that can be drawn from that is that State monopoly in industry is anti-socialist.

However, going more into the detail of collectivist economy with equal wages, we can easily show that such an economy does not provide equal opportunities for all to satisfy their interests, and thus in two ways

(i) Those who are lazy and selfish and work as little as possible will get as much as those who are industrious and unselfish, though the latter work more. This means exploitation of the better members of society by the less moral ones.

(ii) Those who work in an industry with pleasanter conditions will be better off than those with dirty or dangerous work. A remedy for this is suggested, namely, to let everybody do such work alternately. This is impracticable. It means a waste of energy, since certain of the most dangerous labours are highly skilled and since such differences in hardship exist between almost all kinds of labour. And that remedy is unjust since it establishes a "militarism of labour" which violates the right of equality in self-determination, as it easily gives preference to those who by chance are satisfied with the conditions of this "enforced labour".

But suppose even for a moment that collectivist economy would allow free choice in regard to the work that one does. Naturally

certain industries would have a surplus, others a shortage of workers compared with what is supposed to be the likely consumption of the products in question. Either these deviations are to be straightened by order and then free choice and equality of opportunity disappear. Or the conditions in some industries can be made more attractive than those in others until the shortage of labour disappears. But this latter case is one in which the conditions of work differ along with the kinds of work, and we shall deal with this separately.

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It seems worth while to discuss semi-collectivist economy with differentiated wages more in detail, as this system is most likely to be tried in practice. Two differentiations can take place

(i) In regard to the *amount* of work done

(ii) In regard to the *kind* of work done. Industry will be administered by State officials in connection with workers' councils, they will fix wages and prices.

Our criticism in regard to such a system falls under several heads

(i) Without free competition it is impossible to fix the right relation of prices. Only free competition can regulate those relations. Who is able to say beforehand whether a pint of milk or a pint of petrol shall have a higher price? Or whether an hour of farm-work or an hour of engineering shall be paid more? No State administration whatever can solve these problems.

(ii) Nor is it possible to determine beforehand the amount of any kind of article that will be demanded. A purely mechanical distribution of goods among individuals would not meet their needs and therefore would not be just.

(iii) In collectivist economy the danger is the opposite from that in capitalist economy. For capitalists the easiest way to cut prices is to cut wages. Now the easiest way to raise wages is to raise prices, a measure which is not at all in the common interest. But a Government which does not accept this policy of going the easiest way must be prepared for industrial disputes and strikes.

(iv) This brings us to the next point. It is by no means sure that in collectivist economy the best methods of production will always be applied. Under free competition the employer who wants to complete successfully with other producers has only one way

open to improve his methods of production. The fact that his income and therefore his livelihood depend on success gives him a stimulus for the application of better methods. But this stimulus does not exist in a State industry which has the monopoly of production and distribution. There you can only hope that everyone will give more and better service than he needs to do. If this hope fails, State industry cannot be efficient. How little reason we have to presuppose such unselfishness may be seen from the experience which almost all modern states have had of exploitation by officials.

(v) The argument which we have just applied with regard to methods of production may also be applied with regard to the services that a State-industry gives to the public. There is no *guarantee* that prices will be kept as low as possible and services as good as possible if a State monopoly exists. But this guarantee exists where free competition rules, for there and only there can the interests of the individual be satisfied in the best way if he gives the best possible services to the public.

So much for our criticism of semi-collectivism. Most of our last five arguments can also be applied to the other forms of State enterprise in industry. We have now answered the second question of this chapter: socialist market economy is a better means for the prevention of exploitation than collectivist economy.

We may add that the above are not merely theoretical considerations. Every phase of Soviet economy in modern Russia teaches us the truth of the principle just stated.

CHAPTER V INDUSTRIAL COMBINATION

17

WE have to deal in this chapter with industrial combines which can acquire a monopoly position and thus extort a monopoly tribute from one section or another or from the whole community (In dealing with these we shall add certain ideas and suggestions which go further than does Franz Oppenheimer's system of economics.)

A necessary condition for the monopoly position of such an

industrial combine is that it shall embrace practically the whole of the industry or industries concerned. This means enterprises with such power that all outsiders, however large their number, must submit themselves to the conditions which the combine dictates in order to protect themselves against being crushed out, or that the outsiders are only of local importance. In England it is now estimated that in most industries the control of over 80 per cent of the productive capacity is sufficient to enable the predominating group to exercise a monopoly-power, provided that foreign competition is impossible.

In what way can such an industrial combine control industry ?

(i) It can fix quantity and quality of products and thus acquire a monopoly in production

(ii) It can fix prices and markets, exercising a selling-monopoly. Recently this has not been found very profitable for the monopolists in England, so that they now prefer the monopoly in production.

(iii) It can grant special rebates for exclusive trading to the merchants, thus strengthening its selling-monopoly.

Industrial combines, so far as they are of any importance in England, may differ from each other in four ways. First, in the form of agreement, second in the kind of industries, third in the kind of products and fourth in the geographical area.

First, in regard to the form of agreement, we have to distinguish several classes of combination.

(A) Complete amalgamation of previously independent firms

(B) Associations of independent firms which exercise the first two or all three kinds of control as indicated above

(C) Associations which exercise only the production monopoly

(D) Associations which have only price regulations in operation

Second, in regard to the industries which are controlled we have to distinguish between the following forms.

(a) Horizontal combines, either in regard to raw products or to partly finished products or to finished goods

(b) Vertical combines, especially those which reach from the raw material to the final product

(c) Net-work combines, which are a combination of the two others

Third, the monopolised goods may be

(i) Practically limited as for example rare metals like radium or platinum

(ii) Practically unlimited and easy of access such as agricultural land, clay, salt, etc., or even coal in some districts.

(iii) Practically unlimited but not easy of access, as for example most ores, oil, etc.

Fourth, so far as the geographical area is concerned, combines may be

(i) National combines (inside customs frontiers).

(ii) International combines

(iii) World-wide combines

So much for a rough classification of industrial combines

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Before we explain our attitude towards the industrial combines thus classified, it must be noted that we do not suggest any measures in regard to amalgamations and associations which have merely the aim of making division and combination of labour more efficient, so long as such combines do not lead to monopoly. Everything speaks even in favour of the formation of such concerns, as, if the development in this matter is left to free competition, the automatism of market economy will regulate it efficiently and justly.

The exploitation which we have to face from the side of combines with monopoly-power, is *exploitation of consumers*. In times of crisis the price-regulating power of combines is important for the employers. That is why so many of the existing combines in England owe their existence to the bad trade of post-War times. If, however, the volume of trade falls below a certain limit, even the strongest associations can no longer force their members to keep the rules. This has been the case with the British coal industry since 1921.

On the other hand, what is the power of such concerns in times of boom? If then a combine limits the output by fixing quotas for its members it can drive the market price far above the competitive price. In the British tobacco industry, besides the Imperial Tobacco Co., four other independent firms can make huge monopoly profits, as there is no competition between them. The demand is increasing—in 1913 nine million cigarettes were sold, in 1926 ninety million—therefore they can keep their profits well above the average. As a modern tobacco factory is a huge enterprise, outsiders have difficulties in conquering the market with cheaper goods. Therefore times of increasing trade are better for

monopolists than those of declining trade

But it is obvious that in order to estimate the power of industrial combination we must make the distinction between monopolised goods which can, and those which cannot be reproduced, for instance, machinery can be reproduced and iron ore cannot. In regard to the first, selling-monopoly is usually not of great stability. In most industries outsiders can easily set up enterprises which can sell below the monopoly price, and they will do so, especially in trades where business is growing. But one great danger arises here. The combine may be able to sell below cost of production for such a length of time that the outsider is crushed at the beginning. Only State control over industry can prevent this. It may do this either by giving such financial assistance to trustworthy people that they can successfully compete with the combines, or any other economic or legal measures. Such arrangements may be, to cut off the supply of raw products or to encourage foreign competition (in the case of a national combine) by the establishment of free trade. The State itself may, of course, take the rôle of a competitor, if that is thought wise, as it may be the case in industries of very advanced concentration. The very fact that in such cases outsiders will find legal assistance will, to a very large extent, prevent the formation of such combines. Here we have come across one of those cases of State interference which were referred to in the preceding chapter.

Unfortunately, space does not allow us to deal here with the argument that Hermann Levy has brought forward against the device as expounded in the foregoing paragraphs. He points out that outsiders need so large a productive capacity in order to compete successfully with big combines that, even if they can break the monopoly power of the combine, the total productive capacity will be so far above the demand that it will mean the ruin of both the combine and the outsiders. But it may be pointed out that the presupposition itself is valid only for a few industries and that the conclusion is at least doubtful for times of increasing business. There are, in addition, several other points of criticism which may be discovered if one goes more deeply into the details of the process of such competition between a trust and outsiders. We cannot, however explain them here in detail.

The goods which cannot be reproduced may either be easy of access or not so. The land belongs to the first type, iron and oil are

examples of the second. Combines which have monopolised these goods are actually dangerous, because they may control the so-called original production. In regard to the land we have stated the way to break the monopoly. Can the same method also be applied to the second kind of non-reproducible goods?

Theoretically there is no difference. Throw so many oil-fields or iron-ore areas open that the supply is always greater than the demand. By this means the value of these fields will become zero. All the conclusions which have been drawn in Chapter II with regard to average agricultural land will be valid in this connection. But mining differs practically from agriculture in respect of the fact that the first demands the investment of much more capital than the second.

If all farmers could form a ring and sell above competitive prices many outsiders might comparatively easily settle on free land and undercut the monopoly price. But it is not so easy for an outsider in mining, as he cannot settle without the investment of much capital and the establishment of a complicated plant. Here again State interference is necessary, such as financial assistance to outsiders (whether they are individuals or companies or workers' associations or State authorities). Thus in certain cases the whole enterprise may be owned by the State, though the State need not be the administrator of the same. But if the State has financial control over the outsiders, the authorities will be able more easily to prevent the formation of an all-embracing trust. Here again we may say that the very fact of a trust not being able to keep up prices will largely do away with the incentive to form such a combine. State interference still remains as the last resort, and only experience can decide how far such interference will be necessary.

We have thus shown that selling-monopolies can be broken by a measure which allows State control without the complicated bureaucracy of a State industry, a measure which reduces State interference to a minimum and guarantees the highest efficiency by means of free competition.

CHAPTER VI.

TAXATION OF LAND VALUES.

19

THE school of economists that bases its theories on the work of Henry George has very boldly put forward a simple proposal as the remedy for the present injustice in the economic world.

We may give to their argument the following form

(i) Income which arises out of land values is unearned income and therefore not justified. The rise in land values is due to the community and therefore justly belongs to it

(ii) Enforced enclosure of the land has given a value to the average agricultural land which exists in abundance and it has therefore also inflated the value of other kinds of land

(iii) Land speculation in rural and urban districts has accomplished this process of inflation and has allowed enormous unearned income from land values

(iv) The only remedy is the full taxation of land values. That means that everyone has to pay as a tax the full annual value of the unimproved land. This measure will be at the same time just and economically efficient

(v) The land tax cannot in the long run be passed on to the consumer, so that the taxation of land values will break the land-monopoly (enclosures will be too costly to be kept up). Consequently the buying monopoly in regard to labour power will disappear and with it unemployment, etc.

(vi) This tax will be the single tax, its amount being so great that no other tax will be needed

(vii) There is a difference of opinion as to whether this tax shall at the beginning be levied at low rates and rise in time to the full annual value, or whether the full annual value shall be paid at once

The adherents of this theory press so earnestly for reform and their proposals, once carried through, would endanger the present system so much, that they have not found many friends among academic economists. This speaks all the more in favour of our examining their proposal very closely.

Let us consider their argument point by point. Surely, income from land values is unearned income and therefore not justified. Surely, it is in principle right to conclude that, as land values are created by the community as a whole, these values ought to belong to the community. We notice further that Henry George has rightly recognised that artificial enclosure and land speculation have inflated land values.

But three questions remain open

- (i) How is the land tax to be imposed ?
- (ii) Will it break the present land-monopoly ?
- (iii) Will it be a single tax ?

Firstly, what would be the effect of a land tax imposed at once at the level of 100 per cent of the annual value ? Such a sudden change of the whole system would shake the very foundations of economic life, inflated fortunes and incomes would break down and in their fall they would probably drag the income of the workers and of the farmers into the abyss. Therefore, even if an escape from complete disaster were possible, it would be along lines that would mean a narrow escape and the creation of unnecessary difficulties.

We are, therefore, led to consider an arrangement by which the land tax grows in certain intervals through a certain period, before it has reached the total amount of the annual value of the land. But we must note three things.

(i) At the beginning such a land tax could by no means be universal. Small-holders, for instance, who live now almost on the level of starvation (though they may have comparatively fertile or favourably situated land) or settle after the break-up of the enclosures will be worse off, if land taxes are substituted for the present taxes (especially as no income-tax is paid on small incomes under the present order). They may even become bankrupt. In these and similar cases exemptions will be necessary.

(ii) The more the tax approaches the full value of 100 per cent of the annual value, the more difficult will it be to prevent wrong statements in regard to the amount of tax to be paid. The number of cases in which the valuation is challenged, and in which therefore a special investigation is necessary, will increase. It is not always easy in practice to separate land values from those of improvements or of special methods. And the nearer we approach to the full

annual value of the land the more do errors in judgment weigh

(iii) It is also difficult at the beginning for large masses of small landowners to see that they will be benefited in the long run by the full land-tax. Nor is it certain that those who advocate this measure will ever be able to have a propaganda platform at their disposal from which they can reach the discontented who do not see what is to their benefit. Therefore the opposition against the proposed measure may be *greater than necessary*.

Secondly, will the land tax break the land monopoly?

Undoubtedly the big landowners can neither keep up the enclosure for a long time nor can they in the long run pass on the tax to the consumer. But are we so sure that, in a country like England, the immediate result will be to free the land? To put the tax on to the prices of the products is possible at the beginning. And it is not at all certain how long it would take new producers to put on the market enough products to bring down prices to their previous level. One can hardly assume that the taxation of land values will break the enclosures and at the same time presume that the land is already free for more settlers.

But apart from that, the further question arises. Are we sure that the big landowners will willingly give up their monopoly power? Is it not much more likely that the landowning and capitalist class, assisted by those smaller landowners who fear to suffer, will unite? Will they not oppose the measures which endanger their supremacy and refuse either to pay the tax or to give up the land? As a result expropriation and division, as suggested in former chapters, would be the natural consequence.

Thirdly, the question as to whether the land tax will be a single tax is not much more than a matter of speculation. But, apart from the fact that we are not sure of the amount that it will bring, we have to consider that unearned income may also arise from other sources than the land and that such unearned income ought also to be taxed. In regard to the amount, we must not forget that average agricultural land will have no value after the break-up of the enclosures and therefore will bring no tax. So that the tax which can be drawn from agricultural land cannot amount to a very high sum. The breaking up of monopolies will check the enormous and rapid extension of big cities. Thus, a land speculation will cease, and urban land (as far as it is used for dwelling-houses and shops) will lose enormously in value. We do not deny, of course, that a land

value tax will have a certain result, perhaps even an increasing one, but whether it will be sufficient to cover the expenses of the State no one can say

We may sum up our argument and draw the necessary conclusions. We are not opposed to a land-tax and agree that justice demands it

But we do not think that this measure alone will be sufficient to establish justice in industry. There are three reasons for this conclusion

(i) At the moment of its being put into operation it will create *unnecessary* resistance among large masses, which is especially dangerous at the beginning of a new order

(ii) On the other hand, it is not sure to bring about the desired result of improving the situation of the working class in the *shortest possible time*

(iii) Certain problems connected with the land tax (percentage and its increase, total amount, exemptions, etc.), can only be solved by long experience. Therefore it is not possible to advocate the land-tax as *the* remedy to solve the economic problem

But even if these reasons were not worth taking into consideration the brutality and unscrupulousness with which the present exploiters defend their supremacy, makes enforced expropriation as necessary as enforced occupation was necessary to establish the present monopoly. However, within certain limits the land value tax may be of use for the socialist government from the very beginning. If imposed on *big* landed property, it may help to find out the big estates to be expropriated. For those landowners will first be expropriated who do not pay the land tax

Our suggestion to begin by expropriating and offering more land than is demanded, leaves the way open for a thorough application later of the right methods of taxation

CHAPTER VII

OVER-POPULATION AND OVER-PRODUCTION.

21

REASON demands that we should ask ourselves over and again whether we have built our system on a sufficiently sound basis. Is it really possible to open the way to the unlimited progress and wealth of the working class by such simple measures as the breaking of the land enclosure and selling monopolies ?

Is it not possible that over-population will soon put an end to the process of increasing employment, wages and wealth ? May it not be that all the land will be occupied and the masses will be crowding again into the towns, creating a surplus supply of cheap labour ?

Or is it not possible on the other hand that the application of modern methods and modern machinery will lead to an over-production of commodities ? May it not be that the market is again glutted with goods which do not find buyers, so that large masses of workers are continually thrown out of employment, either in agriculture or in town industries ?

Let us consider the first of these two dangers, that which concerns over-population. We have already shown that there is much more room on the land in England than is needed by those who live there now. We could add here, that the same argument is even truer in regard to other countries than it is in regard to England. And if we suppose that a farmer's family needs an average of forty acres to make a living, we presume that the present methods of agriculture will be applied. But increasing competition in regard to land and to products will lead to the invention and application of new methods which will make agriculture more *intensive*. Therefore the average amount of land needed will decrease with increasing population and more land can be released for more settlers, if necessary by further State interference. But let us suppose even that after a certain period—surely a long one—all land and even that of inferior quality were occupied by farmers tilling just sufficient land. What would happen ? People would have to find employment in towns. How many could exist there without being unemployed and

therefore endangered by starvation or exploitation ?

This may be determined very exactly. Those who bring original products to the market, farmers, for instance, exchange these for other commodities. They exchange that part of their produce that they do not consume. If the farmers consume, say 10 per cent of their produce they exchange 90 per cent and that means that each of them supplies the food for nine people who do not make their living by farming. In that case the industrial population in a country which is not employed in original production, may be nine times as big as the agricultural one.

An increase in town industries will mean an increased demand for agricultural products. If all cultivable land is occupied, the stimulus to increased production on the land will bring about the application of methods which will increase the amount of food produced per individual engaged in agriculture. Consequently, a farmer will consume a smaller percentage of what he produces than before, say, only 5 per cent. He will therefore exchange 95 per cent of his produce and supply nineteen people who are employed in other industries. The degree to which improvement of methods is possible is unknown and so is the limit of human desires. So therefore also is the limit to the population which can be sustained by world economy.

So remote is this limit, that it may be left out of all practical consideration. Over-population is something similar to the death that threatens human life on the earth by the decrease of the heat of the sun.

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What of the second danger, which concerns over-production ? It must be noted that there are many checks upon the operation of over-production.

These may be enumerated as follows

(i) Many more goods will be directly consumed in socialist market economy than is now the case. Consequently much less wealth will be invested in new means of production. This will be so, because the incomes of all individuals will be much more equal than they are now.

(ii) Industries in which more is produced than can be consumed will have to limit production by closing enterprises partly or entirely much sooner than now. This must be so because they will not have the big extorted surplus-value at their disposal, by means of which they can increase over-production for a long time. Con-

sequently the level at which as much is consumed as is produced will be reached sooner than under present conditions

(iii) The workers who are thrown out of one industry can either go to the land or find employment in other industries under normal conditions of socialist market economy. So long as this way is open they will not offer cheap labour nor allow the employer a monopoly profit which he can use for further increase of production

(iv) Furthermore, where a shortage of labour exists and where consequently the workers determine the conditions of industry, the invention of more efficient machinery will often lead to a decrease in the working hours instead of a decrease in the number of workers. Thus the total amount of produce does not necessarily grow

(v) And even if there is no longer a market for an increase of the products of any industry whatever, so that no industry can employ more workers, the danger is not so great. So long as there is enough land available for everyone to grow his own vegetables, no one need starve. The individual can thus fall back on the land and diminish the pressure on the labour market

(vi) But human interests are almost unlimited. With increasing opportunity to satisfy desires, these desires grow and new ones arise. So far only a small class of privileged persons have been able to experience this. If the monopolies are broken, the workers will be in a position to satisfy more of their desires

We have thus shown that over-production and therefore industrial crises are as unlikely as is over-population. More than that, no other system of economy, not even collectivism, can remove these dangers as automatically and as thoroughly as socialist market economy

CHAPTER VIII

THE SOCIALIST COMMONWEALTH

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ONCE again those who love mankind most, and want to see it happy, may raise their voices and say "Is that all you have to offer?" We want to see human beings living like brothers, striving for one common aim in a freer and happier world, thus promoting universal

upliftment and the realisation of high ideals. And your offer is an economic system in which people compete with each other, calculating prices and wages, selling and buying products and underbidding each other. Your system is a sort of calculus, where human beings are dealt with like numbers and where their actions are predicted like the movements of inanimate bodies. If that is all you have to offer, we pity you, who want to turn all human beings into just such machines as you yourselves are."

We answer to this reproach: Yes, that is all we want to achieve by our economic system. For love is a free gift and friendship and co-operation are free relationships. No system in the world can bring them about. A system is something that establishes certain institutions and ways of action, and all who live under such a system are *forced* to go these ways. But where you are forced to love and befriend each other there is no room for love and friendship, just because these are free gifts. It is because we are *not* political machines that we have no intention of forcing love and friendship into a system. It is because we want to see these higher ideals realised that we challenge the right to impose substitutes for them from above.

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But why then have any system at all? This pamphlet is called "Justice in Industry". It is for the sake of justice that an economic system needs to be established. It is just that the rights of individuals should be protected against encroachments and especially against exploitation. Institutions are needed to secure for all equal opportunities of acquiring wealth. That is the reason why socialist market economy is demanded. As monopolies are a check to equality of opportunities they must be destroyed. These monopolies have been established by the interference of non-economic power with the economic process. Those who had the power to make the enclosures and drive the poor from the land, had *legal* power. Those who now exploit the workers and consumers still have *legal* power to do so. But in order to secure justice in industry the legal power must be put into the hands of the just, and for that purpose it is necessary to establish the *Just State*. One of the first steps of the just government must be to carry through a sound economic policy. In "Politics of Reason", Number 1, we have dealt with the Just State more in detail. We can here only refer to it in passing.

The function of economic institutions is simply to make the way free for progress. Progress is only possible if all individuals have equal opportunity to follow their own convictions and make their own choice, and the same is true of co-operation in industry. Where no capitalist exploitation exists, those who want to co-operate can freely work together for one common aim. And they can freely choose their comrades on the way. Whoever wants to go his own way can do so as long as he does not interfere with the rights of others. It is just this rightful claim of the worker to direct his own life which cannot be respected as much under collectivism as in socialist market economy. This is the main reason why collectivism does not fulfil our requirements as to a reasonable order of economy.

If the danger of poverty and starvation is removed, man can fully develop his higher qualities and capacities. Friendship and unselfishness will be freed from the pressure of distress. New forms of industrial organisation may be experimented with and developed by men who are working themselves up, slowly but steadily from the swamp of misery and undeserved suffering. But here we leave the field of economics far behind and find ourselves in the midst of ideals of education. The socialist Commonwealth towards which we are striving is possible only when the Just State has been established. It is possible only when the right education grows on the soil of just economic conditions and when the morality of the new society has its foundations in the justice of public institutions.



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