LAND & LIBERTY

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Keynes and the Forgotten Factor

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"Loose thinking has been translated into economic sharp practice."

KEYNES in his *General Theory* dismissed land as a factor in production worthy of any consideration. His logic was therefore immediately truncated. He was left playing with effects rather than with causes.

We know of Keynes' complacency towards land from his self-satisfied address to the Liberal Summer School at Cambridge in 1925 . . . "all these causes for which the Liberal Party fought are successfully achieved or are obsolete or are the common ground of all parties alike. What remains? Some will say the land question. Not I—for I believe that this question, in its traditional form, has now become, by reason of a silent change in the facts, of very slight political importance."

And yet, ten years later, the "silent change of facts" did not eliminate the need for this statement in his concluding notes to the *General Theory*: "The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes."

Keynes says that eventually we will witness the "euthanasia of the rentier"—the reduction of interest payments to zero. His predecessor on this was Proudhon, who categorically stated: "By every economic law, increased production of capital increases also the total of the capital supplied to the workers, thus raising wages and finally reducing interest (surplus-value) to zero."

Proudhon's adversary, Marx, was less sweeping; he stipulated six "counteracting causes" which would reduce his famous theory of the falling rate of profits to a "tendency."

But what of rent? Nothing. Yet Keynes affirmed: "The owner of capital can obtain interest because capital is scarce, just as the owner of land can obtain rent because land is scarce. But whilst there may be intrinsic reasons for the scarcity of land, there are no intrinsic reasons for the scarcity of capital."

Assuming for the purposes of argument that the claims of capital disappeared, we are still left with the antagonism over ownership of rent. The result can be examined on two planes. Existing landowners would increase their demands on the net product! Up goes rent. Other people, with wealth which they are prepared to invest, will—unless there is a miraculous transformation of motives ("silent change of the facts"?)—demand a reward; and this inevitably means a switch in investment to land. Up goes rent.

In these conditions we would still not have necessarily eliminated unemployment, a phenomenon which Keynes "inevitably associated with the present-day capitalistic individualism," to quote his own words. Depressions in the past have been characterised by idle capital capacity—and idle land. The quantity of capital in existence has not been conspicuous in its ability to buy a one-way ticket out of the trough. A regressive tax on wealth is no incentive to production; but a progressive tax on land is an immediate stimulus to action.

A further paradox emerges. Keynes imagines peace reigning where the "functionless investor" has disappeared. And yet to arrive there nevertheless requires tension, for he admits that it may be necessary to have a "somewhat comprehensive socialisation of investment" as the only means of securing full employment while enforcing communal saving through the state at a level which would allow growth of capital up to the point where it ceases to be scarce.

This is a direct admission that if allowed to work freely the market would not inevitably see the doom of interest as a mechanism for allocating resources.

On top of this Keynes compounds the paradox by asserting: "But beyond this, no obvious case is made out for a system of state socialism which would embrace most of the economic life of the community." He thus creates the impression of wanting to keep the cake intact while his disciples, the politicians and economists, eat it.

Because he failed to realise the importance of land, Keynes had to lay the blame for anomalies elsewhere. He chose the vague concept of "individual enterprise" —an element which he nevertheless wished to retain in the life of the market! Because of this indeterminate mixing of values, we find no clear divisions as to where private enterprise stops and public enterprise takes over, much to the joy of those who seek the corporate state as a solution to all evils.

Doggedly, Keynes persisted in his cul-de-sac thinking. For instance, in discussing the cause of war (pleasurable excitement of dictators apart) he says there are two economic reasons, "namely, the pressure of population and the competitive struggle for markets." He leap-frogs over the first; the second he thinks "germane."

Here we find that trading nations seek to expand their industries by selling products to foreign markets. Markets are not inanimate objects; they are groups of geographically-separated people. People need incomes if they are to buy. Incomes are derived through producing wealth, with which to trade. Work requires natural resources to utilise (few economies being able to rely on service industries alone for survival), and natural resources are what the economist defines as land. Thus we come back full circle.

Loose thinking has been translated into economic sharp practice by politicians who have a vested interest in creating illusions about our national well-being and who promulgate measures on the basis of what a shrewd observer recently labelled "political cost: benefit analysis."

Our heritage from Keynes is the in-built propensity to inflate the currency, the cost of which few people have been able to avoid.

Governments try desperately to minimise the results of inflation by regressive taxation of income earners hoping that it will offset the excess demand pumped into the market by the government itself. But as Keynes observed in Chapter IX of *How to Pay for the War*: "If income tax is raised, the gross figures in the yield exaggerate the increase in resources from taxes and voluntary savings added together, since the higher tax will not be met entirely by a reduction in consumption but partly by a reduction in savings."

From this arises two unavoidable effects: (1) the peristence of inflation—the effects of which politicians struggle to minimise; and (2) a gradual cut-back in the rate of savings, which consequently affects investment. Not surprisingly, post-war investment in the British economy has been one of the first things to be affected by government deflationary measures.

Slavish adherence to views which, because they have allegedly "stood the test of time" are regarded as proven, is the surest way of erecting barriers against the qualitative development of the thinking man, and therefore of his society. Views which conflict with the traditional beliefs of a culture are regarded as heretical or revolutionary, to be stamped out as dangerous to the society which cannot accommodate them.

Herbert Marcuse in *One Dimensional Man* puts it thus: "Social theory is concerned with the historical alternatives which haunt the established society as subversive tendencies and forces. The values attached to the alternatives do become facts when they are translated into reality by historical practice. The theoretical concepts terminate with social change."

Henry George has been called an "underground" economist and revolutionary, but the pejorative use of these words begs the question. For it only becomes a derogatory label if what the revolutionary preaches is unacceptable to those who seek to preserve the existing order of things.

People with vested interests to protect are not impartial judges when it comes to evaluating historical alternatives.