

EXTRACTS FROM AN ETHICAL PERSPECTIVE ON ECONOMICS, PEOPLE AND "LABOUR"

By John Tippet

THE DISINCENTIVE EFFECT

In western economies at least, there appears to be always a certain fraction of the able-bodied population that, for various reasons, can neither come to terms with the current employers of labour, and nor have they the financial means or credit standing in financial markets that would enable them to buy access to a productive site. This inability to gain access exists simultaneously with land being held out of use, and so the cause of the idleness of this fraction of the population is not a shortage in the supply of land. This (small) fraction of people makes up the hardcore unemployed.

The costs to the individuals of the disincentive to work that sets in upon prolonged unemployment are great, in the form of (i) lost opportunity of human development that flows from the simple attendance upon a job, and (ii) a simultaneous and obvious degeneration in well-being that accompanies prolonged idleness. In the event of, firstly, no means of support being available other than the returns from personal exertion, and secondly, the availability upon terms appropriate to their situation of suitable land upon which to work, there would be an immediate shift by this small fraction of society from being unemployed to embracing, at a minimum, a state of subsistence production. These two conditions though, are necessary: access to natural resources, and sole dependence upon personal exertion for the means of living.

While the immediate effect of charity is the obviously good and beneficial one of looking after those "unable" to look after themselves, it has another effect of opposite direction. It camouflages market failure. "The market" does not provide for everyone. It meets the needs of those who are able to comply with its terms and conditions, but it leaves rejected those who cannot. Ethical considerations do not allow for this rejection. Even if it be only a small minority, this rejection cannot morally be ignored, as morals is about right action and to leave even one in a situation of fundamental need can hardly be seen to be right action.

The work of charity in alleviating the twin problems of the deprivations

resulting from unemployment, and homelessness, is big business, and even anecdotal evidence of its extent points to a degree of market failure in our economic system. It is a strange market indeed that has people in paid unemployment.

NON-TRADEABILITY versus MARKET FAILURE

Unimproved land may be considered to be not properly a tradeable good. This is because (i) it is necessary to life (and so with respect to some minimum area per human being it has zero price elasticity of demand); (ii) its supply is without cost of production (in fact without either cost or production); and (iii) [which follows from (ii)] it has zero price elasticity of supply. All three of these criteria apply. Because of these coincidental supply and demand conditions, the term "market failure" in land is inappropriate. Rather, it might be seen as land being a special case; a factor in the market, but not "part of it" in the usual way because of supply and demand peculiarities. There is no argument here with Economic Rationalism. It is simply being suggested that land is a special case.

Non-tradeability of land was part of the fabric of the English nation up until as recent as the sixteenth century. The king acted as custodian of all land on behalf of the people. Nobody owned it; everybody lived and worked on it. However, what is tradeable, and in the interests of private incentive and hence efficiency needs to be tradeable, is improvements to or upon the land. Efficient allocation of the unimproved resource is by way of its periodic rental value. The factor in land crucial to the efficiency of the free enterprise system and stable society is security of tenure (along with private ownership of any improvements to or upon land).

TECHNOLOGY AND THE ARTS

One of the marvels of the past 30 years is technological progress. Advances in engineering are symbolised most graphically by man's journey to the moon, and that event was more than 20 years ago. At the shop floor level, 20 years ago it took 40 hours to assemble a motor vehicle; today it is done in ten.

In agriculture, 20 years ago a common workload for a wheat farmer was to grow 400 acres of wheat. Today, due to developments in machinery and farming techniques, it is easy for one man to grow 1400 acres. In services, and to take accounting as an example, the use of computers has all but completely revolutionised the manual system of recording and processing financial data.

Technology has brought about a large scale substitution of capital for labour, and men and women are simply not needed now in factories and farms as they were in earlier times. This reduced need for labour in the production of an economy's goods should be a welcome event.

It would seem a mark of progress that the toil of physical labour in the productive processes is supported, and in part replaced, by mechanical means. However, ethically it is only progress to the extent that the people released are employed in and supported by industry that provides them the opportunity for human development: to be able to work (and therefore satisfy the duty to work); and to make a worthwhile contribution in the eyes of the contributor. Of course the services area has grown significantly, and this growth has absorbed many "displaced" people, but there is opportunity here to pursue an alternative line of thought.

The material wealth of an economy is in its provision of useful goods and services, not necessarily in the percentage of its labour force "employed". It would seem that a view of technology as being a means of freeing up people for alternative occupation is both (i) highly relevant in today's economic environment of particularly troublesome unemployment, and (ii) most appropriate to an ethical consideration of economics, whereby people are seen not as "units of labour", but as individuals having material needs and at the same time possessing, albeit to quite varying degrees, aspirations toward human development.

CORRECTION

June issue, page 5, column 1, para. 2, line 16 land tax should have a deletion rule through it (~~land tax~~).