

resources) is a fixed quantity. It is the only source of material wealth (goods and services) and the only place where man can employ himself or be employed. Growing populations mean more production and increase the demand for land. But land cannot be created out of nothing and so the value of every acre rises with the increase in demand. (A perfect example of the well known inflationary spiral.) If a man owning two plots of land expends on each the same amount of labour and money, the produce from one may barely cover costs while the other may yield a surplus of the value of £100. This surplus is rent. It represents no extra effort or expense on his part but is a natural difference in productivity between the two sites. It is something for nothing. At least so far as he is concerned. If this man is a Robinson Crusoe, living alone, he simply does not use the less productive land and no rent then exists. Plainly rent is solely the result of the presence and activity of a community, and has no other cause. Low where population is sparse, and high where population is dense. This is easily verifiable by comparing rural and urban land values. Good English farmland can be had for £100 - £200 an acre whereas prices ranging from a quarter to a half a million pounds an acre and upwards are common place in our larger cities. The landowner is a monopolist; the only perfect monopoly is land, vital to life itself and for which there is no substitute. Would be producers must pay what the landlord asks, however extortionate, or move to land of lower productivity where rents are less. Efficiency is reduced; costs and prices raised. Idle land yields no income and so is not taxed. The speculator knows this. He buys land for the specific purpose of withholding it from use and clears a handsome profit at the end when values have risen. This profit comes out of the earnings of society in general to which he contributes nothing. High taxes on top of artificially high prices brings a high cost economy in which production from poor land becomes unprofitable and ceases. Demand for goods and services declines. Unemployment and low wages soon follow.

(Concluded in the May/June Issue)

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# THE PORCUPINE

(WITH SOME TELLING POINTS)

March/April Issue. 1953

Part 1.

THE WELFARE STATE is not by any means a new idea but one which has lately returned to popular favour as the only right and proper condition of society. Since everybody seems to have their own pet notion of what welfare means we had better turn for our authority to a leading spokesman of the Labour Party who has defined it as "The Gospel of Priorities". This is the old familiar 'widows and orphans' plea, used to persuade the unwary that without a centrally controlled and directed economy the politically weak (pensioners, unorganised labour, etc.,) must inevitably suffer undeserved hardship.

The great weakness of any priority system is that everyone regards himself as a most deserving case and battles strenuously for a place at the head of the queue. In the incessant jostling which goes on around this prized position the weak and needy usually manage to get elbowed out. Through the lobbies of Westminster winds an endless procession of deputations representing a thousand and one impoverished but well organised vested interests. Trade Unions, Employers' Federations, Chambers of Trade, Farmers, the butcher, the baker, the candlestick maker, all are at one in stressing their unique and valuable contribution to society and the urgent need for a lightening of their own particular burden. Depressed classes, it appears, no longer exist, having given way to a wholly depressed community. Even the Banks are hard up. And although they do their lobbying in a more seemly fashion anyone may be forgiven for concluding that there is something rotten in the State of Welfare.

There is. The planned economy, shaky foundation of our welfare state, rests on a parcel of untruths, half-truths and fallacies elevated to the status of economic axioms, and clung to grimly even though they become visibly less axiomatic every day. One of these is that subsidies cut the cost of living. It is a doctrine proclaimed from every political platform in the land; a widely practised but

still crude deception. Many people, in their innocence, are taken in because they believe that a subsidy on food (say), or family allowances is a straightforward transfer of income from rich to poor. This is nonsense. The late Sir Stafford Cripps as Chancellor of the Exchequer, exploded the myth once and for all when he pointed out that dividing all industrial profits amongst everybody would make a difference of only a few shillings to the average sized household. Although promptly consigned to the limbo and never since resurrected this statement remains as true today as ever it was. The entire personal incomes of 244 millionaires would be required to raise a subsidy of one shilling a week per head of population. Millionaires no longer exist in these numbers (there were about sixty at the last count) and though few will lament their passing, as such, it is clear that the poor will have to look elsewhere for assistance.

The plain fact is, of course, that people subsidise themselves. The spectacle of a man transferring money from one pocket to another arouses no comment. But the same man paying to have the transfer done for him is regarded as insane. Yet this is what happens on a monumental scale in our present society. A large body of civil servants is employed solely for the purpose of taking money by taxation and returning it via the subsidy - less the expenses involved in completing a quite unnecessary transaction. Two forms of taxation are employed. Direct - income and profits taxes; and indirect - taxes on commodities, goods and services. Of the two, direct taxation is the fairer - at least everyone knows what they are called upon to pay, or to evade. But the government dare not resort exclusively to this method. If it did, the rate of taxation would appear so high as to destroy all incentive. Since the rate increases as income rises people would tire of 'working for the tax collector' even more quickly than they do now. The result would be a disastrous fall in production, a thing no government looks forward to. Furthermore, it is doubtful if the taxpayer would remain quite so placid if he could see more clearly just how much of his earnings vanished into the pockets of one government agency or another.

To avoid these difficulties, indirect taxation is used. This is a relatively painless procedure. Not because the amounts involved are insignificant. They are far from that. But because the taxpayer, unless he makes a special point of finding out, remains blissfully unaware of what he is paying or how he is paying it. He may notice that the cost of goods

and services has risen, but as often as not attributes the cause to something other than the real one. It is, in any case, often nearly impossible to assess the tax paid, as, for instance, where component parts are taxed as such and then taxed again when assembled to form a completed article. No sphere of life escapes the tax. It falls haphazardly, without reason or method, on every section of the community, and all the time hits the poorest hardest. London Transport, for example, has to find £5½ million each year to pay the tax on fuel oil and the licence duty. This means that on every oil driven bus in the central London area the guard must punch 29,000 sixpenny tickets before he begins to earn his own wages. Much the same is true of every public transport undertaking. People who are obliged to use these facilities lose substantially by comparison with those who are not. It doesn't pay to have to travel to work.

Nobody knows who is subsidising whom. If the family man receiving a state grant to help support his second child, smokes ten cigarettes and drinks one pint of beer a day he not only repays, in tax, the full value of his grant, but helps also to pay that of his teetotal, non-smoking neighbour, who may earn much more than he does. It is no answer to say that he should give up smoking and drinking. That merely makes a virtue out of necessity. If the man next door uses the money saved by his abstentions to buy his wife a washing machine of decent size, the amount he pays in tax not only covers his family allowance for the year but aids the flour milling trade. The millers have done well out of their lobbying. They are subsidised to the tune of £70½ millions a year. The Ministry of Food (i.e. the taxpayer) bears all increases in costs and guarantees their profits. They find it impossible to lose money, with the result that, according to the Auditor General, the industry is a cradle of torpor and inefficiency.

We are taxed in order to subsidise ourselves and each other. Consumer subsidises producer. Nobody knows exactly what they pay or why, whether they are the gainer or loser. Chaos reigns supreme - not created, but certainly intensified by our addiction to planning and 'selective' taxation. Everything costs far more than it ought, making nonsense of the priority merchants' claim to be protectors of the weak and needy.

A fresh start is needed, preferably at the beginning. Bernard Shaw ends the first chapter of his last considerable political work with the words, "Let us begin with the Land Question. This is so fundamental that if we go wrong on it everything else will go wrong automatically". Very true. He goes on to show that our rulers fail to deal properly with the land for the simple reason that they are ignorant of the most elementary facts concerning it. Here, therefore, is a short lesson on the subject for their enlightenment.

Land (which in the economic sense includes water and all natural