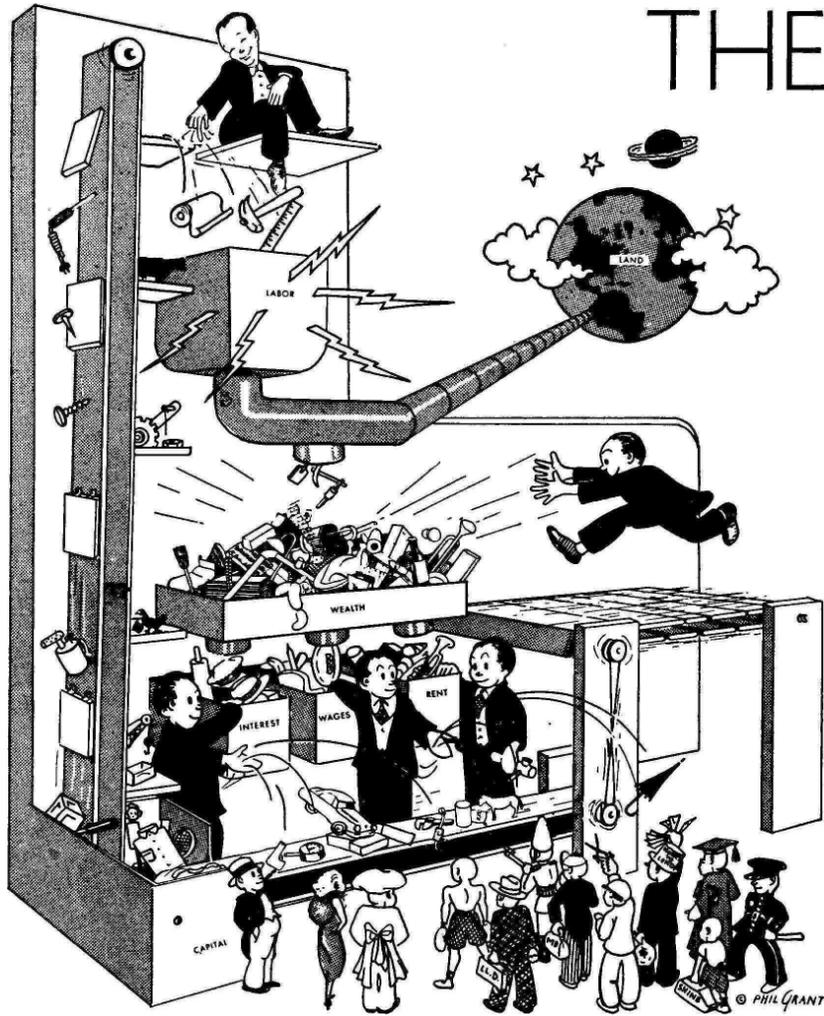


PHIL GRANT

THE



THE DEVIN-ADAIR CO.

WONDERFUL
WEALTH
MACHINE

WITH 84
CARTOONS
BY THE
AUTHOR

NEW YORK • 1953

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Manufactured in the United States of America

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**THE
WONDERFUL
WEALTH
MACHINE**

1

MAN, THE MUDDLEHEADED GENIUS

*And who knoweth whether he shall
be a wise man or a fool?—Eccl.
2:19*

ALTHOUGH the scientists do not know the exact date of man's first appearance on this planet, we may be sure it was a long, long time ago. And we may be equally sure that the first man ran around naked, that he slept in a natural cave, a rotted log, or on a high branch of a tree. In those days, man rarely knew where his next meal was coming from. If he was lucky, primitive man found things like wild fruit, nuts, snails, beetles, and grubs to eat. In certain locations he probably found sea food or stole the eggs from the nests of wild birds and honey from beehives. But he had to work so hard to find a meal, digging with his nails in the dirt, climbing trees and clambering up sharp rocks, chasing and fighting other hun-

gry animals, that he was always hungry, seldom more than one step ahead of starvation.

During daylight, our primitive man was so busy making a living he had little time to think about his future. But at day's end, while shivering with cold in a corner of his foul, damp, drafty, louse-infested cave, man would review the day's adventures and the mistakes he had made. Night after night he'd huddle there and think, always of one thing: how to make a better living the next day with less work and more certainty.



His irresistible desire to live better with less work forced him to develop his reasoning power, and this enabled him to invent a few very simple tools. The best he could devise at first was a pole with which he might knock fruit and nuts down from high branches. That invention helped him avoid wasting the time and labor involved in climbing trees for his supper. Next, he probably improved his pole by sharpening one end to a point, which made digging into the dirt for roots and grubs much faster and, at the same time, easier on his nails.

It is even likely that one day, while digging up some roots with his combination tool, he heard behind him a twig snap

in the brush. Turning quickly, he saw a tiger springing down on him. Instinctively, he pointed his pole toward his enemy. The great weight of the man-eater threw our hero to the ground, but almost instantly he sprang to his feet and ran for his life, leaving his wonderful tool behind him. On the following day, he returned, very cautiously, to look for his sharpened pole. There on the ground, to his amazement, he saw the tiger lying dead and the pointed pole running clear through its body. That night, back in his cave, his stomach stuffed with tiger steaks, our primitive man must have realized, perhaps for the first time, that he was no ordinary animal. With his triple-combination tool — the fruit-knocker-downer, root digger, tiger killer — resting across his lap, he must have dreamed of becoming master of the world and all things in it.

In time he learned the secret of the seed, planted the foods he preferred, and thus eliminated the need to search for his fruits, nuts, and vegetables. By learning to breed animals and birds, he was able without hunting or climbing to satisfy his desire for meat, eggs, and milk. His later development of the net and hook made catching fish child's play.

With his food problem more or less solved, our primitive ancestor desired to dress in a fashion worthy of an animal of his importance. He made his first clothing out of the hides of beasts he had slaughtered for their meat. Never one to be satisfied with anything very long, he put his mind to work making clothes that fit better, were more comfortable, more colorful, and more flattering.

While he was doing all this, he also worked on his housing problem. Beginning with no home at all, not even a nest or a burrow, and then dreaming up one improvement at a time, man has eventually developed homes that automatically keep themselves as warm or cool as he wishes. Water, once an important problem, is now not only piped into his house, but it runs hot or cold, clear or soapy, depending on which foot pedal he chooses to step on.

Since his very beginning, man has been able to do anything

he could imagine. Some things, like a pole for knocking nuts down from trees, he produced soon. It took him much longer, hundreds of years, to work out some way to preserve the food he caught in good times so that he might have it when the lean years rolled around. He probably dreamed thousands of years about flying before he finally managed to whiz through the air higher, farther, and faster than any bird. As the saying goes, he did the easy things almost at once; the impossible took



him a bit longer. But he always did manage, eventually, to produce anything he could imagine.

Undeniably, man is a genius. At the same time, there is plenty of evidence around to prove that he is also a helpless and stupid muddlehead. He can produce unlimited quantities of food, yet hunger is common everywhere. With his wonderful machines, he can produce fabrics and finished clothing in almost no time at all, yet in most of the world he is cold and ragged. When he wants to, he can build a fine house in less time than it took the cave man to build a raft; yet in most parts of the world, including our own United States, multitudes are homeless. In spite of man's marvelous brain and many skills, there are mil-

lions on earth today who don't live very much better than the caveman of 300,000 years ago.

In Naples today, uncounted hundreds of humans who can't even afford a dark corner in the filthy Neapolitan slums still live in caves no better than those in which primitive man discontentedly lived. During the short period of peace between World War II and the Korean hostilities, more than three million men in our own United States who wanted jobs couldn't find them. Uncounted millions in Europe, Asia, Africa, and South America have been starving, homeless, and ragged so long that even the slavery-with-security *promised* to them by communism looks good to them. At the same time in the Soviet Union, a nation that pretends to provide security to all who will accept its rule, millions of humans are not only as ill-fed, ill-clothed, and ill-housed as our earliest ancestor but have lost the freedom he enjoyed—the freedom that enabled him to improve his lot. In our own country, the richest the world has ever known, in 1949 only thirteen families out of every hundred had an income of \$5,000 a year or better. To the eighty-seven per cent who earned less, \$5,000 a year seemed a fabulous sum; but actually, with the cost of living as high as it was and is, a family of two adults and two children couldn't do more than keep itself fairly well fed, clothed, and housed on that income. And even if we were to call \$5,000 a year a good income, what shall we say to the fact that one out of every four families has an income of less than forty dollars a week with which to support itself? If such is the condition prevailing in ours, the richest nation in the world, during its most prosperous period, it is alarming to think what it is in the rest of the world.

In earlier paragraphs we tried to demonstrate that man made even his most fantastic dreams come true by simply using his reasoning power. Certainly he has dreamed often about a world in which poverty, crime, and war did not exist. Why, then, hasn't he applied his unfailing reason toward solving these comparatively simple problems? The truth is, man discovered the answers hundreds of years ago. But for some reason, his discov-

ery has been treated as a dark and dangerous secret. At least once every generation an optimist pops up from somewhere and attempts to spill the beans, to tell all. But, thanks to the constant vigilance of those forces that stand guard over the minds of the earth's millions of poverty-stricken humans, not a single blabbermouth has yet succeeded in revealing the horrible secret.

It might be fun, in the following chapters, to take another try at spilling those same beans. It should be interesting to discover why man must continue to toil and sweat in order to enjoy his hunger and poverty on an earth that fairly bursts with the stuff that might provide him with more food, clothing, and shelter than he can use. And it should be exciting to track down those who are so determined to prevent man's learning the secret, whatever it may be.

2

WHO IS INJURED BY POVERTY

Besides, as long as poverty remains possible we shall never be sure that it will not overtake ourselves.

—George Bernard Shaw

WE'D be stupidly shortsighted if we should believe, upon having all of our teeth yanked out, that not we but our mouth is suffering. True, our mouth would be destitute so far as teeth are concerned, but it wouldn't suffer the unhappiness that our stomach would whenever we tried to digest an unchewed meal; or the misery we would suffer if we should find ourselves at a banquet, bursting with the desire to laugh at the hilarious remarks of the toastmaster but not daring to do so for fear our fellow guests might see our toothless condition. Our mouth then, we might say, though very

poor so far as teeth are concerned, doesn't suffer at all, while the rest of our body, rich in all *its* parts—organs, bones, flesh, and blood—suffers a great deal through the poverty of our mouth.

Similarly, it isn't the poor who are made unhappy by their poverty but the so-called middle class and rich. If we should visit the dirtiest of big- and small-city slums, the poorest areas of the South, or the Ozarks, we would find humans as poor as any that can be found on earth, actually smiling and singing gaily—unworried. These poor souls, as Gershwin's Porgy sang, "got plenty of nothin', and nothin's plenty for" them. Margaret Bourke-White's photographs, taken during the last depression to show us the horrible condition of the southern poor, illustrated clearly how ragged, dirty, and debased humans can become without seeming aware of their miserable plight. Her wonderful photographs showed the bent, ragged, underfed, and rickety paupers contentedly smiling broad, toothless smiles, in spite of their broken-down, rotting shacks, their dark, drab, and ugly rooms. The photographs illustrated clearly that poverty doesn't make the poor unhappy—it simply robs them of the dignity and nobility that are man's birthright.

Paradoxically, it is the rich and hope-to-be-rich middle class who are made unhappy by poverty. It is they who are rarely unworried and content. It is the independent manufacturer and businessman who have the nervous breakdowns and ulcers, who, when the periodic depressions roll around to spread poverty among the lower classes, find their profits disappearing, the return on the capital they invested falling to almost nothing, the business on which they spent their lives and savings collapsing for want of customers who have money with which to buy the goods they must sell if they are to escape bankruptcy.

It is the professional men, the doctors, lawyers, teachers, engineers, scientists, barbers, and entertainers, and not the unemployed and low-wage working men, who really suffer when the folks-on-the-wrong-side-of-the-tracks are destitute. For they can't sell their services and talents to humans who cannot afford to

buy them; nor can they sell them to the middle class to the same extent they did in "good times," since those in the middle-income group can buy services only *after* they've provided their families with food, clothing, and shelter; *after* they've put aside enough to pay for their children's educations and their own funerals. That is why, during depressions, the professionals in our society are unhappiest.

But, even more important, it isn't the poor alone who suffer from the crime and disease that blossom in their poverty-stricken areas. For it is those who have something to steal who must



be robbed—and murdered if they resist. It is those who have something to tax who must pay the costs of policemen, courts, and the prisons that are filled with criminals bred in the slum areas. It is the upper classes as well as the paupers who are subject to the venereal diseases and epidemics that pour out of the shanties, to spread like poison gas into the private residences and mansions. And of course the cost of fighting disease must be paid by those who have incomes large enough to tax.

But even those in very high places, the multimillionaires, suffer more from poverty than do the paupers. For it is the poverty of the masses that gives life to communism or socialism. The

very rich and mighty may pretend to themselves that all they need do to wipe out communism and socialism is to have the FBI track down and punish Russian spies and American screwballs who allow themselves to be used as Soviet cat's-paws. But the rich know, or should know, that communism or socialism is not a foreign political movement but a resentful feeling among the middle class—not the poor—born out of fear of the poverty into which they see themselves sliding. And the very rich certainly know that when middle-class fear and resentment reach a certain level there will be riots, revolution, anarchy, and mass murder in spite of the FBI, the army, the navy, and the atom bomb. As Aristotle remarked, "Poverty is the parent of revolution and crime." And the opulent should have learned from history that when mad riot breaks loose, it is the very rich, the aristocracy of the land, who are swung from lampposts, flung out of windows and off balconies, butchered in their beds, and subjected to the lowest indignities. Having most, the millionaires have most to lose. But that is not to say that the poor will not suffer during revolutions at all. When riot breaks out, it is their bodies that are machine-gunned to form huge, tangled barricades of lifeless, bleeding flesh. The middle-class workers and professional people, during revolutions, will be caught as usual in the middle, their homes, stores, and factories looted and burned by the mob, their savings wiped out, they themselves corralled in camps and dragged into torture chambers.

In a few words, poverty of the masses affects everyone, from the hungriest infant in the filthiest of slums to the most powerful, world-controlling billionaire on earth.

3

WHO IS IN FAVOR OF POVERTY

*Let no guilty man escape. . . .
No personal considerations
should stand in the "way of
performing a public
duty.—Ulysses S. Grant*

IT WOULD seem that anything as plentiful and widespread as poverty must be very much wanted by someone—not for himself, of course, but for others. If that weren't so, poverty would be fought with as much enthusiasm as we now put behind our drives against cancer, tuberculosis, race hatred, and other unpopular things. If poverty doesn't do someone some good, then poverty, like smallpox, debtors' prisons, and slavery, would have been stamped out by this time. But since poverty, a curse as old as history itself, is still with us and grows more widespread every generation, we can hardly be blamed for suspecting that some mean and heartless group goes out of its way to keep the world's people as hungry, ill-clothed, and ill-housed as possible.

If indeed there are some who are in favor of poverty—not for themselves but for the masses of people—and if we want to find out who they are, all we have to do is discover who gains an advantage through keeping most of the world's people poor. If we do unmask the villain or villains, we will have learned at the same time who is so anxious to prevent the poor from learning *why* they are poor.

Since poverty is nothing more than the lack of wealth, and since a lack of wealth arises only when men are out of work or underpaid, it becomes clear that the problem of low-wages-and-no-wages is exactly the same as the problem of poverty. All we have to do is discover who, if anyone, is in favor of low

wages for the masses of people, and we shall find the villain we seek.

It is said by some that the communists look with favor on poverty because they find it so much easier to sell their philosophy of slavery to those who are blinded by hunger or by the fear of becoming poor. The destitute, it is argued, quite naturally prefer the security of slavery, which is offered by Marxists, to the suffering, insecurity, and hunger promised by champions of so-called free enterprise. All this is perhaps true; but just as we cannot say that a vulture is responsible for the death of men and animals just because it depends for its food on the dead bodies it finds, so we can't blame communism for poverty just because communism grows only where poverty is most severe. We know that poverty existed long before Karl Marx or the idea of socialism or of communism was born, and Marxism can't, therefore, be the *cause* of poverty. The cause of anything *must* exist *before* the thing it causes.

There are many who insist that "the church," particularly the Catholic church, is responsible for the low wages and poverty of mankind, and base that belief on the fact that the population is always poorest in those countries in which the organized church is strongest: and where the masses of people are poorest, the church becomes most powerful. Another reason the church is suspected of causing our widespread poverty is the fact that the first Christians preached the wickedness of wealth and the blessedness of poverty: . . . "How hard it is for them who trust in riches to enter the kingdom of God." . . . "The love of money is the root of all evil." . . . "Why do you so pusillanimously fear poverty, which even your philosophers praise, and bear witness that nothing is safer, and nothing more calm than this [poverty]?" And yet such "proofs" aren't very convincing if we recall that low wages and widespread starvation existed long before the birth of any of our Western religious creeds. And, again, since the cause must precede the result, we are left with no evidence that any church favors starvation and misery for mankind.

Contrary to the opinions of Marxists, even the "bosses" know it is only the laborer with money in his pockets who can buy the goods that they, the "bosses," sell. Even the stingiest "boss" is happiest when the country is full of high-salaried workers with pockets bulging with spending money, because he knows that his business booms and that he earns most profits when Mr. & Mrs. Wage Earner are in the chips. He also knows that in bad times, when wages are low and many men are out of work, fewer of his customers can afford to buy his goods; that he earns less, has trouble paying his bills, and is in constant danger of losing his business, as so many like him did during the depression of the '30's. And so, even though his interest in the laborer may be a selfish one, and though he may be slow in handing out pay increases to his own employees, the "boss" has every reason to favor high wages, steady employment, and general prosperity throughout the nation.

The "boss" isn't the laborer's only friend. The labor union, too, wants to see the laborer work steadily at high wages. In fact, the first aim of the labor union is to boost the wages of its members as high as possible. Some of us, suspicious by nature, may think that the union leaders aren't so much interested in high wages for its members as they are in power and high salaries for themselves. That may or may not be true; but we can't deny that the unions do spend most of their time trying to force the "bosses" to pay higher and higher wages to the union members and to improve their working conditions. For the union leaders know that the higher they can boost wages the greater the number of dues-paying members they can attract; that the worker who gets a raise as a result of the union's work won't mind paying a little more in dues and assessments to the union. Since the union leaders know they cannot collect very much in dues from poorly paid members, and none at all from the unemployed, we can certainly agree that the union leaders are dead set against poverty for anyone.

Another good friend of the laborer throughout the world is his government. It does its best to enforce laws intended to prevent

wages from falling below a certain amount. It arranges to have the laborer paid unemployment insurance if he should be out of work, and besides pays hundreds of civil-service workers to find another job for him. And if the government can't find a suitable job for the worker, it will give him and his family free food, clothing, and shelter. When the worker grows too old to work, the government will often pay him a pension. If he happens to be a young farmer, the worker will be paid a subsidy and will sometimes be paid by his government to destroy his crop! He might even be paid a bonus if he doesn't raise a crop to destroy. We can rule out the government as the villain who deliberately keeps the people poor.

And among the good friends of our workers, we must include the politician. In his carefully prepared speeches he speaks mostly of the worker's welfare and prosperity for all. He, too, is a tireless warrior fighting labor's battles. Knowing that if he can raise the workers' standard of living, he can hold his control over their votes a few years longer and can even hope to become president, he votes for high tariffs to protect the workers' jobs and low tariffs to protect the buying power of the workers' wages. He votes for peace measures to protect the workers' lives and for war measures to protect the workers' freedom. He votes against taxes to protect the workers' wages and he votes for taxes to save the workers from inflation. The politician is undoubtedly not in favor of a nationful of poor and unemployed. There isn't much graft lying around loose in such a country.

Every person and every institution obviously favors prosperity and well-being for all, nobody seems to have any advantage to gain through poverty, yet poverty continues century after century, all over the world. But how can that be?

4

WHO CARES ABOUT POVERTY?

I remember that a 'wise friend of mine did usually say "that which is everybody's business is nobody's business."—Izaak Walton

MAN, the great problem solver, has developed sciences of every conceivable kind; but the science that investigates the causes of poverty seems to be one that scholars and statesmen prefer to avoid.

It is true that there are certain branches of learning that profess an interest in poverty. Social workers, for example, show great concern for the poor. But for the most part they are not so much interested in poverty as they are in the results of poverty: crime, disease, slums, insanity, and the hardships of the unemployed and the aged. If it is a crime wave, juvenile delinquency, or a race riot with which the modern sociologist is faced, he digs into his wealth of charts and statistics and then usually suggests *more playgrounds, more neighborhood clubs, and more church groups*. He treats insanity with a call for more insane asylums, and his cure for unemployment is "charity," though he calls it *home relief*. But it seems that as fast as parks, playgrounds, prisons, and institutions are built, the number of new criminals, juvenile delinquents, and other unfortunates increases. He fights slum conditions with formulas similar to the following: *Teach the slum dwellers cleanliness. Teach them how to beautify their rooms with charming flower pots and vases, which they might easily make by decorating empty pickle jars and soup cans rescued from the neighborhood garbage dump. Teach mothers how to make chic garments for their children out of daddy's overalls. Teach daddy how, by papering a wall with colorful magazine*

covers, he can make a cheerful nursery for the expected baby in the corner of the room that has a window.

The economist is another who seeks answers to the problem of poverty. He does it with charts and graphs. More than that, he spends pages and pages to explain, with strange symbols, that the poor man isn't rich. The most fashionable of the various formulas used by the government economists today is $E + B - T = C$. E equals Earnings, B equals Benefits (unemployment relief, pensions, subsidies, etc.), T equals Taxation (hidden and direct), C equals what is left for Consumption (food, clothing and shelter). In simple English the equation means that *the most that man can spend for the things he wants is what is left of his earnings and benefits after the government has taxed most of his earnings away from him.*

Other tools useful to the economist are the "laws" he discovers: *the law of supply and demand, the law of diminishing returns, the law of marginal utility* and other equally high-sounding ones. They're extremely interesting, but for the most part they have proved to be useless in tracking down the *causes* of poverty. The economist's solution to the problem of poverty, if he is pressed to give one, seems to be: *tax everyone who has something, to keep those who have nothing alive for a few years. By that time we will have another war and everyone will then be employed making war goods. And because more people will then be earning more money, we will be able to collect more taxes. When the war is over, and people have too much money salted away in bonds and savings, we must tax it away from them to combat inflation. When the people are again broke, the inflation period will be over, and deflation or, what is the same thing, depression, will set in. Then we can start all over again, taxing those who still have a couple of bucks to support those who have none.*

Actually, neither the sociologists, economists, nor politicians are really interested in *eliminating* poverty. True, the social workers do try to make the poor, in their filth and starvation, as comfortable and as happy as possible, but they do not seem

interested in seeking out the *cause* of such poverty or in devising methods for preventing the number of poor from increasing. The economists are quite willing to produce graphs and statistics to prove that the poor are in need of food, clothing, and shelter; that since the unemployed can't support themselves, the government must take care of them. But they are not concerned with *why* the poor are poor or with finding ways to allow the poor to become at least self-supporting. Nor do they seem to be interested in keeping the fast-diminishing middle class from becoming poorer and poorer until there will be only two classes in the United States: a handful of very rich and a land full of very poor.

And of course the politicians, even if they had sufficient intelligence and ability, wouldn't dare eliminate poverty. The dishonest ones wouldn't because they know that if they did, people would be relieved of the worry of poverty and would have time to study and think; and should that happen, all corrupt politicians—whether communist, socialist, Democrat, or Republican—would soon be unable to earn their livings by betraying and pillaging those they are paid to *serve*. The honest politician wouldn't dare, for reasons we shall learn in later pages.

Just as Mars, millions of miles from the earth, is nevertheless the planet closest to us, *economics* as it is taught today is closest to the study of poverty. True, economics as taught today in most colleges—not all—is primarily concerned with the wealth of individuals and corporations and not with the poverty of mankind. But since poverty is nothing more than the absence of wealth, the study of economics—the science of wealth—may throw some light upon the problem of poverty. Therefore, let's take a careful look into the subject called *economics*.

5

THE LIFE AND DEATH OF POLITICAL ECONOMY

Now, as there are many actions, arts, and sciences, their ends also are many: the end of the medical art is health, that of shipbuilding a vessel, that of strategy victory, that of economics -wealth.—Aristotle, Ethics

THE STUDY known sometimes as economics, sometimes as political economy, began about 2,400 years ago, when a Greek lad named Xenophon wrote a very beautiful dialog in which a Greek citizen patiently teaches his young, inexperienced, and extravagant wife how to manage his household and slaves economically and efficiently. Xenophon's dialog soon became popular with other Greek husbands whose wives suffered similar difficulties in household management. They used it to teach their wives how to live within a budget according to the methods set down by Xenophon. Eventually, the title of his book, *Oeconomicus*, became *economics*, the name of the study concerned with keeping the family expenses within the bounds of Pop's income.

Of course economics at that early time was strictly a family affair. It was something all good housewives were expected to learn but hardly the sort of thing to interest the famous scholars and philosophers with which Greece fairly crawled in those days. But as nations began to develop in Europe and to set up their colonies in America and elsewhere, government became big business, burdened with the expenses of big business. Scholars, seeing a chance to make an easier living, immediately took jobs with their governments as economic advisers and devoted their

talents to developing schemes for bringing money into the public treasury faster than the king and lesser lords could squander it. For the most part, their systems consisted of little more than methods for taxing the citizens, taxing incoming foreign goods, and looting other nations' ships for the gold, silver, and jewels aboard. After some years the word *economics* was dropped. In its place, the word *political economy* was coined and used throughout Europe to describe the bookkeeping and scheming involved in balancing the amount the nation could tax away from its citizens against what it needed to pay the expenses of a government living in extravagant luxury.

This was the type of thing to attract the nation's best, hungriest, and most corrupt brains. For example, in 1664 an Englishman named Thomas Mun introduced a scheme that became known as Mercantilism. His idea proved to be of great benefit to himself and to the East India Company, of which he just happened to be a director; but it also made paupers of most Englishmen. In essence, it was Mun's idea that a nation becomes more wealthy through shipping as much of its goods as possible out of the country and taking in exchange as much of the world's gold and silver as it can get. This was accomplished through the use of high tariffs, which kept foreign goods from legally entering England (thus forcing the cost of living sky-high for Englishmen), and a powerful navy to force weaker nations to buy British goods on Britain's terms. (The navy had to be paid for with taxes cruelly drawn from an already impoverished public.) The result was an extremely high cost of living, low wages, a series of wars, and ever more grinding taxes for the English people. Evidently there was something wrong with the Mercantilist idea John Law wrote about in 1717, for wherever it has been practiced since, disaster has always followed.

In France, for instance, Finance Minister Colbert put the Mercantilist system into effect and made the court of Louis XIV the most powerful on the continent. Art, science, and industry in Paris reached undreamed-of heights. But tariffs, which are the backbone of Mercantilism, and heavy taxes reached even greater

heights. A series of wars, which were indirect results of the burdensome tax systems, kept the people of France the poorest and most wretched in all Europe. Needless to say, the people didn't like it, especially when they compared their own poverty with the lavish splendor of the French court and the unchristian luxury some of their clergymen enjoyed.

It was about this time that John Law came on the French scene to introduce a new twist in Mercantilism. His scheme, to manipulate money and to issue worthless stocks and bonds through a national bank, was supposed to result in great wealth for the nation. A Scot himself, he had tried earlier to persuade the Scottish people to adopt his idea; but they quickly ran him and his scheme out of their country.

John Law had better luck in France. His brand of Mercantilism was tried there with startling results. First, John Law himself became a *billionaire!* Next, the elaborate stock-selling scheme he had cooked up, known in history as the "Mississippi Bubble," burst right in his face, practically ruining Louis XV's France. Finally, John was kicked out of France and a few years later he died, a penniless bum.

Under the next Louis, more wars, more taxes, and even greater poverty further annoyed the French people. By the time Louis XVI got into the king business, the splendor of the court of France was at its peak; but the people of France by that time had really reached the depths of poverty. It has been estimated that 140,000 idle noblemen and 130,000 equally idle churchmen were being supported by the French peasants, while more than a million beggars roamed the cities and highways. Among them, the crown, the church, and the nobility owned approximately three-fifths of the land. Little wonder that the people of France finally became angry enough to start the bloodiest revolution of all time.

But, about thirty years before the revolution, it had become dear to the scholars of France that the Mercantilist idea was leading the nation to disaster. While Louis XV danced, or carried on with Madame du Barry on an upper floor of the palace,

more important things were happening in one of the apartments below. For there, a certain Francois Quesnay, personal physician to the King, held meetings with his more serious friends. Among them they worked out a system to support the government in the lavish manner to which it had become accustomed, and at the same time to lessen the poverty of the peasants, all without burdening anyone with taxes. Ruinous Mercantilism was to be scrapped. But Quesnay didn't get very far with his plan. History tells us that one of his followers, Turgot, tried to put the new idea into practice when, after the death of Louis XV, he became finance minister of France. But he was soon "forced to yield to the intrigues of the nobility and the clergy." Evidently, there was something in Quesnay's idea that embarrassed some very important people and institutions in France. The *New International Encyclopaedia* (2nd edition) tells part of the story this way:

A wider field opened to him [Turgot] when he was called into the ministry after the death of Louis XV. The finances were in disorder, and the Social and Political System of France needed regeneration and reform. . . . His [Turgot's] first achievement was to so far reduce expenditures as to leave a surplus of 20 millions of francs a year to be applied to the liquidation of old debts. . . . He augmented public revenues without imposing new taxes. . . . He desired complete freedom of trade within the country, and to make the nobility and clergy contribute to the public revenue in the same proportion as the third estate [the common people]. . . . *But the privileged classes whose [tax] exemptions were threatened, nobles, courtiers, [tax-farmers], and financiers, united against him.* The King forsook him, and Turgot *retired*. . . . (Italics ours.)

But some good did come of Quesnay's meetings with his friends. For Adam Smith, a Scot, had traveled to France and there studied Quesnay's system. Although he didn't dare carry the full idea to England for fear of embarrassing someone, he did write a book, *The Wealth of Nations*, which contained a great many of Quesnay's ideas and clearly pointed out the stupidities of Mercantilism. In it, Smith gave the world a brand-

new idea of what the true purpose of political economy should be:

Political economy . . . proposes two distinct objects: first, to provide a plentiful revenue or subsistence for the people, *or more properly to enable them to provide such a revenue or subsistence for themselves*: and secondly, to provide the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich *both* the people and the sovereign.

Many of England's best minds, after reading *The Wealth of Nations*, patterned their thinking along the lines Smith had borrowed from Dr. Quesnay. They were making considerable progress toward making Great Britain a strong nation without pauperizing her citizens. One of them, William Godwin, something of an anarchist, suggested rather strongly in a pamphlet he wrote that the people in wealthy countries like England were poor because most of the wealth they produced was being taken from them in rent and taxes. His arguments seemed reasonable to the little people of England, and they began to look suspiciously at the aristocracy who, as a result, were becoming genuinely worried.

But just in the nick of time, Tom Malthus came up with his famous Malthusian theory to prove that Godwin was all wrong. Tom's theory "proved" that it is because human beings multiply faster than their food supply does, that so many people must be destitute. In effect, Malthus "proved" that poverty was God's will, or the result of the niggardliness of nature. If the poor of England had to blame someone for their misfortune, Malthus implied, they should blame God. Since there was no point in their blaming God, and there was no one else, according to Malthus, to blame, the Englishmen forgot the whole thing and went back to patriotically enjoying their poverty.

The only worth-while result of the Godwin-Malthus argument was that the *poverty of the people* was at least being discussed by scholars who had formerly devoted their entire attention to the *wealth of the sovereign*. Slowly but surely one political

economist after another moved closer and closer to the solution to the age-old problem of poverty. The picture became clearer with each new writing of men like David Ricardo, N. W. Senior, James Mill and his son John Stuart Mill, Frederic Bastiat, J. B. Say, H. C. Carey, and other political economists. The possibility of a world in which poverty and war would be unknown was within humanity's grasp, when quite suddenly the world's scholars stopped short—just as if they had come unexpectedly face-to-face with some terrifying, fire-spitting, blood-soaked monster blocking their path.



At this stage of our investigation, we can only guess who, or what, that threatening monster was. That it was very real, powerful, and dangerous cannot be doubted, because political economists even to this day have stopped prying into the possible causes of poverty—and have gone back to less embarrassing Mercantilism.*

The science of political economy was stopped dead in its tracks! Universities of the world offered courses, and still do, in

* Every nation today, including our own, operates more or less under a philosophy almost identical with Mercantilism, the system that has always impoverished the people of every country that has used it, and has always led to widespread bankruptcy, business depression, and war.

political economy—at least they *call* it political economy. But with very rare exceptions they stopped teaching that form of political economy which "proposes to enrich *both* the people and the sovereign." Today in most colleges a radically modified, lifeless form, usually called *economics*, is taught instead.

So much for the birth and death of political economy, the science that was intended *to investigate the nature of wealth, its production, and the laws that govern its distribution*. But one can't help wondering what there was about the discoveries of the political economists that caused later scholars to turn about and run as if for their lives; to run like little boys who, having bravely entered a haunted house, hysterically fly homeward at the sound of their own footsteps on the creaking floor.

If the scholars really did see something they weren't supposed to see, it should be interesting to find out what it was. If by chance they did see the monster that, since the beginning of history, has been feeding upon the blood and sweat of the little people of the world, it should be easy for us to track it down. All we need do is follow the same trail the early political economists blazed—the path that began in the chambers of François Quesnay, physician to His Majesty Louis XV. Since the writings they left behind will guide us, dogging their footsteps shouldn't be difficult.

And to be sure we see the original path clearly, let's do something that should have been done long ago. It will be recalled that the expression *political economy* was coined originally to describe a method for making the king and his government rich, while those who followed Quesnay believed it should be a science that seeks to "enrich *both* the people and the sovereign." It seems quite clear that we are dealing with two different studies, and if that is true, the later one should be distinguished from the ruinous Mercantilist brand by giving it a name of its own. So, for the sake of convenience, let's combine the first

the difference between economics as taught in most—not all—of our schools, and political economy as Smith understood the term, is as great as the difference between grammar and spelling. The major differences will be discussed in greater retail in later pages of this book.

syllables of the two words POLitical ECONomy to coin a new word: *Poleco*. And to give the word the character of a battle cry, let's pronounce our new word PO-LEE-CO. It may give us sufficient courage to look without fear upon the terrible monster that frightened the scholars when we, in later pages, finally track it down. But also let's remember that Poleco is the same science that was known as political economy to Quesnay, Turgot, Adam Smith, Malthus, Ricardo, Senior, John Stuart Mill, Herbert Spencer, and Henry George; and that economics, wherever mentioned in this book hereafter, means the study called both political economy and economics in so many of the world's universities today.

6

HUMAN NATURE THE FOUNDATION OF POLECO

Human nature will not change.

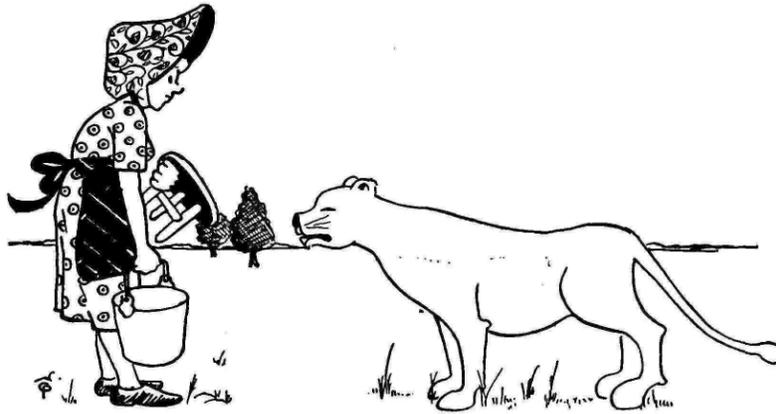
—Abraham Lincoln

A PHYSICIAN who is interested in writing prescriptions but not in human bodies wouldn't "be much of a physician. If we should hear of an architect who designed homes with neither doors nor windows, we'd consider him mad, for he hasn't considered that homes aren't homes unless human beings can get in and out of them. Similarly, all sciences must be related eventually to human beings. David Hume, Scotland's celebrated historian and philosopher, said it this way two hundred years ago:

It is evident that all sciences have a relation, greater or less, to human nature; and that, however wide any of them may seem to run from it, they still return back by one passage or another.

What Hume wrote regarding the close relation between human nature and science is so obvious that social scientists rarely disagree with him. But before we go further, let's be sure that we understand what we mean by *human nature*.

It has been recognized for thousands of years that everything has a nature. The nature of water is wetness. The nature of desert is dryness. It is the nature of a cow to enjoy having her milk taken from her and the nature of a lioness to chew off the arm of the man who tries to milk her. And, whatever the natures of things were a million years ago, they are today and will continue to be unchanged a million years from now. Similarly,



human beings have a nature all their own and we need only read ancient literature to see how completely unchanged man's nature has remained since the very beginning of recorded time.

Some may argue that man really has changed. For, as we know, early man didn't wear clothes, didn't listen to entertaining sounds over the radio, didn't even know how to make a fire. But such skills and customs aren't part of man's nature; they are but tricks that man's nature has allowed him to learn, just as a bear's nature allows him to learn to ride a bicycle, and a seal's nature allows him to learn to balance a ball on his nose.

If we do change the nature of a thing—or of man—we, destroy

the thing itself. For example, the nature of water is to be liquid. If we change its nature by boiling it, water as such is destroyed and becomes steam: a vapor. If we change its nature by freezing it, water as such no longer exists; it has become ice. Water will quench our thirst but steam can't; we can swim through water but not through ice. Water, ice, and steam are each different things, each having its own nature.

And so it is with man. It is his nature to have the power to reason, to have unlimited desires, and to try to satisfy his desires with no more effort than he finds absolutely necessary. And if we destroy man's power to reason by educating him to believe things that are contrary to his reason, if we stop him from desiring bigger, better, prettier or more things and prevent him from trying to satisfy his desires in the easiest way, we destroy a man in order to produce a brutish creature that retains the form and vices of a human, but is no more human than the Yahoos described by Swift in his story about the Houyhnhnms.

Since Poleco is the science that investigates the nature of wealth; and since wealth comes into existence only because it is human nature to desire wealth in the form of food, clothing, shelter, and gadgets, the Poleco-ist accepts human nature as he finds it and not as he'd like it to be.

It may seem to the reader that the Poleco-ist, in trying to include human nature as one of the elements of his science, is attempting an impossible job, since there are so many "different kinds of human beings": male and female; black, white, red, yellow, and brown; humans of different nationalities and creeds; rich, poor, and middle-class; workers, criminals, and beggars; lazy and energetic; intelligent and stupid; gentle and cruel; leaders and followers. Consequently, it might be supposed that, in order to understand human nature and use it for our purpose, we shall have to take the many varying characteristics of these many kinds of humans into consideration. But the fact is that, while all humans may differ from each other in many respects, they are exactly alike in those things that truly constitute their nature: all humans have (1) the power to reason, (2) unlimited

desires, (3) the inclination to satisfy their desires the easiest way they know. And so, when the Poleco-ist speaks of man, he refers actually to man's nature, and the picture of man he has in his mind looks like this:



One head represents man's tendency to do things the easiest way; a second head, holding eyes bigger than the stomach, represents man's unlimited desires, and the third one illustrates man's reasoning power.

But the reader should be assured that the Poleco-ist doesn't suggest that we breed a new species of man actually having three heads stemming from a single body. We shall have to be satisfied with man just as he is because—as we observed above—to change man into something he isn't is to change him into something that is no longer human. But, if we think of man's nature as being symbolized by the three-headed creature, we shall have a better understanding of what the Poleco-ist means by human nature.

The schemes of politicians—Communists, Socialists, Republicans, Democrats, Liberals, Conservatives and all others—usually rail because human nature rebels against being changed to fit into

the politician's plans. Too often, that is also true of the schemes of the various social reformers. If the politicians, radio and newspaper experts, the reformers, and the educators would get off man's back and stop shouting slogans and other nonsense into his ears, and would allow him to act and desire according to his nature, and would trust him to reason things out for himself, man would give the "brainy ones" a far better world in which to live than they have given him. For, sinner or saint, man is a remarkable creature.

7

THE REASON IS PART OF MAN'S NATURE

Man is a reasoning animal.

—Seneca

MAN IS ABLE to build wonderfully flying machines; but that doesn't mean all humans know how to design and build airplanes. Man speaks hundreds of languages; yet very few of us can speak more than one. Similarly, although man can reason it doesn't follow that all men do. For reasoning is hard work and requires something few men have: an untroubled mind and free time. It consists of beginning with the tiniest clue, and then by tracing it to its cause and that cause to its cause, finally discovering the answer to a particular problem.

To demonstrate, let's suppose that mice had learned to make mantraps and to bait them with juicy apple pie. And let us suppose a savage who has never seen or heard of a trap of any kind suddenly came upon one that a wicked old mouse had set to catch him. If he is a normal human being and is not a confused and bewildered booby, he'd start reasoning something like this:

"A piece of apple pie. Sure does look good. But why should anyone leave a piece of apple pie on a contraption like that? If

that pie is real, nobody'd leave it lying around unprotected. Evidently it's a fake—an imitation made of colored plaster and cardboard, no doubt. But there are flies buzzing around it. Flies don't care too much for plaster and cardboard. Therefore, the pie must be real. Yet nobody would leave a real piece of pie lying around without some good reason. Wonder what the reason is? Why is the pie tied down? I can untie it, but if I do, that straight bar would be released and swing away from the pie. If it swings *away* from the pie it can't hurt me. But what are those springs doing down there? They must be there for a purpose. That big



U-shaped bar is fastened to the springs, so I suppose the springs move the U-shaped bar—but where? Oh, oh! The U-shaped bar is held down by the straight bar that fits under the tray that holds the pie—if I touch the pie, I release the straight bar, and that will free the U-shaped bar, and the U-shaped bar will swing over and around the pie! And whatever or whoever happens to be standing there at the time will get a terrific wallop."

And so, by exercising his reasoning powers, tracing cause to effect, man would avoid being caught in the pie-baited trap. Being human, he'd next put his reason to work on the problem of *how to get the pie without getting his skull crushed for trying*.

We may be sure he'd solve that one by eventually poking at the pie with a long branch and allowing the U-shaped bar to swing noisily but harmlessly down. Then, in complete safety, he'd leisurely remove the pie and eat it.

Such reasoning is the tool of all scientists. An anthropologist, for example, by reasoning, is often able to learn the probable size, weight, age and sex of a long-extinct animal whose fragment of bone he has found. Forty years before we built and exploded our first atomic bomb, Albert Einstein, through reason alone, worked out the equation $E = MC^2$, which accurately predicted the amount of energy the bomb was later to release. Columbus reasoned that if the earth were round like an apple as he had heard, ships should be able to reach eastern nations by traveling west. Columbus didn't live to see his reasoning proved sound, for he died sixteen years before Magellan's ship *Victoria* made the first complete trip around the world. Nevertheless, we now know that Columbus discovered with reason what later navigators learned with their senses.

And if we look back upon man's progress we shall find that each step he took forward resulted from his applying his reason to the solution of an immediate problem. When man was new on earth, his great problems undoubtedly were the cold of night, his uncertain food supply, and his lack of protection against the prowling beasts. Only through careful reasoning, tracing, cause to effect and effect to cause, could he have discovered solutions like clothing, agriculture, stock raising, tools and weapons. Unquestionably, man's power to reason has contributed mightily toward man's becoming master of all other animals.

8**THE MORE MAN GETS,
THE MORE HE WANTS**

And the avarice of mankind is insatiable . . . men always -want more and more without end; for it is the nature of desire not to be satisfied, and most men live only for the gratification of it.—Aristotle, Politics

IF MAN'S HAVING the power to reason were all that marked the difference between his nature and that of other animals, he would still be a naked filthy Yahoo searching the woods for grubs, beetles and roots for his food. A rotted log or smelly cave would still be his shelter. Fortunately, besides having reasoning power, man has unlimited desires for more, for something that looks, tastes, smells, sounds, or feels better than that which he already has.

Anthropologists tell us that since earliest times man's companion was the dog. But in spite of the countless centuries that have passed since man and his dog became buddies, the dog hasn't improved its lot. It is still satisfied to eat the few scraps of food man gives it from the dirty ground. Man, who had no more than the dog in the beginning wouldn't think of eating like a dog. He wants a table, covered with snow-white linen bordered in finest lace, embroidered in rich and colorful designs, on which to rest his artistically shaped dishes fashioned of gold, silver, or most delicate china. Because the dog lacked man's reasoning power and unlimited desires for clothing and specially designed shelter, it never learned to provide itself with either.

Some writers credit man's progress to his having been given

hands by his creator. They imply that if the dog had been created with hands, it, like man, might have improved its environment, made itself clothes and so on. But if that were true, monkeys would have progressed faster than man, for, besides having been equipped with twice as many fingers and thumbs as the human, some monkeys also have tails to serve as a fifth hand. Moreover, the beaver, bee, spider and ant build rather well without any hands at all. Yet even these builder-animals haven't improved their condition. Lacking the desire for better, prettier and more efficient things, they do their building today exactly as they did a million years ago.

All humans, by nature, have unlimited desires. Even the hermit desires to live simply and to have nothing to do with the rest of humanity. If we consider how hard he must work to provide himself with food, shelter and fuel and to keep trespassers from interfering with his solitude, we clearly see that his desire to do without is just as strong as the average person's desire to accumulate as much material wealth as possible.

And those of us who enjoy comfortable incomes might be suspected of having completely satisfied desires. We own our homes and automobiles; more than enough clothes and food; and enough money and securities put aside to take care of us for the rest of our lives. Still, our desires are far from completely satisfied. For, although we ate at nine o'clock, we shall desire food again at twelve. Although we are well dressed today, our present wardrobe won't satisfy us long, for we shall soon want another style, or color, or weight of fabric, or texture. The eccentric millionaires we read about, those who seem to wear the same clothes for twenty and thirty years, have very strong desires to get their hands on the few dollars that have by some accident evaded their grasp; and they'll also desire to have their perennial clothing occasionally cleaned, pressed and repaired.

Man continues to desire more and better right up to his last moments of life, and even then he will desire to be buried in that place rather than this, or to be cremated. Or perhaps he will desire a mausoleum rather than an elaborately sculptured head-

stone. Or our desires may be such that we direct in our will that a comfort station, open to all, be erected over our remains so that future generations shall think kindly and gratefully of us. Adam Smith, in 1776, observed:

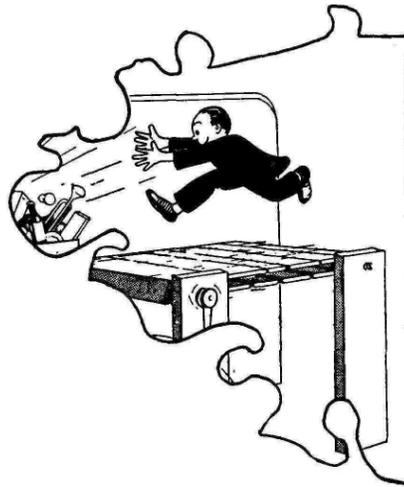
The rich man consumes no more food than his poor neighbor The desire of food is limited in every man by the narrow capacity of the human stomach; but the desire of the conveniences and ornaments of building, dress, equipage, and household furniture seems to have no limit or certain boundaries. . . . (*The Wealth of Nations, Chap. 11, Part II, Book I.*)

Even if by some magic a meal fed to us at birth would nourish us throughout our lives, and if fashionable clothing grew as freely, naturally and profusely as weeds; and if we should require no medical or other service ever, we should still have unsatisfied desires. For, after material wants are satisfied, we should perhaps desire a deeper knowledge of music, art, or the reason behind the stars. Or we might desire to collect dead butterflies, postage stamps, or prehistoric garbage cans. Or we should probably desire to learn how, exactly, this earth came to be, why babies are born with two identical ears and why no two pairs of ears are ever alike. We might desire to know why an elephant never gives birth to a crocodile, while so many human babies grow up to be jackasses. Such desires, as Epicurus wrote, can never be completely satisfied:

The wealth demanded by nature is both limited and easily procured; that demanded by idle imaginings stretches on to infinity.

The inescapable fact that man's desires are indeed unlimited is of particular interest to the Poleco-ist, because if man had no more desires than the other animals, he would require no wealth; and if he required none he wouldn't bother to produce any; and if no wealth were produced, Poleco would have no purpose, since Poleco is the science that investigates the nature of Wealth, how it's made, and who is entitled to what part of it. It

is man's unlimited desires that is the actual beginning of all wealth. The world wouldn't know the blessings of wealth in the form of the pickle fork if some humans hadn't desired pickle forks. It is only because society has always desired faster, more terrible methods for murdering whole communities of humans at one time that it now enjoys man's most horrible weapons. If the desire for such things hadn't existed as part of man's nature, neither bombs nor pickle forks could possibly have existed.



"Man's desires for wealth are without limit."

We have made our first important discovery along the trail we chose in order to track down the terrible secret we intend to unearth. The small piece of a jigsaw puzzle is only a clue. We shall surely find additional pieces if we keep searching. And, after we've found them all, we might fit them together to build an airtight case against the villain we unmask.

Just as reason alone wasn't sufficient to lift man to first place in the animal league, desire by itself is also insufficient. Even unlimited desire combined with man's power to reason couldn't have lifted man above the beasts with which he formerly competed for his food. One other element in human nature would

be lacking, i.e., the fact that *man seeks to satisfy his desires with no more effort than he finds absolutely necessary.*

9

MAN DOES THINGS THE EASY WAY

. . . every man desires to obtain additional wealth with as -little sacrifice as possible.—N. W. Senior, Political Economy

ELEMENT number three in man's nature, *man seeks to satisfy his desires with no more effort than he finds absolutely necessary*, does not mean, as it would seem at first glance, that man is lazy. For the word *lazy*, as Webster defines it, means "disinclined to action or exertion; indolent; slothful." Man, under normal conditions, is not at all like that. On the contrary, man is willing to work twice as hard if, by doing so, he can satisfy three times as many of his desires. True, he'd rather be carried upstairs by a slave, an escalator, or an elevator; but he'll climb up if he can't satisfy his desire to go up in any easier way. He'd rather strike a match to satisfy his desire for fire; but he'll rub two sticks together for hours if he hasn't a match. He'd rather drop one atom bomb than a hundred made of TNT; but if he's out to kill he'll use a club if he has nothing more efficient.

If man weren't by nature an energy saver, he wouldn't have become the inventing genius he is today. For an invention is nothing more than the result of a reasoning man's desire to find an easier way to get the things he wants. The man who invents a better mousetrap is not more of an inventor than the swindler who works out a new scheme for robbing fools of their money, ^ne invents a contraption to catch mice; the other a method ^{Or} catching suckers. Like the swindler, or any other human

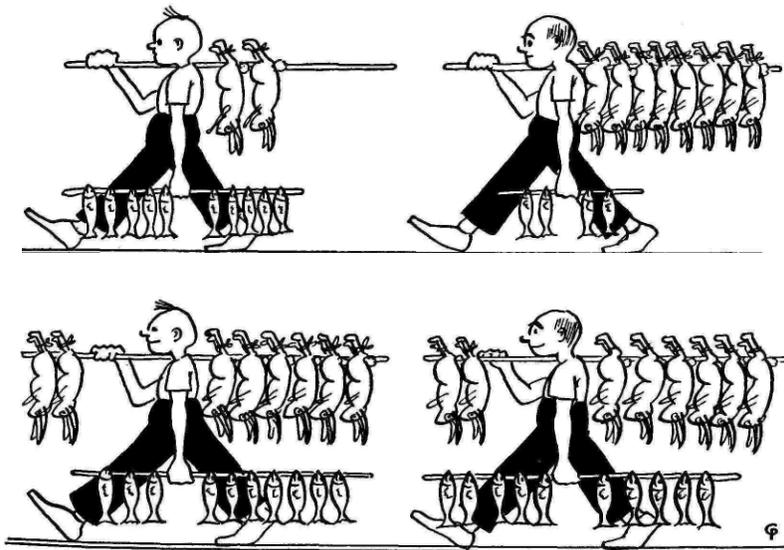
being, the inventor invents only to satisfy his own desires in the easiest way he knows. He's simply acting according to the nature of a normal human being.

Contrary to what most people believe, inventions are not generally developed in hopes of selling the patent for a fortune. Man couldn't stop inventing even if he wanted to, since it is his nature to try to find ways to do things with the least possible effort.



The second and far more significant result of man's energy-saving nature is *division of labor*, which he probably discovered shortly after he became a reasoning animal. *Division of labor* is built up around the fact that two men, working together, produce *more* than twice as much as one man working alone. When modern factories set up assembly lines on which hundreds of men work together to produce one automobile or tractor, we say that they are profiting through *division of labor*. But an even more important form of *division of labor* is exchange, i.e., one man producing more of one thing than he needs for his own use, and then exchanging his surplus for the goods produced by another man. Through the exchange of goods, they are also exchanging their labor, and both profit considerably.

This gain becomes more apparent if it is demonstrated in the very simplest form of production. Here is John, a wonderful fisherman but a very poor hunter. His neighbor Joe, on the other hand, is a marvelous hunter but lacks the patience of a good fisherman. By spending half his day fishing and half in hunting, John usually comes home with ten fish and two rabbits, while Joe's catch for the day is only four fish and eight rabbits. Now let us suppose they agree to specialize, that is, agree that



each shall spend his full day doing what he does best, and then share their total catch equally. The result: John, fishing a full day instead of a half, brings home twice as many fish: twenty. And Joe, of course, will bring home sixteen rabbits, twice his usual number, since he now hunts twice as many hours. When they divide their total product equally between them, both will find they have gained through specializing—devoting all of their time to what they do best. For John is better off by six rabbits; and Joe by six fish. The idea may be clarified by the following arithmetical demonstration:

	Rabbits	Fish
If both work half a day hunting, and half a day fishing		
John earns	2	10
Joe earns	8	4
If each works a full day at what he does best		
John earns	0	20
Joe earns	16	0
If they divide their combined catch		
John earns	8	10
(that is, the same number of fish and rabbits he earned working alone, plus six rabbits)		
Joe earns	8	10
(that is, the same number of fish and rabbits he earned working alone, plus six fish)		
Counting a fish and a rabbit as being of equal value, both men increased their earnings by 50% through <i>division of labor</i> by exchange.		

The same idea of profiting through specialization is today carried beyond *division of labor* between next-door neighbors. Joe the rabbit hunter lives thousands of miles from the nearest pineapple plantation. And yet, by catching rabbits and offering them in exchange, he can enjoy Philippine Islands pineapples grown and picked by Jose; or Chinese tea grown by Joe Sung; or fine leather luggage made by Joseph, Ltd., in England. The people of each country, making what is easiest for them to produce in the soil and climate of their own area, are able through exchange not only to benefit in higher earnings but to earn goods of a kind they'd find impossible to produce for themselves.

In our highly developed civilization, almost no one works alone to feed, clothe, and shelter himself. Farmers raise food, cooks prepare it, canners preserve it, grocers bring it conveniently close to the consumer. Sheep raisers shear the wool, spinners form it into yarn, weavers form it into cloth, tailors fashion it into garments, and retailers deliver the finished product to the consumer. Lumbermen fell trees, lumber mills shape them into

boards, builders join the boards, and so on, until the house we choose to live in is ready for our use. No one person, no matter how strong, fast, or capable he might be, could possibly produce food, clothing, and shelter for himself in the amount to which he as a modern man has become accustomed.

Without *division of labor* no human could produce an airplane from beginning to end within his own lifetime. To do so, a man would have to dig out the metals, refine them and shape them; he'd have to grow rubber trees and tap them for rubber, which he would then have to process into tires, tubing, insulation, and seat cushions. And he'd not only have to make the panel boards with their dozens of delicate instruments, but extract and process the raw materials from which they are made. A little thought makes it quite obvious that no man lives long enough to complete such a job; that without *division of labor* society would still be back in the primitive stage; that there could be no *division of labor* if man's nature didn't compel him to try to satisfy his desires in the easiest possible way.

Because every normal human wants to get as much as he can in the easiest way he knows, every job *naturally* divides itself among many men, each a specialist doing the kind of work he does best. He isn't directed or commanded to do a particular kind of work at a certain speed, as the Marxists insist man must be, if he is to be efficient. He specializes voluntarily, because it means more wealth with less effort for him.

To get a really clear picture of how far man has carried the idea of *division of labor*, we might thumb through the pages of a big-city classified telephone directory. In one published most recently, we find that in New York City alone more than three thousand different kinds of businesses and services are operating, all combining their skills and knowledge to provide New Yorkers with food, clothing, shelter, or other satisfactions. Listed are many businesses most of us seldom, if ever, think of; and yet all serve us directly or indirectly. For example, there are firms that make or sell compressed air, ambulances, ballast blocks for stevedores, ballet slippers, columns to support or decorate

buildings, pennants for freshmen or for carnival crowds, glass eyes, cut-out alphabets, letter boxes, life rafts, scows, barges, pipes for smoking and pipes for carrying water or oil, zinc sheets, and zippers. Other firms rent out crutches, wheel chairs, male or female escorts, dancing partners, secretarial services. Other companies teach ice skating, translate advertising and radio programs into foreign languages, chase rats, roaches, and other vermin from buildings, remove albumen from eggs and dry it.

The people engaged in these different businesses had no idea, as children, that they would as adults make their livings as they do. The boy who hoped to become a tight-rope walker found he could satisfy more desires more easily by becoming a bubble-pipe manufacturer. The boy who wanted to be a great doctor became instead a doughnut maker, which enabled him to satisfy more of his desires with less effort. For the same reason, the son of a baker becomes a great doctor.

In spite of our boyhood plans, circumstances guide us into the particular type of work to which we are best suited—only because our nature urges us to do whatever offers us the greatest satisfactions in money or enjoyment in return for the least amount of labor. That same side of our nature explains why, when the demand for television mechanics suddenly arose, a sufficient number of television mechanics became available almost overnight. If tunnel diggers or sword swallows should be needed, seemingly from nowhere a sufficient number of tunnel diggers and sword swallows apply for the jobs. The only time things don't work out that smoothly is when governments or labor unions restrict the wages, hours, or employment of the worker, or compel him to do work he doesn't like. Humans of their own accord do their part of the job to be done efficiently, not because the law compels them to do so, not because they want to help their fellow man or society, but because they are human, and as humans can't help choosing the work that offers them the greatest reward in return for work that comes easiest to them. Adam Smith said the same thing this way:

The division of labor, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. . . . It is common to all men, and to be found in no other race of animals. (*The Wealth of Nations*, Book I, Chap. 2.)

And now we've found another part of our jigsaw puzzle. Let's save it until we find some key pieces.



"... every man desires to obtain additional wealth with as little sacrifice as possible."

10

MORE "KNOWLEDGE" WITH LESS EFFORT

Beware lest you lose the substance by grasping at the shadow.—Aesop

MAN'S SEEKING to satisfy desires as little effort as possible has its dangerous side, too. Since

cartoons are easier to understand, we are inclined to turn to them for our education rather than to books on philosophy. Also, we're more inclined to believe what we read or hear than we are to reason things out for ourselves, since it is easier. That's true of most humans, of adults as well as children.

Consequently, the cartoonist has proved to be a more effective instructor than Aristotle, Faraday, Dr. Eliot, or the multitude of less famous schoolteachers who earn their bread by stuffing knowledge into the unwilling schoolboy's head. For, the cartoonist, reaching millions of readers, teaches more people in a year than all the professors in the world can hope to teach during a reasonable lifetime. Even after the student completes his university training, seventy-seven out of every hundred, according to recent figures, turn to comic books, cartoon magazines, or comic strips for further and more lasting education.

Rube Goldberg, Briggs, and Webster, through their cartoons, have taught psychology to far more people than have Freud or Adler. Hamlin, who draws the prehistoric comic character Alley Oop, has awakened an interest in anthropology in many more people than have all of our current university professors. That the cartoonist intends only to amuse his "students" and doesn't pretend to teach truth or accurate knowledge, is quite beside the point. The discouraging fact we must face is that the greater part of our total knowledge has been passed on to us in pictures by the cartoonist.

In fairness to the cartoonist, we must emphasize that he neither intends nor desires to mislead or confuse his "students." He tries his best to explain an idea with pictures, because pictures, like four-letter words, are easiest to understand. Unfortunately ideas *can't* be drawn. The most talented artist cannot draw a picture of the idea of fear, happiness, cruelty, war, or liberty. The best he can do to express the idea of fear is to draw a person with a frightened expression on his face. *Happiness* calls for a smiling face: *cruelty* an ape-like brute armed with a knotted club, a flaming torch, or perhaps a knife dripping with blood. To the cartoonist, *war* is the armored, toothy, bearded giant, Mars;

and *Liberty* is a statue of a lady holding her torch high in New York Harbor. In each instance, the cartoonist draws a person, a sort of symbol, to express an idea. But if we pause in our reading at this point and ask ourselves what these ideas really mean to us, we will find that the idea of freedom has nothing to do with a lady with a torch; that the idea of war has nothing to do with a man wearing an iron hat and vest; that the ideas of happiness, fear, and torture have nothing to do with the symbols the cartoonist draws to express them. And yet it is the lady in New York Harbor, the symbol, that we think of when we hear the word *liberty*, not what the idea of liberty really means.

Accordingly, if we are to approach our investigation intelligently, we will have to forget all we've learned from the cartoonist and behave like scientists. And the first scientific step we must take is to analyze the nature of each idea as we meet up with it, and then define each of our ideas according to its nature. Or, as Marcus Aurelius put it:

Make for thyself a definition or description of the thing which is presented to thee, so as to see distinctly what kind of a thing it is in its substance, in its nudity, in its complete entirety, and tell thyself its proper name, and the names of the things of which it has been compounded, and into which it will be resolved. For *nothing is so productive of elevation of mind as to be able to examine methodically and truly every object which is presented to thee in life*, and always to look at things so as to see at the same time *what kind of universe this is and "what kind of use everything performs in it, and what value everything has with reference to the whole, and what with reference to man.* (Italics ours.)

11

WHY DEFINITIONS ARE IMPORTANT

If, however, it should be said that "man" means an indefinite number of things, obviously all discussion would be impossible. For, not to have one meaning is to have no meaning and if words have no meaning, all discussion with one another and even, strictly speaking, with ourselves, is over, since we cannot think at all if we do not think of one thing . . .

—Aristotle, *Metaphysics*

WHAT MAKES definitions so important is that they provide a tool with which we can bring arguments to an end, and with which we can measure and test the reasonableness of any answers we may find. To illustrate, imagine two little boys each arguing that his father is the stronger. One shouts that his father can lift a living-room table with his teeth. The other boy, not to be outdone, shouts even louder that his father can do the same thing and can lick two policemen at the same time. They go on that way for hours, one trying to top the other with not-too-truthful arguments, just as adults do, until finally one boy says, "My father's the strongest man in the whole world, and if you say he isn't I'll hit you over the head with this rock." The boys have settled this argument, bloodlessly let us hope, but we still don't know which father is stronger. If, however, instead of arguing, they had arranged to have their fathers meet in a brickyard, and then had seen which of the two could lift the greater number of bricks off the ground, they soon would have learned *beyond a doubt* which father was

indeed stronger. The bricks would have acted as a yardstick with which strength might have been measured.

A definition is exactly like those bricks. It is a yardstick that measures ideas behind a word. It measures things like honesty, beauty, democracy, God, wisdom, and the many other things that can't be measured with tape measures, scales, or even with the most delicate meters. An argument as to whether one woman is more beautiful than another might go on for eternity without bringing the arguers any nearer to an answer. But if, in the beginning, the disputants had made themselves a definition, as Marcus Aurelius advised, by agreeing upon what they meant by beauty—for example, *whichever woman's body measurements were most like those of the Venus of Milo statue shall be considered the more beautiful*—all they'd have had to do to settle their argument would have been to get hold of a tape measure, take the measurements of the girls, and then compare them with those of the Venus of Milo.

To be useful, definitions must be precise. Loose definitions are as useless as elastic tape measures. Words, if they are to be used with scientific accuracy, must have one meaning, and only one. For, as soon as we allow one word to represent more than one idea, we're sure to run into trouble. The story of the carpenter who gave his two new helpers their instructions might serve to make this point clearer.

"Each of you get two horses," he commanded, "and then nail an end of one of these boards to the top of each horse. Understand? Okay! Get going!"

Tom, one of the helpers, had had some experience in carpenter work. And before very long he had his board nailed securely to the tops of two of those four-legged wooden frames that builders call horses and use as supports for their work. Before he could report back to his boss for a "well done, m'lad," and for another job to do, an unexpected commotion broke out in the nearby barn. Such a pounding, banging, yelling, and screeching—Then, suddenly, the barn door flew from its hinges, and jerry—the second helper—came sailing gracefully through the

doorway. It seems that Jerry, having been brought up on ranch, knew of only one kind of horse: the kind that eats hay and doesn't like to have boards nailed to its back. Jerry, as result of his hoof-propelled flight, learned an important truth: a word having more than one meaning can get a man into lot of trouble. Almost all of the words we use in our everyday speech have more than one meaning. That is why scientists do not use words used in everyday speech. They make up their own words. And if they do use old ones, they give them special, always-mean-the-same-thing meanings. It would never do for a doctor to use such words as "sick"; or when filling out a prescription to write the word "medicine" on it. If he did, a patient wouldn't know **if** he was suffering from canal congestion, costiveness, or constipation. But, what is more important, the druggist wouldn't know whether the medicine he is to prepare should be a liquid, paste, a powder, or a pill; blue, white, pink, or brown. And, course, the druggist wouldn't know which of the hundreds drugs on his shelves to mix. To avoid as much of such confusion as possible, medical science had to give a special name every single part of the human body, to every sickness, to every symptom, and to every known drug. Whenever physicians and chemists came across two things that differed in the slightest degree, they gave each a name all for itself. As a result, radio operators far out at sea can wireless the symptoms of a sick man on board their ship to a doctor thousands of miles away and the doctor receiving the message can guess pretty accurately the exact name and nature of the sickness. Moreover, he can tell the radioman exactly what to do to make the sick man comfortable, or how to keep him alive, until a doctor can reach him. A prescription written by a Mexican doctor can be understood, thanks to the use of scientific terms, by a druggist in China, Russia, or Bridgeport. Such things would be impossible unless words having exact meanings—and each word only one meaning—were used.

Chemists, physicists, engineers, architects, mathematicians

and all other scientists exercise extreme care in their speech and thinking. And all of the members of each scientific group must agree among themselves upon the exact definitions of the names they give things before they can discuss or practice their science intelligently. In his *Fundamentals of Physics* Bowen C. Dees wrote:

For convenience, the two kinds of electrical charge have been called positive and negative. . . . There is no particular reason for the choice of these names for the two kinds of electrical charge. *But once the choice has been made, -we must abide by the decision.* (Italics ours.)

Obviously, if Poleco is to be studied intelligently, each of the terms used in discussing it must likewise have an exact meaning; and once we fix the meaning, we, like the physicist, "must abide by the decision." If, for example, the word *wealth* is used, it must mean the identical thing whenever it is used. To a great extent, modern economics is in its confused and inefficient state because not all economists are agreed as to the meanings of the terms they use.

There are only nine important terms used in Poleco: *land, labor, capital, rent, -wealth, interest, wages, production, and distribution.* Let's be sure we understand exactly what the Polecoist means when he uses any of these terms. Unless we do, we're sure to have trouble keeping up with him as he tracks down the cause of poverty.

12

THE MEANING OF LAND

Land, n. \$ Econ. In economic discussion, those utilities -which are supplied by nature, as distinguished from the developments and improvements resulting from human labor.—Funk & Wagnall's New Standard Dictionary

THROUGHOUT the ten-week journey from Europe to America, lookouts were perched high in the crow's-nest of each of Columbus's three ships. Their jobs were to sing out at the first sight of land. Had there been a Poleco-ist aboard, he might have told Chris that the ships had been surrounded by land—above, below, and on all sides—every moment since the ships had left Spain.

For land, as the Poleco-ist understands the word, is not only the solid part of the earth's surface and the mineral deposits under it, but is also the ocean and all the creatures that swim through and crawl under it. To him, the air is also land, as are the planets and the stars. What's more, all of the things that grow, crawl, walk, waddle, hop, jump, run, or fly are included in the term *land*. In fact, *with the exception of man, and the things man has made, the entire universe is land*. Before man came to earth and began to make things, nothing existed except land.

The importance of land is something that usually escapes us. There is so much of it we have long taken it for granted. True, most economic textbooks mention the word, and some even explain—in the opening chapters of their books—what the author means by the word. But beyond that, so far as the modern

economist is concerned, land doesn't seem to exist. And yet, land is unquestionably the very foundation of our economic system.

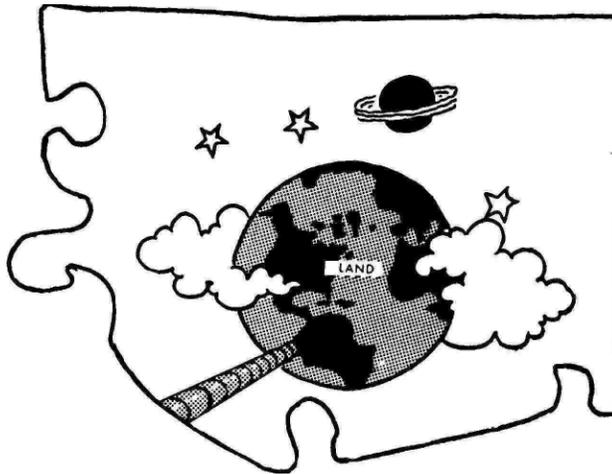
For land is the source of *all* the things man has ever made. The primitive spear and the very modern atom bomb were made out of parts of what the Poleco-ist calls land. All food, clothing, and shelter begin as land. Fine Swiss watch movements were once tiny specks of iron and other minerals imbedded in the ground. The beautiful carved, ivory-handled dagger was once part of land. (Remember, the Poleco-ist includes wild animals like elephants and their ivory tusks as land.) Even nylon is formed of coal, air, and water: three forms of land. Ambergris, from which man-bewitching perfumes are made; sponges that wipe the blood from a prize fighter's face between rounds: fish, the brain food which is so often wasted on most of us: whale oil used to smoke up the Eskimo's igloo, and coral from which five-and-dime jewelry is made—all of these things man takes directly from land.

But even if we could learn to live without food, clothing, and shelter, we would still be dependent upon land for a place upon which to stand. And if we remember that air is also nature-produced, and is therefore land, it becomes clear that we would be unable to breathe without land. But even if man could live without breathing, man would still need the sun to keep him from freezing to death; and the sun, as well as its light, warmth, and energy, is also included in the Poleco-ist's meaning of *land*. Clearly, land is-life itself!

Another feature that makes land different from all other things is its permanence, its indestructibility. Land lasts forever. Stone temples, machines, and all of the wonderful things man makes—as well as man himself—rot away, eventually to become again part of the land. According to scientists, there isn't a single ounce more or less land today than there was at the hour when the earth first formed itself. Man can't destroy any part of land; he can only move it around or change its shape and form. Equally important, he can't add a single grain of sand

or a drop of water. There is a fixed amount of land, and there will never be more or less of it. The reader may be thinking of exceptions: the miles of land that Holland has reclaimed by developing her wonderful system of dikes, or the swamps and shoreline we have filled in from time to time. But if we remember that the sea is also land, we see that "filling in land" is merely pushing back a wet form of land to make a dry form available.

Or the atom bomb, with its ability to dissolve in a flash tons



and tons of matter, may come to the reader's mind. But even here, nothing is destroyed. What was dirt, rock, trees, buildings, and human bodies, has merely been changed into gases, rays, and other substances. Even those gases that might possibly escape from within the orbit of our own earth are yet part of the universe—and *all* of the material universe, it will be recalled, is included in the Poleco-ist's definition of land.

Before we add *land* as the third piece of our jigsaw puzzle, let's remember:

1. that land is the whole material universe except man, and the things he has made;

2. that land is the source of all food, clothing, shelter, and gadgets;

3. that land is the first essential to life; *A.* that land is a fixed quantity.

13

THE MEANING OF LABOR

Serious occupation is labor that has some reference to want.

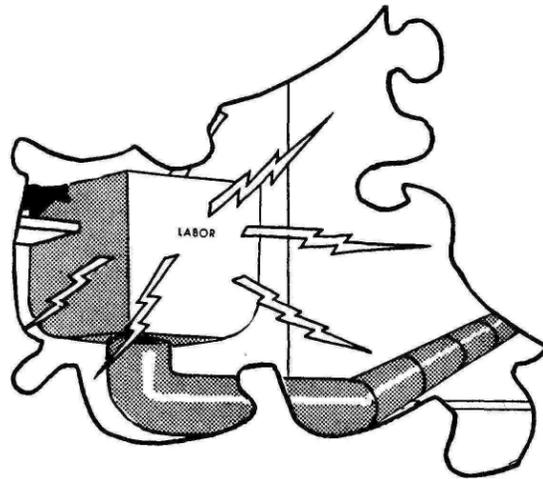
-Hegel

LABOR is not a human being: it is human exertion. Labor is the energy human beings exert to make the things they desire. Labor is something that cannot be seen. It is muscular power and mental power which, like electrical power and wind power, are invisible. Since invisible things can't be drawn, the cartoonist is compelled to do the next best thing. He draws a symbol of labor, the man-with-the-lunch-pail. As a result, the word *labor* has come to suggest a *man* when it should suggest a man's *energy*. Radio commentators, newspaper editors, politicians and, unfortunately, many professors of economics, use the word *labor* today to mean *men* who work, and particularly those workingmen who belong to unions. Properly, labor is not a union man or a nonunion man; it is the energy of any human being. The Poleco-ist must be more accurate than the cartoonist, since he is trying to be as scientific as his subject will permit. Therefore, when he comes upon two different ideas, each having its own nature, he must give each a name. To the Poleco-ist, the overalled fellow with the lunch pail is man; only his exertion is labor. *Man*, among other things, is material flesh-and-bone; *labor* is something we can't see, human exertion. When the Poleco-ist refers to the man-who-exerts-human-energy, he uses the word *laborer* (notice

the *er* ending). But the word *labor* he uses only when he means human exertion.

True, there could be no *labor* if there were no *men*. But that doesn't make *men* and *labor* the same thing. There could be no boys without mothers; yet we do not say a mother and boy are one and the same.

And now we can add labor as the fourth piece in our jigsaw puzzle.



14

DIFFERENT KINDS OF LABOR

*But, as the "world, harmoniously
confused,
Where order in variety we see,
And where, though all things differ, all
agree.—Alexander Pope*

THERE ARE five different kinds of labor, or human energy, all exerted for one reason: to enable the laborer to get the things he needs to satisfy his desires. The five kinds may be called productive labor, unproductive labor, robbery, beggary, and gambling.

Productive labor is the kind that produces the world's food, clothing, shelter, tools, weapons, and gadgets. It produces all of the material things that can be handled, measured, divided, or stored away for future use: all the material things man needs to satisfy his desires. As civilization advances, man desires a wider variety of these material things, and it is *productive labor* that produces them.

Unproductive labor is something else again. It does not produce material things that can be divided or stored away for future use. But, like *productive labor*, it does produce satisfactions: satisfactions in the form of vitally important services much wanted by humans. Adam Smith in *The Wealth of Nations* explained:

The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value.

He went on to say that such labor does not produce things that last for any length of time, or that can be sold and resold like

doughnuts, diapers, or other material things. Then he gave examples of the sort of person included among the unproductive laborers:

The sovereign, for example, with all the officers . . . who serve under | him, the whole army and navy, are unproductive labourers . . .,] Their service, how honorable, how useful, or how necessary soever,\ produces nothing for which an equal quantity of service can afterwards be procured.

Smith tried to clarify his point here by explaining that no matter how much labor the king and all his army and navy] exert one year for the "protection, security, and defense" of his, people, it can't be stored away and then exchanged the following year for an equal amount of "protection, security, and defense." All the labor spent in drilling of soldiers, practicing of i strategy, and signing of proclamations is gone as soon as it's exerted. But if the same amount of *productive labor* were spent one year to make material things like guns and ships, those guns and ships might be kept and used in later years.

In the same class [with the sovereign, officers, and soldiers] must be ranked some both of the gravest and most important, and some of the most frivolous professions: churchmen, lawyers, physicians, men-of-letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, etc. . . . Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production.

(Entertainers were considered of no importance in Smith's day: but times have changed. Today they are, generally speaking, the largest wage earners and the most influential, respected, and envied of all laborers.)

So, according to Adam Smith, it doesn't matter whether a person is a king or a bootblack, a learned judge or a barber, an opera star or a burlesque queen, a doctor or a prostitute; so long as he performs a service that satisfies a human desire, but pro-

duces nothing material, he is an *unproductive laborer*. Moreover, Smith explained, no matter how honorable, useful, or necessary to others it may be, the result of a person's *unproductive labor* disappears immediately, "like the tune of the musician." (Just in case the reader is thinking that the tune of a musician today *can* be "stored" away on a record to be played back next year, it should be remembered that the disc upon which the recording is made does not hold the tune but holds only scratches made by the tune. The record is a material thing produced by *productive labor*; but, like all results of *unproductive labor*, the actual tones that made the sound-producing scratches on the record disappeared a moment after they were produced.)



Some of our readers may object to including doctors and prostitutes as members of the same labor class. Including the most honorable of lawful professions with the most infamous of unlawful ones might prove especially painful to the doctors' parents who have scrimped and saved to pay for their sons' expensive educations. It must be understood, however, that the Poleco-ist agrees that there is a vast and interesting difference between the doctor and the prostitute. But *unproductive labor* as used here is an economic term and, as such, must disregard man-made laws and moral codes. The doctor himself, being a scientific man, doesn't distinguish between aristocratic gout and

lowly syphilis just because only gout, of the two, may be mentioned in polite society. He calls both, *diseases*. Similarly, the Poleco-ist doesn't intend to offend when he groups under one scientific classification, *unproductive labor*, the clergyman, soldier, and race-track "bookie" and all others who sell a wanted service.

The fifth piece in our jigsaw puzzle, then, is *unproductive labor*, the kind of human energy that satisfies our desires by] providing us with services — beauty, knowledge, entertainment, legal advice, religious teaching, freedom from pain, etc. Since *labor*, as we said earlier, cannot be drawn, we'll have to symbolize it by using figures of men who provide these services; but the reader is cautioned that *they* are not *unproductive labor*; only their energy is.

Robbery is the third type of human energy exerted to earn a living. It isn't really within the bounds of Poleco, which is concerned only with what wealth is, how it's produced, and how it's shared by the producers after it's produced. Obviously, the robber neither produces nor shares; he takes. And yet, we may find some enlightening clues if we look further into the nature of robbery.

Ordinarily, it would be unnecessary to explain what a robber is, since everyone knows he is an outlaw; a man who takes for himself what belongs to another. But the Poleco-ist doesn't make distinctions between robbery that is against the law and robbery that isn't. So far as the Poleco-ist is concerned, it doesn't matter what the law says. A robber is one who exerts his energy — mental or physical — to take wealth by force or by threat from some other human being without giving something equally satisfying in return. Under this definition, not only Robin Hood, Jesse James, Al Capone, and the plundering Nazi leaders were robbers; but in the *robbery* category are also corrupt politicians, looting soldiers, monopolists, and even governments that use threats or force to tax away the citizen's wealth from him without giving him an equal value in return. Thus the Poleco-ist calls such labor — legal or illegal — by one name: *robbery*.

15

BEGGARS AND ROBBERS COMPARED

*Every man is as heaven made him,
and sometimes a great deal worse.*

—Cervantes

MEMBERS of two ancient professions, robbery and beggary, have much in common. Both robbers and beggars are parasites living on what has been produced by the labor of others. Both are costly burdens upon those who *produce* the nation's wealth and services. Certain types of beggary that are considered, by the beggars at least, to be quite respectable are the payments they accept from "charity" organizations, from government in doles of various kinds, in subsidies if they are farmers, and in tariff protection if they are industrialists. Similarly, legal robbery is also considered quite respectable by most politicians and all monopolists.

In other respects there is a great difference between the robber and the beggar. For example, the robber takes by force what belongs to another; the beggar wheedles his living from the tenderhearted without force. The robber usually does his own dirty work, while the modern beggar relies on his government to do his begging for him. It would seem then that robbery is better suited to the man with courage, pride, and self-respect; while beggary is more to the taste of the man having neither dignity nor self-esteem, but plenty of guile and gall.

Another interesting difference between the two social cancers is that the robber, if caught, is prepared to pay for what he has taken with the only commodity he has: years of his life. The beggar, on the other hand, doesn't feel in the least obligated to return some thing or service equal in value to what he has taken of another man's earnings. He has become so degraded

by poverty, he honestly believes he has a right to the wealth produced by another. It would seem that of the two, the robber has a stronger sense of justice and honor than the beggar.

The Poleco-ist condemns neither the robber nor the beggar. He looks upon them as men. If man cannot earn his living, the Poleco-ist believes it is only natural for him to steal it, or beg for it. In one way or another, honestly, dishonestly, or dishonorably, man will seek to satisfy his desires. For to do so is only human.



16

GAMBLING A FORM OF LABOR

As one egg is like another . . .

—Cervantes

BONIFACE GOODE, sitting at his polished oak desk in his downtown office, carefully studied the market reports in *The New York Times*. Sucker's Suction Syringe looked good to Boniface. Accordingly, he picked up his

phone, called his broker, and ordered him to buy a hundred shares. As he put his phone down he heard the clock in the tower of the Metropolitan Building gong ten o'clock.

The gongs were also heard by Horseface Goon, who was studying the *Racing Form* at a table in the Trenchmouth Cafeteria across the street. "Proboscis," thought Horseface, looked pretty good. So he went to the phone booth, called his "bookie" at the race track, and ordered him to buy a hundred dollars worth of "Proboscis" tickets for him.

The following morning was a lovely one. The skies were gray, a cold, chilling drizzle was falling, the newspapers featured stories and pictures of starving children in Europe, riots in India, and a communist-inspired strike in the United States: nevertheless, it was a lovely day for Boniface Goode and Horseface Goon. For Sucker's Suction Syringe had taken a sharp rise during the day before to earn fifty dollars for Boniface. And "Proboscis" stayed out in front to win his race and to make Horseface fifty dollars richer.

It doesn't seem right to compare Boniface, the very respectable businessman, with Horseface, who is a gambling loafer, an improvident no-good low-life, who deliberately violates the antigambling laws of the State of New York. And yet, both men have a great deal in common. They're in the same business: gambling. The Poleco-ist doesn't concern himself with Boniface's fine character or with Horseface's unsavory reputation. He classifies them, with all others who risk money to win money, as *gamblers*.

Neither Boniface nor Horseface is producing anything. One bets a certain horse will win; the other bets that a certain stock will rise or fall in value. Boniface never sees nor handles the stock he buys; Horseface, never having been near a race track, doesn't know a race horse from a merry-go-round dobbin. The fifty dollars Horseface won, some other gamblers lost; just as the fifty dollars Boniface won was lost by other stock traders. While both, as a result of their winnings, have more money that will buy food, clothing, shelter or other forms of wealth,

neither man has produced anything of any value whatsoever. They haven't exerted their energy (labored) to provide any material thing or a service of any kind for the human beings whose fifty dollars they've pocketed.*

Another group we find in society seems, at first glance, to fit into the gambler category, because its members also risk money to gain money: bankers, stockbrokers, race-track "bookies," insurance companies, and usurers. But this group is more accurately *unproductive labor*. Like the doctor, barber, teacher, and butler, they sell satisfactions in the form of services to the businessmen and gamblers they serve. That they are valued members of society providing at least some measure of useful satisfactions, is proved by the fact that they don't force their services on anyone. On the contrary, their services are eagerly sought and willingly paid for by the risk takers they serve.

17

WHAT WEALTH ISN'T

But how can that be wealth of which a man may have a great abundance and yet perish with hunger? . . .—Aristotle, Politics

MAN HAS BEEN KNOWN to work, steal, beg, lie, cheat, fight, and kill for wealth. He has been known to betray his best friend for wealth. Mothers have been known to sell their daughters for wealth. But what, exactly, *is* this stuff called *wealth*?

Most of us know that it's a pretty good thing to have; but if called upon to explain what it is, we find ourselves babbling in dizzy confusion. Many things that seem to be wealth turn

* True, the trader in stocks and bonds will defend his gambling with claims that his stock purchases provide capital for industry; but, examined logically, such claims become sheer nonsense, as we shall see in later pages.

out, upon being carefully examined, to be something quite different.

Money, for example, is one of the first things that come to mind when we hear the word. That's because we have become accustomed to think of a wealthy man as one who wallows in piles of crisp bank notes and jingling currency. But the fact is, wealthy people have very little money. They don't need it. Their signature scribbled on a sales check is all they need to take goods from a store. Instead of money, they use their vast accumulation of bank credit to guarantee the value of the personal checks with which they pay their bills.

Moreover, money can't possibly be wealth, because during the inflationary periods that always follow wars, those countries with the most money in circulation are the least wealthy. A man in such a country might starve to death with the pockets of his ragged clothes bursting with money, simply because money in itself has little or no value. If money really were wealth, a nation could become wealthy by putting all of its printing presses to work printing the stuff; and the nation having the greatest number of printing presses would become the world's wealthiest. As we know, nations that try to mass produce money in that way bring themselves closer to ruin with each new batch of bills printed. No! Money isn't wealth.

Is it gold that makes a nation wealthy? It might seem so at first, because we are the wealthiest nation in the world and we do own most of the world's gold. But most of our gold is said to be buried at Fort Knox, Kentucky. Does that mean that Kentucky is the nation's wealthiest state? We know better. New York City, or Chicago alone, is far wealthier than all of our gold-producing areas combined. South Africa produces more than twice as much gold as the United States: but certainly South Africa is not considered to be as wealthy as the United States.

Very often we speak of a nation—like Brazil or Russia—as being wealthy because it has rich undeveloped mines, oil wells, and other natural resources. Yet, if natural resources were wealth,

America was wealthier when Columbus first stumbled over this happy land than it is now. For a great portion of our coal, oil, timber, and other natural resources has been used up since Columbus's day. Nevertheless, we know that our country is millions of times wealthier today, in spite of our having used up so much of our natural resources.

What, then, is wealth, if money, gold, and natural resources are not? The question is a very important one to the Poleco-ist. For wealth is the very heart of his science. What teeth are to the dentist, what the human body is to the surgeon, wealth is to the Poleco-ist. For his definition of Poleco is: *the science that investigates the nature of WEALTH: how WEALTH is produced, and the natural laws that decide who should get what share of the WEALTH produced.*

Before the Poleco-ist can define wealth, he must determine its exact nature, just as he did that of land, man, and labor. Since two different things can't have the same nature, the nature of wealth cannot be the same as that of either land, man, or labor.

On page 50 the Poleco-ist defined land as the whole universe, excepting man and the things man made. The fields; the forest; the flying, swimming, running, and crawling wild life; the valuable deposits—oil, coal, metals, gases, and other things beneath the surface of the earth as well as those buried in the other planets; all these things the Poleco-ist calls land. None of these, then, can be wealth.

18

WHAT WEALTH IS**WHAT WEALTH IS**

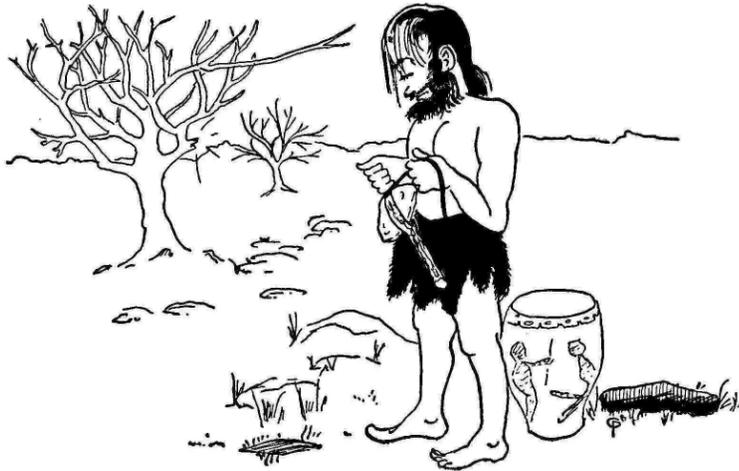
The Land is the Source or Matter from whence all Wealth is produced. The Labour of man is the Form which produces it; and Wealth in itself is nothing but the Maintenance, Conveniences, and Superfluities of Life.

—Cantillon

OUR EARLIEST ANCESTOR, tired of hunting for his food, freezing at night, and sleeping in a smelly damp cave, began to desire things nature didn't provide. To produce the things he wanted, he labored—and, as a result, wealth for the first time appeared on earth. Nature created a tree (land); man's labor tore a branch loose to produce a club (wealth). Nature created rocks and stones (land); man's labor gathered them up, shaped or sharpened them, fastened them to stout branches, and thus produced hammers, axes, arrows, and spears (wealth). Nature created the clay (land); man's energy (labor) gathered some up, shaped it into cooking utensils and jars (wealth). Nature created trees, plants, wild animals, and birds (land); but man's energy, aided by his reasoning power, planted and improved the wild wheat, barley, rice, and fruits he found and thus, of what had been land, he made wealth. Man's labor also fenced in and domesticated wild animals and birds, and they became his wealth. And so we see that wealth is nothing more than land in one form or another upon which labor—man's energy—has been exerted.

But all things upon which human energy has been exerted aren't wealth. When a soldier destroys a building by exerting

his energy upon it, he isn't producing wealth but destroying it. But if a professional house wrecker should tear down the same building to prepare the site for another and finer structure, he is, unlike the soldier, taking part in producing wealth. For, in destroying an old building he is helping produce a new one. If a man should exert his energy walloping a golf ball—even if he happens to be the world's leading professional golfer—he isn't producing wealth; for, with every drive and slice he is destroying part of his golf ball—destroying wealth. True, the



money he is paid to play golf, if he is a professional, can be exchanged for wealth; but he—in playing golf—isn't *producing* wealth. He's being paid for providing a service in the form of entertainment for those whose greatest ambition is to roll a ball with the aid of a peculiar club into a hole in the ground. So, to form a clear, complete definition of wealth, the Poleco-ist includes all the things necessary to the idea of wealth and ends up with: *WEALTH is a mixture of land and labor; it is all material things that have been stored, combined, separated, moved, or altered by human exertion in any way that better fits them for satisfying human desires.*

19

THE STOCKPILE OF WEALTH

The general stock (capital] of any country, or society, is the same -with that of all its inhabitants and members . . .—Adam Smith

IF WE REMEMBER that PoleCO is a science that deals with ideas, and not with particular things, we shall understand more clearly what the word *wealth* means to the Poleco-ist. We shall have to imagine every single existing thing that man has made gathered up in one place to form a huge mound of goods. In that pile we'll see things like skyscrapers, bricks, meat, cattle, sheep, geese, chickens, mousetraps, breadboxes, pogo sticks, highways, bridges, playing cards, Bibles, all sorts of jewelry, and every other imaginable thing made by man's labor. It's that gigantic pile, and not just a few buildings, chickens, or steel rails that the Poleco-ist thinks of when he uses the word *wealth*.

And when he uses the phrase *stockpile of wealth*, he is referring to that same nondescript mound of goods. When he speaks of increasing or decreasing the *stockpile of wealth*, he has in mind this same mound being made larger or smaller.

If the stockpile of wealth (which, incidentally, is where all of our food, clothing, and shelter comes from) could possibly exist without labor, we may be sure no man in his right mind would work to produce goods. Similarly, if the stockpile could grow large enough to provide all of man's needs without the use of capital, there'd be no capital accumulated and used, since there'd be no advantage gained by doing so. All of this is so obvious, it hardly seems worth while to spend time and paper

writing about it. And yet, it is tremendously important that the stockpile idea be remembered.

Economists called in by the government to analyze economic trends invariably accomplish more harm than good, mostly because, while they know that *wealth* is a mountainous stockpile of goods, they fall into the habit of thinking of wealth as numerals arranged into columns of statistics. And when hard times come along and people don't have enough purchasing power and a president or a king or a dictator announces that he will lift his country out of its business depression, he never really succeeds, because he and his advisers have forgotten that wealth is a stockpile of goods that can't be increased by a bond issue or by a public-relief program. He overlooks the inescapable fact that the stockpile of wealth can provide food, clothing, and shelter only if it exists, and that it can't exist unless labor, capital, and land are free to combine freely to produce goods to add to the common stockpile. Going into debt, fighting wars, subsidizing farmers and industrialists, placing artificial price floors under commodity prices, and setting up imaginary ceilings over rent and interest can't add a single loaf of bread or a pair of shoes to the stockpile, the *only* place from which all food, clothing, shelter, and gadgets can possibly come.

If we are to avoid the dangerous confusions of our world's "best" minds, we must remember that a skyscraper, a soup ladle, or any other unit of wealth is only a part of a towering mound of every conceivable kind of goods; and that it is this entire stockpile that the Poleco-ist has in mind when he uses the word *wealth*.

20

WEALTH MUST SATISFY HUMAN DESIRE!

It is enough for the economists that the desire exists, that the external thing attracts: thereby it is a "good" in the mere sense that it is desired: one wants it.

—H. J. Davenport

WHY is our friend Pierre, the Canadian trapper, willing to track down and take the skunk-stench and all—into his arms? Pierre enjoys the lovely fragrance! of a freshly cut rose as much as anyone. The drop of Sure l'Amour with which his sweetheart Babette strategically perfumes her ear lobes leaves Pierre as completely helpless to her charms as any man. And yet Pierre is delighted when he finds! a skunk in his trap. He overlooks its offensive smell and carries! it joyfully to his shack, because he knows that once he skins the] little stinker he will have wealth—real wealth.

For, as long as fine ladies continue to desire fine skunk furs Pierre's malodorous skunk will measure up to all three requirements of the Poleco-ist's definition of wealth, i.e., a material thing modified by labor to fit it better to satisfy human desires. 1 The skunk fur is certainly a material thing. Pierre did labor to set his trap, to remove the dead skunk, and to skin it. Then, finally, as a result of his labor, the skunk is better fit to satisfy) human desires: the desires of a fine lady hundreds of miles away who wants a fur coat. And, at the same time, Pierre satisfied his own desires, too. For, he can exchange the skunk's pelt for a dozen roses and a bottle of Sure l'Amour, or for many other things he or his Babette might desire. Pierre can do nothing with the skunk's odor and meat to fit them for the satisfaction

of human desires; so those parts of the skunk can't be called wealth. But the fur *is* wealth so long as ladies desire to carry the skins of dead skunks on their backs.

When Pierre sits in front of his shack whittling a hickory branch to pass the time away, he is exerting his energy to produce a material thing; but it isn't wealth. For he isn't doing anything to the stick to make it satisfy a human desire. He's just making a mess. That's why Babette doesn't let him whittle in her parlor when he comes a-courtin'. But if he should carve the same branch into a very beautiful walking stick, and if walking sticks should become fashionable again, Pierre's whittling *would* be producing wealth. For, with his labor he would be turning the hickory branch into something that will satisfy the desires of gentlemen strolling along Park Avenue.

A few miles from Pierre's shack, a ghost town still stands. The stores, saloons, corrals, post office, and roads are still in good condition; but none of these material things produced by labor is wealth. The town is deserted. Nobody goes there, because nobody can earn a living in the town. Neither the town, therefore, nor the things in it are wealth, because they cannot satisfy human desires. But during the "gold rush" many years ago, the town was booming, and all of the things in it satisfied human desires and were, in those days, *wealth*. Now, abandoned, it has become *land* again. Anything that doesn't satisfy a human desire doesn't have the nature of wealth.

There are some things that are the result of human exertion (labor) and do satisfy human desires, and still are not wealth. A kiss from Babette, for example. If Pierre were not around, the Poleco-ist might willingly exchange all of his wealth for one of Babette's kisses; but because it isn't a *material thing* as all real wealth must be, the Poleco-ist won't accept Babette's kiss as wealth. Her lips are material, but her kiss is just a delightful experience, and an experience is not a material thing. When Pierre pays for a haircut he isn't buying wealth. When the blacksmith down at the Trading Post pulls Pierre's aching tooth, he isn't producing wealth. For, like the kiss, neither beauty

resulting from a haircut nor relief from pain is a material thing, and therefore cannot be called wealth. The most convincing proof that wealth must be a material thing is the fact that Republicans, Democrats, socialists, and even communists agree that there's something wrong with the way wealth is distributed, or divided, among the people. It must be quite apparent that *only material things can be divided*. We can't divide immaterial things like love, hate, happiness, or sorrow into equal parts. Only material things like food, clothing, and shelter can be divided one-for-you-and-one-for-me.

Some things are material and satisfy human desires and still are not wealth. The Grand Canyon, the pine-scented mountains, the refreshing salt water that rolls up on the palm-tree-shaded beach in Miami, and the pink sands of Bermuda are material. They certainly must satisfy human desires, for millions of tourists each year exchange their wealth for the opportunity to visit and enjoy those playlands. But the fine weather and natural beauty of these tourists' heavens were not produced by labor (human energy) but by nature; and consequently the Poleco-ist classifies them as land, not wealth. On the other hand, the hotels, restaurants, boardwalks and other improvements built on the vacation spots *were* produced by labor to fit them better for the satisfying of human desires, and they *are* therefore wealth.

In other words, wealth, to be wealth, must have not one or two but *all three* qualities: (1) it *must* be material, (2) it *must* have been produced by human energy (labor), and (3) it *must* have been moved, stored, separated, combined, or altered so as to make it better suited to satisfy human desires. And whatever does not have all three qualities is not wealth.

Like the scientist, the Poleco-ist can't permit his personal ideas of good and evil to influence his thinking. Like the scientist, he isn't a moralist. The fact that Franklin knew lightning to be a killer and a destroyer did not prevent his investigating its nature. The submarine has practically no peacetime use whatever; it is built exclusively to sink ships, destroy cargo, and

to drown enemy sailors. Yet Robert Fulton, a peaceful man, devoted much of his time to developing it. In spite of the deadliness of the atom bomb, scientists accept atomic energy for what it is, and are not concerned with whether it might be put to use for good or for evil. Similarly, the Poleco-ist, in investigating the nature of wealth, doesn't consider whether an object might be put to a good or an evil use. If it measures up to his definition of wealth, he regards it as wealth, Whether it satisfies a worthy desire or a stupid one doesn't change its nature. To think that the hatchet with which George Washington destroyed his father's cherry tree wasn't wealth, while the axe with which Abe Lincoln split rails was, would be as unscientific as to say that radium isn't useful wealth because it might kill anyone who handles it carelessly.

John Ruskin believed otherwise. He insisted that things like whiskey, tobacco, guns, poison, and blackjacks, for example, should not be called *wealth* because that word stems from the Anglo-Saxon "weal," meaning "well" or "well-being." He thought the word *wealth* should include only good things, things of which Ruskin approved. He went so far as to coin the word *illth* to represent the "bad" things men make to satisfy human desires. In spite of Ruskin's well-deserved reputation as an author and art critic, *illth* didn't take hold. Today, the word is used only occasionally, and rarely by economists, for *illth* is an ethical term having no economic significance.

Poleco, to be objective, must examine its facts without emotion, prejudice or personal ideas of right and wrong; it must follow reason wherever it may lead, to the heavens or to the gutter.

21

VALUABLE THINGS AREN'T ALWAYS WEALTH

VALUABLE THINGS AREN'T ALWAYS WEALTH

Who steals my purse steals trash.

—William Shakespeare

IF A POLECO-IST should tell

Pa-tricia Pert, one-hundred-and-ten pounds of irresistible femininity, that her beauty isn't wealth, she would certainly argue the



point. And not because Pat is contrary by nature, nor because she has become accustomed to having her own way with men—including Poleco-ists; but because she can prove mathematically that her beauty is indeed wealth.

She can point out—quite truthfully—that her sister, Agatha Petrucci, is normally good-looking, is better educated than she, and is considered one of the most efficient secretaries in the city; and yet she earns a measly seventy-five dollars a week. But she, Pat, earns as much as two hundred dollars a week, only

because she has more of the right kind of beauty. The difference between Agatha's salary and her own, Pat will explain, is \$125 per week; and if she can manage to keep her curves in control and her face unlined by age for ten years, her beauty will be wealth amounting to \$62,500 ($\$125 \text{ per week} \times 50 \text{ weeks} \times 10 \text{ years} = \$62,500$).

But the Poleco-ist doesn't agree. He says that Pat's beauty isn't wealth, because it isn't a material thing. It can't be sold in slices like bologna, or by the pound or quart like other material things that are wealth. When Pat sells an hour of her time to allow her devastating body, submerged in a huge tub of foamy Schlagger's Beer, to be photographed for advertising purposes, she doesn't have one hour less of beauty. She would have lost as much of her loveliness if she had spent the hour taking shorthand, pounding a typewriter, or munching chocolates at home between chapters of a confession magazine. On the other hand, when Herman Schlagger, whose beer Miss Pert's beauty advertises, sells a bottle of his Schlagger's Lager, he has one bottle of beer less. Beer is material and is wealth; but Pat's beauty—undoubtedly far cozier to have around than all the beer in the world—is not material and is not, therefore, wealth. The fact is, Pat is performing a service to satisfy the desires of men who, we are compelled by evidence to believe, will not buy beer unless they're sure it's good enough for the bewitching Patricia Pert—or a reasonable facsimile—to bathe in. Pat's services are worth every nickel she gets.

So we see that *wealth* isn't just *anything* that enables its owner to earn money or to get more satisfactions out of life. Only those things that are material and are produced by *productive labor* to make them more fit to satisfy human desires are properly *wealth*.

Knowledge isn't *wealth* either, although it often does help whoever has it to earn more money. Albert Einstein can't sell his knowledge of physics; all he can sell is the results of his knowledge through a textbook, a written magazine article, or a lecture. He can't sell his brain power because it isn't a material

thing. If it were, Gus LummoX, the millionaire, would willing to buy Einstein's knowledge from Einstein for his dopey son, who would then become one of the few men who understand Einstein's theory of relativity. But such a transaction would leave Einstein, who sold his knowledge and brain power, with no? knowledge whatever of the theory that bears his name. Of course such a trade is impossible. If it weren't, the richest people would have all of the world's knowledge, and the poor would have none. For, if knowledge were wealth, it would be exchangeable; for other wealth, and the poor would be compelled to exchange what they had of it for the more necessary food, clothing, and shelter.

A teacher, try as he will, cannot divide his knowledge into fifty parts to distribute to his fifty students. Each student must develop his own knowledge. At term's end the teacher will have no less knowledge than he had when the term began (more likely he will have more), and his students will have only as much knowledge as they developed for themselves. If knowledge were like the merchant's stock of shoes (which is wealth), the teacher's store of knowledge would grow smaller as the students gathered more and more of it into their own brains.

Neither, as we say on page 57, can the voice of a great operatic star be considered wealth. True, the voice can be captured on a phonograph record. And many duplicate records may be produced by labor. The recording, then, may be said to be wealth, but the actual sounds that made the record were not material, and ceased to be even sounds a moment after they left the singer's throat.

Many other examples might be given here. But the few above should do to explain why the Poleco-ist doesn't consider special skills, talent, knowledge, beauty, or the other money-making qualities developed in man to be *-wealth*. Miss Pert's beauty, Einstein's genius, the teacher's store of knowledge, and the singer's voice are good and valuable things. They make our society a far better one in which to live; but they cannot be called wealth because they are not material things.

22

THE RICH MAN ISN'T WEALTHY

*"Who cares for you?" said Alice. . . .
"You're nothing but a pack of
cards!"—Lewis Carroll, Alice's
Adventures in Wonderland*

WE CAN WELL imagine Malcolm Buckmaster's bewilderment when the Poleco-ist pointed to Buckmaster's safe and sneered, "You probably think those bundles of mortgages, stocks, and bonds with which your safe is stuffed are wealth; but they aren't."

"Not wealth?"

"No, Malcolm. Mortgages, stocks, and bonds aren't wealth."

"That's the trouble with you scientists, or philosophers, or whatever you think you are. You talk like idiots! The fact is, I've got millions of good American dollars tied up in those 'bundles/ as you call them. What's more, I've got a big forty-room mansion built on a hundred-acre estate and I paid for it out of the income these 'bundles of paper' earn for me. I pay a dozen or more servants to take care of that house, and I pay them well. Their wages are paid out of the earnings of the 'bundles of paper.' I own several cars, two boats, a string of horses, and a kennel of pedigreed dogs; all paid for and maintained from what my stocks, bonds, and mortgages bring in."

Malcolm paused for breath. His face was flushed with irritation. He dried his perspiring brow and neck with a snow-white linen handkerchief before carrying on from where he'd left off.

Here I am, able to buy anything I want with the income earned by my investments, and you have the gall to tell me that my investments aren't wealth. Now look, friend, tell the truth. Does

that make sense to you? Do you call that being scientific? Reasonable? It's not even sane!"

"I'm afraid you don't understand, Malcolm. There's no doubt in my mind that mortgages, stocks, and bonds are very nice things to have. I know that they bring you a very comfortable living, and even a few million dollars extra to put aside for rainy day. But that doesn't make them wealth."

"Why not? And if they're not wealth, what are they?"

"They are just pieces of paper that, at best, represent wealth. And, as you know, things that represent other things are not the same as the things they represent. You know that."

"I do?" Malcolm's eyes fixed themselves upon the Poleco-ist suspiciously.

"Of course you do. Look at that picture of Abe Lincoln on the wall over there. It represents a great man. But the picture isn't a great man. It can't write or deliver a Gettysburg Address. Or look at that church across the way. It represents Jesus Christ, but it can't divide the fish and the loaves to feed a multitude.) This dollar bill that I take from my pocket represents a four-course lunch or a pocketful of cigars; but you can't eat the bill, and you can't smoke it. A dollar bill is one thing and whatever you want it to represent is another."

"I think I understand. A doctor's prescription represents medicine to cure a cold, but eating the prescription won't cure me. The prescription is one thing: a piece of paper; and the medicine it represents is another: a box of pills."

"That's right."

"But what's that got to do with my bonds, mortgages, and stock? I don't expect them to make speeches like Lincoln's, or divide fishes for the multitude. I don't want to eat them or smoke them or cure a cold with them. All I want them to do is earn money enough to buy me the things I want. And they do that. They don't represent something; they *are* something!"

"Well, let's see. What are mortgages? Just pieces of paper, aren't they? Pieces of paper that represent some money that you loaned to someone. You don't have the money, because you

loaned it to someone; and that someone doesn't have it either, because he paid for his house or factory with it. So the mortgages represent money that neither you nor the borrower has; in other words, nothing but debts. Your bonds also represent money owed to you by the government or some corporation: more debts. Stock represents profits; but only if those companies that issued the stock make a profit: in other words, profits that may or may not be made. So you see, Malcolm, your bundles of paper represent money that isn't. But even if they represented money that was in existence, real gold and silver coin, they are still paper, while the coin they represent is something else, real wealth."

"But you said, a while ago, that the dollar you took out of your pocket wasn't wealth. Now you say money is wealth. This whole discussion is crazy enough without your changing your mind."

"Well, there again you are mistaking things that represent wealth for the things that *are* in themselves wealth. Paper money is just so much paper. If it's marked "One Dollar" it will buy one four-course lunch. If "Ten Dollars" were printed on the same amount of paper with the same amount of ink, it would buy ten lunches. If "Fifty Thousand Dollars" were printed on the same amount of paper it would buy the whole restaurant. But the paper money is still nothing more than just a few cents' worth of paper and ink. And very often it won't buy anything at all outside of the country that issued it. On the other hand, fifty thousand dollars in gold or silver is quite different. It's good anywhere in the world. It weighs fifty thousand times as much as a dollar's worth, and will make a pile fifty thousand times as big. Gold can satisfy human desires when fashioned into jewelry, false teeth, and pen points. So you see, gold and silver—even copper pennies—are in themselves wealth; but paper money is just paper that represents silver or credit to the amount printed on the bill.

Malcolm Buckmaster slumped down in his chair. He stared blankly at a statuette of Napoleon looking back at him from

the bookcase across the room. And then he looked sadly up into the eyes of the Poleco-ist.

"You know," said Malcolm wearily, "you shouldn't have come here. This morning I was a wealthy man; my safe was bulging with wealth. Now I know that my securities aren't wealth; that they're just paper that represents wealth that doesn't even exist. I feel like a penniless bum. You shouldn't have come, Mr. Poleco-ist."

Malcolm will feel better when he gets home. For his house



is wealth. So are his landscaped gardens; his cars, horses, and dogs; and all of the other material things he owns that were worked on by labor in such a way as to fit them better to satisfy human desires. Such things are real wealth.

And even his securities are wealth in a certain sense. They are material (paper) and were printed by human energy (labor) to satisfy the desires of those who wished to buy and sell bonds, mortgages, and stocks. They are wealth to the extent of being used paper; and the junk man will pay four cents a pound for it. So, if all Malcolm's securities weigh twenty pounds, and if a depression bad enough to make his holdings worthless comes

along, and if he decides to sell his securities for what they'll be worth as *wealth*, he'll get eighty cents for the safe—almost enough to buy one four-course lunch. Something very much like that happened during the early '20s. It seems that, among the things left after the collapse of the huge financial empire built up originally by Samuel Insull, were three tons of paper, consisting of old bonds, debentures, stock certificates, vouchers, receipts, and canceled checks. A junk man, called to cart the stuff away, bought it all as waste paper for about \$400.

23

PRODUCTION

SOCRATES: *And -will you have a work better done when the workman has many occupations or when he has only one?*

—Plato, Republic

WHEN the Poleco-ist speaks of *production* he means production of wealth—the production of tangible material goods, *and nothing else*. Whenever labor is exerted upon a material thing like land, or upon a product of land, *production of wealth* is almost certain to result, and the stockpile of wealth grows larger.

Both land and labor are absolutely necessary to production; one or the other alone will not do. For example, if all land were held out of use, for any reason, no wealth could be produced. Similarly, if all men chose to stop laboring, production of wealth would stop completely. Labor can't produce wealth without land; and land can't become wealth unless labor is applied to it.

Capital is almost, but not quite, as necessary to production. For, while production is far easier and generally more efficient

when capital is used, it is possible to produce a few forms of wealth without it. Eggs of wild birds, clams, mussels, oysters, wild fruit, nuts, and berries may be gathered without the use of capital; and gathering such free-for-the-taking food is undeniably wealth production. Very primitive shelter in the form of small huts or tents can be constructed of reeds, twigs, and grasses, or even of certain muds, without capital. True, the food, clothing, and shelter produced without capital are necessarily simple and somewhat crude; but such items nevertheless add a bit to the stockpile of wealth. For, crude as they are, such things are material, are produced by labor, do satisfy human desires, and are, therefore, wealth.

In our modern society, production by one man or by a group of men is almost impossible. The fact is that even one nation, strictly speaking, can't produce wealth by itself. At best, it can produce only part wealth. For, if we are to think in terms of normal production, people all over the world must voluntarily cooperate, must actually produce their share of wealth, or the production of wealth everywhere must slow down at least a little—the stockpile must dwindle.

To understand this idea—the idea that there can be no considerable production of wealth without civilizationwide cooperation—let's climb down into a flour-covered basement where John Dough., the neighborhood baker, labors. There we can watch him work up a batch of dough, allow it to rise, put a little of it in each of his many bread tins, slide them into his oven and—after a short time—remove the dough magically transformed into beautifully golden and heavenly fragrant loaves. Few would deny that John has produced wealth in the form of bread. But the fact is, he hasn't. In spite of what we saw, John hasn't really produced bread. He merely added some of the last touches to the breadmaking; that is, he did little more than add his bit of labor to that of many others who were as much responsible for the finished loaves as he was.

For example, before John can make bread, a farmer—probably many miles away—must plant and harvest wheat; a miller

must make flour of the wheat; railroad men and truck drivers must carry the flour to a wholesaler, who in turn must deliver it to John Dough's bakery. If we include the farm hands, flour-mill workers, typists, billing clerks, and traffic men, we find dozens of people who are doing as much as John is to make the bread John sells. But that's only a small part of the whole story. For bread isn't made of flour alone!

Besides flour, John must have milk, yeast, bread tins, and fuel of some kind to heat his ovens. That means that dairy farmers, veterinarians, milkers, pasteurizers, milk collectors, Milwaukee brewers, Pennsylvania coal miners or Oklahoma oil workers, tin miners in far-off Bolivia, and hundreds of other kinds of laborers must labor before John can even begin to bake the bread. John, it becomes evident, plays a very insignificant part in the production of the bread that comes out of his oven. This becomes clearer when we realize that, if any of those who took a major part in producing flour, milk, yeast, or fuel should refuse to produce, John Dough couldn't bake bread if his life depended on it. Production today is rarely, if ever, a one-man job.

24

NOTHING IS PRODUCED BY ONE INDUSTRY

"The time has come," the Walrus said, "to talk of many things: Of shoes—and ships—and sealing-wax—Of cabbages and kings."—Lewis Carroll, Through the Looking Glass

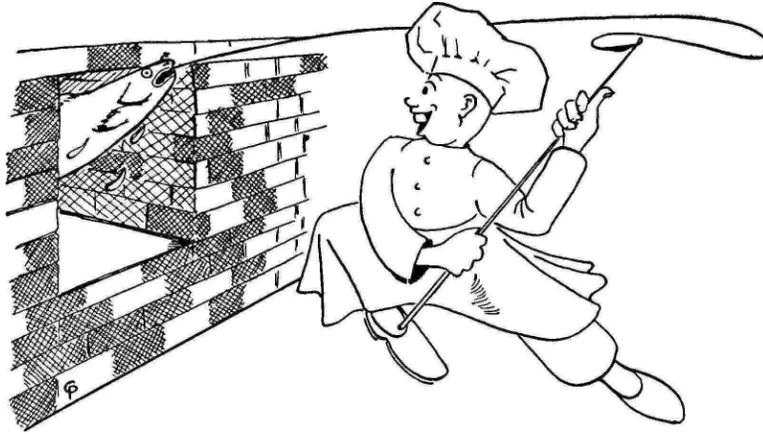
BUT EVEN if all those who produce the various ingredients that go into bread production continue to cooperate, and if loaves by the hundreds slide out of

John's ovens, the Poleco-ist still doesn't concede that wealth is being produced. He insists that bread is only *part* wealth. Because, we must remember, when he speaks of wealth he isn't thinking in terms of bread, *or* shoes, *or* pickle forks, *or* mouse-traps. By production of wealth he means production of bread *and* shoes *and* pickle forks *and* all of the thousands of other items forming our stockpile of wealth. When John Dough bakes, he is simply adding bread to a mountain of socks, mufflers, watches, automobiles, cesspools, tombstones, canoes, bungalows, marbles, bubble gum, and other material things produced by labor. And the Poleco-ist has a logical reason for thinking of wealth as he does. He explains it in the following way:

John Dough doesn't devote his life to bread baking because he is fond of bread. The chances are that, having baked so much of it, he can't stand the sight of bread. He probably never eats any. He certainly doesn't eat the thousands of loaves he produces. Rather than slave in his hellishly hot, airless, and flour-dusty cellar, John would prefer to spend his time sliding down a cold, stimulating ski run, tingling to the snow on his face. When he bakes bread he does so only because he knows he can exchange his bread for skis, heavy wool socks, warm shirts, and underwear, and all of the other things he will need to enjoy a holiday of skiing down the side of Vermont's Pico Peak. When he bakes bread he is, in effect, also producing everything for which he can trade his bread. While he is busily baking away in his basement he is in effect catching fish off Cape Cod, diving for pearls in the South Pacific, raising sheep in Australia, and carving cuckoo clocks in Bavaria.

If he weren't sure he could exchange the products of his labor for these other things, he certainly wouldn't produce more bread than he and his family were likely to eat. And if the producers of the things he wants weren't sure that the John Doughs in the world had bread—or other things—to exchange for their fish, pearls, wool, and such, they wouldn't bother to produce more than they could use to satisfy their own personal needs.

To summarize: All production all over the world is included



in the idea of production—not just the production of one man or one industry. All of the wealth produced everywhere is included in the Poleco-ist's idea of wealth, and not just one or two different kinds. Each unit of wealth is produced not for the enjoyment of the man who produces it, but rather to enable the producer to give it away in exchange for goods produced by others, goods he believes will more likely satisfy his desires.

25

TRUCK DRIVERS AND SMUGGLERS PRODUCE SILKEN LINGERIE

*A stage -where every man must
play a part, and mine a sad one.*

—William Shakespeare

ABEL D. LIVERY is proud of his two hundred pounds of brawn, and of his muscles that slither around beneath his perspiration-soaked shirt like a litter of Puppies under a wet bedsheet. He's an easy-going lad, and has

an excellent sense of humor. He can take a joke. But he won't] stand for unseemly remarks regarding his masculinity. When word reached him that the Poleco-ist had been telling the boys in the garage that he, Abel, made his living producing gossamer-sheer, lace-trimmed nightgowns, he went after the Poleco-ist with blood in his eye, and floored him with a backhand swipe of his bunch-of-bananas-like hand.

"Nobody's going to make cracks about me," Abel told the judge later. "I'm a truck driver, your honor, and I'm proud of it."



As usual, the Poleco-ist was misunderstood. He knew that Abel drove a truck for Swank, Snoot Company, manufacturers of provocative lingerie. But he also knew that, in driving the truck, Abel was taking part in the production of their exquisitely fashioned nightgowns. For, according to the Poleco-ist, production of a unit of wealth isn't completed *until that unit of wealth reaches the ultimate consumer.*

The actual production of the nightgown that Abel denied making began in far-off China, when a Chinese workman played nursemaid to some young silkworms that were blissfully eating their way through a field full of mulberry bushes. After the silk-

worms had spun cocoons around themselves, another laborer gathered them up. One step of production at a time followed. Someone dropped the cocoons into boiling water, another laborer unwound the fine threads from around the boiled worm, and then some other laborer twisted the threads together to spin heavier threads. These had to be woven into silk cloth, which was later shipped to an American importer who sold some to Abel's boss, who then fashioned it into a nightgown. Abel delivered the gown, and a salesgirl sold it. Everyone, from the guardian of the silkworms to the girl who sold the gown, made his living by working with others to *produce* a gossamer-sheer, lace-trimmed nightgown; and the labor of muscular Abel D. Livery was as necessary as any. If any one of those who took part in producing the gown had failed to do his particular job, the nightie could not have reached the consumer, and therefore could not have satisfied a human desire—in other words, could not have become wealth produced. Abel owes the Poleco-ist an apology.

Even the smuggler, who sneaked the silk into the country to avoid paying a tariff, took part in the production of the nightie. True, he's a lawbreaker; but it must be remembered that he is considered a lawbreaker only because a man-made law forbids bringing silks, desired by Americans, into the country without first paying a tariff. If the law were repealed, the smuggler—carrying goods from a seller to a buyer—doing exactly what he's doing now, would become transformed magically from a blood-thirsty outlaw into an honorable seafaring captain—still a producer of nighties.

Production of wealth, then, isn't completed until the wealth reaches the consumer; consequently, transportation of goods is part of *production*, and *not* part of *distribution*, as so many of our editors, radio commentators, and congressmen seem to believe.

26

THE NATURE OF CAPITAL

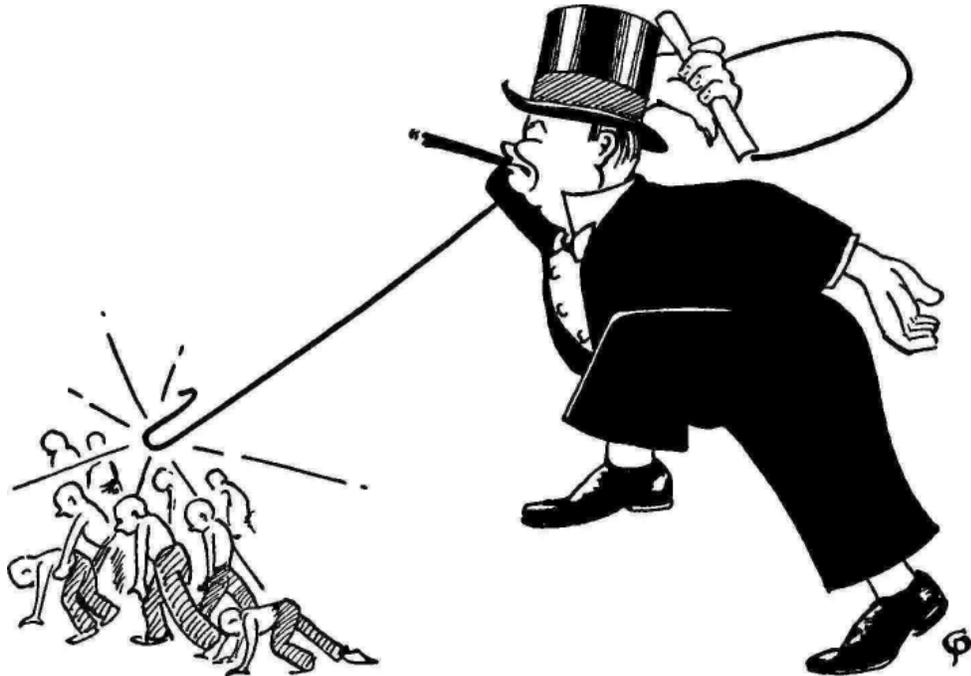
. . . the powers of Labour, and of the other instruments which produce wealth, may be indefinitely increased by using their Products (wealth) as the means of further Production.—N. W. Senior, Political Economy

THE DIFFERENCE BETWEEN labor and capital is exactly like the difference between the voice of a singer and the record on which the voice is held captive. The] sounds made by the voice, like labor, are immaterial things and,; like labor, are gone forever after leaving the human body from which they came. The record, like capital, is a material thing, and,; makes it possible to hear the voice impressed on it hundreds of,; times over, even after the singer has died. Similarly, labor im- pressed on land or a land product makes it possible to use that labor to produce wealth, long after the actual labor has left the body of the laborer.

For example, labor used to breed animals or fowl becomes part of those animals. The difference in the quantity of meat, milk, wool, or eggs yielded by a wild creature and by a domesticated one is evidence that the labor spent in breeding is still part of the animals. The labor spent in tearing down and shaping a tree branch remains as part of a club, as long as the club lasts as a tool. The crude stone hammer, made of land in the forms of a branch, a rock, and a rawhide thong, is part labor just as long i as that hammer helps the user produce more wealth. The differ-ence in appearance and productive power between the stone hammer and the tree branch and stones from which it was made,

is the labor spent in making it. Modern equipment, machines that produce thousands of pairs of shoes or fountain pens, can do so only because man in the past impressed his labor, mental and physical, on the design, metals, and wood from which the wonderful machines were made.

Most of us, without having been aware of it, have been taught to think of capital as something quite different. Thanks to the cartoonists, capital is usually thought of as being a useless, heartless, bloodsucking villain who bullwhips honest, though poor, laborers into his factories. We have also been educated by the



cartoonists to think of capital as a person who robs his laborers of their wages, year after year, until, underfed and overworked, they finally collapse in the gutter. Some cartoonists, more zealous than the others, give the impression that the shawled, bony widow and the sunken-eyed orphans left by the corpses are then gobbled down whole by capital, an incurably selfish, cruel, greedy, and very-much-alive monster of a man. Actually, capital is not a man at all. Owners of capital are men; but capital itself might be almost anything except a man.

Strangely enough, the industrialists and merchants of the nation—the people who own and use so much capital—have an

equally confused idea of what capital really is. Still more strange, the meaning of the word seems to be the only thing upon which labor-union leaders and the owners of capital agree. Both factions mistakenly believe (1) that there can be no jobs unless capital provides them; (2) that wages are paid out of capital; (3) that paper money, mortgages, stocks, and bonds may be used as capital; (4) that Wall Streeters are capitalists. One need only attend a Kiwanis luncheon, a Chamber of Commerce meeting, a labor-union rally, or a governmental arbitration board meeting to learn that some of our most influential national figures share a number of other ideas about capital that are equally illogical and impossible. If such men, those most concerned with capital, seem to know so very little about it, little wonder that the capitalistic system* doesn't always work as well as it should; that the buying power of wages continues to fall in spite of wage increases won by unions; that small businessmen must take greater risks and be satisfied with a smaller percentage of profit with the passing of each generation; that big corporations tend to swallow up small businesses at a faster and faster rate; and that government is forced to assume more and more control over the laborer and over small and big business.

Their ignorance of what the word *capital* means might well be forgiven. As businessmen, they don't have to know what capital is, but only how to use it. There are even many economists who, as such, are supposed to be specialists in things like capital, yet do not agree as to its nature. True, no careful economist ever thinks of capital as being a man; and not all economists have troubled to say *precisely* what it is they do mean when they use the word. And few of those of the early days of economics who have even partially defined the word seem to be in agreement with each other. The following examples, a small part of the full list of definitions of the same word, should illustrate the confusion that exists among our most celebrated scholars:

* The term *capitalistic system* is a misnomer. Just as we won't find a small house in a cottage pudding, nor a baseball bat in a club sandwich, we don't find economic capital to be the essential element of our *capitalistic system*.

Aristotle said *money* is capital.

John Locke said *stored-up labor* is capital.

Cantillon said *tools and farm animals* are capital.

Turgot said *circulating wealth* is capital.

Adam Smith said *stock from which a revenue is expected* is capital.

Lauderdale said *whatever replaces and saves labor* is capital.

Petty said *knowledge, skill, and culture* are capital.

Senior said *wealth used in production* is capital.

Veblen said *earning power of paper securities* is capital.

Marx said *means of production when they are used at the same time as means of exploitation and subjection of the laborer* is capital.

Obviously, a word meaning so many things can mean nothing in particular. Rather than try to make sense out of the jumble left us by earlier scholars, we might spend our time to better advantage if we should start at scratch, discover for ourselves the nature of capital, and then define it accordingly.

Everything, as we explained earlier, has its own nature, its own essential qualities—an *essence*, as the ancient philosophers called it. "Look to the essence of a thing" Marcus Aurelius advised, "whether it be a point of doctrine, of practice, or of interpretation." It is the *essence* of capital, whatever it may be, that marks the difference between it and all other things. We must discover this essential quality of capital if we are to understand exactly what it is that we're talking about when we use the word *capital*.

Just as the essence of sugar is sweetness, and the essence of water is wetness, *the essence of capital is productiveness*. Take the sweetness out of sugar and we no longer have sugar. Imagine a thing that hasn't the power to increase the stockpile of wealth, and we imagine something that can't possibly be considered capital. If capital is to do anything, it must add something material to the stockpile. It must, because, like land and labor, it is a factor of production—a certain "something" that, like land and labor, helps produce goods. If capital weren't productive, there'd be no reason whatever for political economists even to use the

word. It becomes evident, then, that anything that doesn't produce goods just can't be capital. Therefore part of our definition of capital *must* be (*something*) *that produces wealth*, yet something that's neither land nor labor.

If we should just list things which are neither land nor labor, yet do—when used—increase the size of our stockpile of wealth, and then if we should note what qualities all of these things have in common, we shall have little trouble defining *capital* according to its nature. Such a list would include things like machines, tools, cattle, chickens, seed, fertilizer, raw materials, farms, factories, fishing boats, mining equipment, storage plants, trucks, and retail shops. All of these, we know, play an important part in producing wealth. None of these is labor, certainly. And none is land, since our definition excludes all things man has made. But all of the things we listed are combinations of both land and labor, and they satisfy human desires—in other words, they are wealth!

If we should substitute the word *wealth* now for the mysterious "something" in our uncompleted definition of capital, we shall end up with: *capital is -wealth used to produce more, or other, wealth*. And that is the Poleco-ist's definition of capital. Whatever isn't wealth, therefore, will not be capital. Whatever isn't actually adding new or other wealth to our stockpile, according to our definition, cannot be considered capital.

Now, if we return to the definitions of capital offered by the earlier scholars we have listed, we shall find that some are included in the Poleco-ist's definition, while others, for reasons that will become more apparent as we go on, are excluded.

27

WEATH-EARNING WEALTH IS NOT CAPITAL

. . . *And things are not what they seem* .— Longfellow, *Psalm of Life*

WHEN THE Poleco-ist speaks of wealth being used to *produce* wealth, he doesn't mean wealth used to *earn* an income. There's a big difference between the two ideas, as we shall see.

A merchant, for instance, might offer typewriters on a rental basis. A person borrowing a typewriter from him would be expected to pay him a sum of money every month — let's say five dollars — until the machine is returned. The typewriter, obviously, is earning five dollars a month for the merchant. But the machine, which he *considers* his capital, isn't producing the five dollars the merchant collects. That money, or its equivalent in goods, comes out of the wealth of the customer — wealth that simply changes places from the customer's pocket to the merchant's cash register. As a result of the transaction, there is no increase of wealth in the world. The stockpile hasn't grown a bit. There is still only one completed typewriter and five dollars, just as there was before the typewriter was "rented."

To look at the same deal in another way, let us say that it was a popular novelist who borrowed the typewriter at five dollars a month and in six months' time turned out a novel that netted him ten thousand dollars. We might say that the typewriter helped produce that novel, and that the six months' "rent" the merchant received came out of the earnings of the novel. But suppose the borrower to be a schoolgirl, studying to be a typist. The machine would be used then not to produce but to destroy Wealth — reams of practice paper, each sheet bearing line after line of "Now is the time for all good men to come to the aid

of their country." Regardless of whether the machine be used to produce a salable novel or merely to destroy wealth in the form of practice paper, the merchant will still collect his five dollars a month. Obviously, then, the earnings of our merchant's so-called capital cannot come out of the wealth produced by the machine, since in one instance wealth in the form of paper was destroyed by it. It is impossible to take five dollars in wealth out of destroyed paper.

If we understand that "rented-out" typewriters are not capital, it must follow that nothing rented out—bicycles, automobiles, pianos, money, land, apartments, offices—is capital. True, such things may be *called* capital, or anything else the owner wishes to call them, but since they add nothing to the stockpile of wealth through being "rented out," and since the essence of capital is its ability to increase the stockpile, such things cannot logically be called *capital* by the Poleco-ist. Since Adam Smith presents the idea so well in *The Wealth of Nations*, it is worth quoting him on why, although it earns wealth for its owner, rented-out wealth is not truly capital:

A dwelling house as such contributes nothing to the revenue of its inhabitants; and though it is, no doubt, extremely useful to him, it is as his clothes and his household furniture are useful to him, which, however, make a part of his expense and not his revenue. If it is to be let to a tenant for rent, as the house itself can produce nothing, the tenant must always pay the rent out of some other revenue which he derives either from labour, or stock, or land. Though a house, therefore, may yield a revenue to its proprietor, and therefore serve in the function of a capital to it, the revenue of the whole body of the people can never be in the smallest degree increased by it.

28

ALL WEALTH IS NOT CAPITAL

You might just as well say, added the March Hare, that "I like -what I get" is the same thing as "I get •what I like!"—Lewis Carroll, Alice's Adventures in Wonderland

WHEN WE SAY that all apples are fruit we do not mean that all fruits are apples. When we say that all women are human, we do not mean that all humans are women. Similarly, when we say that all capital is wealth, we do not mean that all wealth is capital. The fact is that there is far more wealth in the world that is not capital than wealth that is. For only things like factories and the machinery and goods in them; retail stores and the fixtures and goods in them; farms and all of the farm buildings, machinery, animals, fruit trees, and seed on them; and other wealth-producing wealth, are capital. Although homes, theaters, hotels, museums, boulevards, and parks are also wealth, they do not produce more wealth, and are therefore not capital. For the same reason, the clothes on our backs and in our closets, the food on our table and in our cupboards, the furnishings inside our homes—no matter how valuable—are only wealth; not capital.

In his famous *Progress and Poverty*, Henry George explained the difference between wealth that is, and wealth that is not, capital:

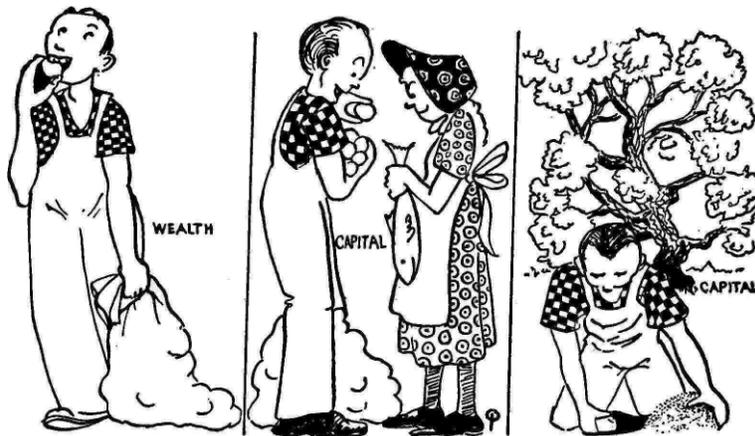
Now, if . . . we look for the distinction between the two classes (things that are and things that are not capital), we shall not find it to be as to the character, capabilities or final destination of the things themselves as has been vainly attempted to draw it; but it seems to me that we shall find it to be as to whether they are or are

not in the possession of the consumer. Such articles of wealth as in themselves, in their uses, or in their products, are yet to be exchanged are capital; such articles of wealth as are in the hands of the consumer are not capital. (Italics ours.)

In other words, a lathe in a woodworking factory is wealth producing more wealth in the form of clothes-pins, rolling pins; or table legs, products which will be sold to the wholesaler who will sell them to the retailer who will sell them to Mrs. Jones, the consumer. That lathe and the things it produces are capital. The same lathe moved to Mrs. Jones's basement and used by her husband to make new table legs for Mrs. Jones's kitchen tablet will not be capital, because both the services of the lathe and, the table legs are always in the hands of the Joneses—the consumers. A lollipop in the candy store is capital, because it hasn't reached the consumer. But the instant Junior takes the lollipop! with one hand and slaps his nickel down on the counter with the other, the lollipop reaches the consumer, Junior, and is no longer capital, but wealth—Junior's wealth.

The same Henry George, in *The Science of Political Economy*, explained the idea in still another way:

. . . the man who has obtained the possession of wealth by gathering fruit and carrying it to a more convenient place may utilize its



potency of ministering to desire in different ways. Let us suppose him to divide this wealth, this gathered fruit, into three portions. One portion he will eat as he feels desire; another portion he will give to some other man in exchange for some other form of wealth; and the third portion he will plant in order that in the future he may more readily and more abundantly satisfy his desire for such fruit. All three of these portions are alike wealth. But the first portion (that which he eats) is merely wealth; its use is the final use of all wealth—the satisfaction of desire. But the second and third portions (the portion traded with another man and the portion planted) are not simply wealth—they are capital; their use is in obtaining more or other wealth, which in its turn may be used for the satisfaction of desire.

29

THREE KINDS OF CAPITAL

THREE KINDS OF CAPITAL

Like,—but oh how different!

—Wordsworth

WHILE ALL capital has the power to produce more, or other, wealth, different kinds produce it in different ways. For example, things like tools, machinery, factories, and retail stores—*fixed capital*—simply make it easier for labor to produce a greater quantity of wealth. But such capital produces more wealth only so long as labor is at work with it, and stops producing the moment the workman goes home or leaves for a smoke. If left idle for six months or a year, such capital during that time will not have produced anything—more likely it will have become less valuable since such capital left unused deteriorates.

A second form, called *circulating capital*, is the kind that's still in exchange. That is, it begins life as a raw material (a farm product, an animal, a mineral) and is passed on in exchange for other wealth to the processor, who in turn passes it on, in an

altered form, to the manufacturer, who forms it into shoes, shirts, shingles, and such. His products, in turn, are sent to retailers in exchange for their wealth, or claims to wealth, and the retailer finally passes them on to the consumer in exchange for his wealth. While the raw material passes along in one direction, and is altered either in shape or location by labor with each exchange, it increases in value.* This kind of capital, like fixed capital, produces nothing without labor being constantly added to it.

But the third form of capital, *living capital*, is totally unlike the other two. For, such things as cotton and wheat seed, once planted, increase themselves even while Obie, at the other end of his farm, is busy milking. Even while Obie attends church, or is asleep, his crop grows, his hens produce eggs, his cows, milk—all are capital producing wealth with hardly any help from him. The rancher's cattle add to the stockpile of wealth by putting on more weight, by growing bigger, and by having calves—all this while the cowboys may be miles away fixing fences, "breaking" horses, liquoring up in town, or even playing guitar in a cowboy band. Living capital, unlike circulating and fixed capital, increases *without* labor's help.

Since all three types of capital—*fixed* capital, *circulating* capital, and *living* capital—take part in producing wealth, all three are included in the Poleco-ist's understanding of the word *capital*. But the reader is urged to remember that, of the three forms, it is only living capital that actually makes our stockpile larger with almost no help from labor. To be sure, Obie must plant the seed, watch over it, and reap it—but the actual growth of a handful of tiny seeds into thousands of tomatoes or ears of corn is an increase with which Obie's labor, as such, had compara-

* That increased value represents the additional labor added during each new step in production. The consumer's claim to wealth, his dime, travels in the opposite direction. It starts by being given to the retailer for, let us say, a bread, and after being passed on in exchange to the wholesaler, and from him to the miller, it finally winds up in the farmer's pocket. But during each step, the dime grows smaller! For, the wholesaler and miller each take part of it as their wages for the work they contributed to the final bread making.

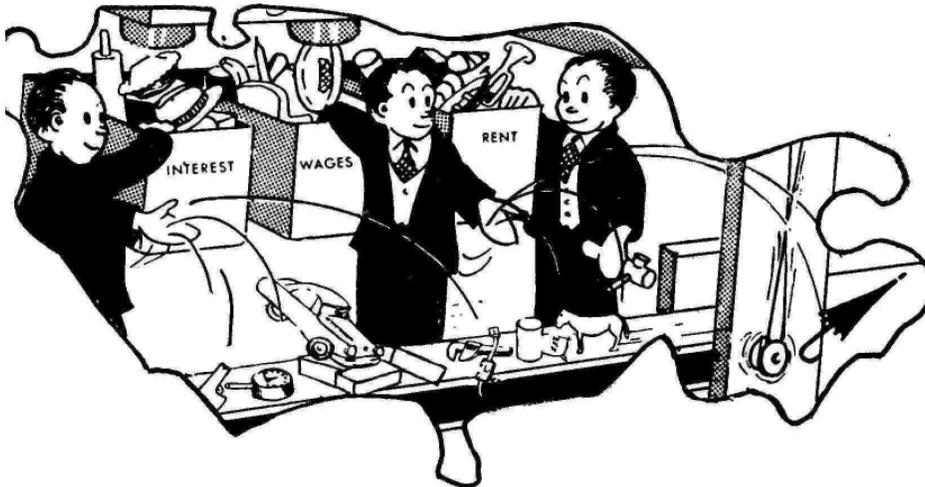
tively little to do. It is important that the reader keep this idea in mind, because it will come up again in later chapters.

30

ALL SURPLUS WEALTH ISN'T CAPITAL

*Is it not lawful for me to do -
what I will with my
own?—Matt. 20:12*

THE THREE little men in our jigsaw-puzzle piece are supposed to represent a laborer who has earned wages, a capitalist who has earned interest, and a landowner who has collected rent for the use of his land. In the drawing, we can see them throwing their earnings, their wealth, upon a moving belt which in turn will carry their capital into the capital bin. Since the function of capital is to help man produce more goods faster and with less effort, only things that can produce actual wealth are seen being tossed onto the belt. Things like money, stocks, bonds, mortgages, and other evidences of debt do not appear, because they cannot add goods to the stock-pile and therefore are not capital.



What we cannot see, however, is that the three little men do not throw all of their wealth onto the moving belt. It is only after they have provided themselves with food, clothing, shelter, and necessary gadgets that they can even consider using any of their wealth to produce more wealth for themselves. Consequently, in countries where laborers and businessmen do not earn much more than they need to keep themselves and their families alive, we do not find very much wealth left over to be used as capital.

But even after the three little men provide themselves with the necessities of life, they don't use *all* that's left as capital. They may prefer to give some of their surplus to a doctor for medical treatment, or to a lawyer for legal advice, or to the barber in exchange for good grooming and beauty. Perhaps they will choose to give some to a crooner in exchange for having him sing to them, or to a magician for having him astound them with bewildering magic; or to a politician, policeman, fireman, or bookmaker for any special service they may want badly enough. Actual proof that those who perform services can sell them only after the three little men provide themselves with the food, clothing, and shelter they need, may be observed during hard times. During those periods, doctors, lawyers, entertainers, engineers, artists, bootblacks, and other unproductive laborers find it tough to sell the services they have to offer, since their customers—the laborer and capitalist—have too little wealth left over with which to pay for them. Accordingly, it isn't unusual to find many trained professional people during the hard times between wars working for coffee and cake or taking low-pay jobs in factories. When the three little men are not earning, they have little wealth with which to pay for the pleasure of having a tooth drilled or an appendix removed, or of seeing a woman sawed in half. During hard times not only professional men but owners of night clubs, hotels, theaters, summer resorts, and race tracks also suffer. For, it isn't the three little productive fellows alone who find themselves unable to patronize such places. The professional people who must depend on our three little men for

their fees also find their incomes too small to allow such "trivial" pleasures. They accordingly turn to more "cultural" outlets, such as sitting at home reading, listening to the radio, playing bridge or canasta, attending free lectures, and enjoying other pastimes that cost little or nothing.

After taking care of their needs, our three little men may choose to invest their surplus at the race track, at a roulette table, on Wall Street, on the Chicago Grain Market, or in some other form of gambling. The particular form of gambling they finally choose will depend, of course, on where they think they can get the greatest return with the least risk. But here again, when hard times come rolling around, we find many gamblers driven to despair. Some who guessed wrong on the stock market jump out of windows, shoot holes in their heads, or slash their wrists. Bookmakers whose clients formerly risked hundreds of dollars on a horse's nose will now, during hard times, take fifty-cent "show" bets. Cheap raffle tickets and ten-cent baseball pool gambling become fashionable.

Even insurance companies and banks must depend for their income on the surplus of the three little men. For when the little fellows stop earning, we find them unable to deposit money in savings banks and drawing out what funds they have. More insurance policies are allowed to lapse, and more mortgages, through which the banks and insurance companies loaned out their money, are defaulted. The result is that farms and homes are foreclosed or left on the hands of the banks and insurance companies so fast and in such great numbers that without the government stepping in to take the biggest lemons off their hands, many of the moneylenders would be ruined.

The three little men have another choice as to where to invest their surplus wealth rather than use it as capital. They often find it more advantageous to bribe government officials and statesmen with it to gain, in return, special privileges—protective tariffs, subsidies, or contracts from government, county, or city. The politician and political parties do very well when the three little fellows have lots of surplus wealth. But when the bloom fades off

the boom, there is little surplus for the government to tax, very little in the public treasury to steal, and bribes grow so small and few that the unfortunate politicians are compelled to compete against each other for what little graft there is. They become so hungry for swag that isn't there, they grow bolder and take longer chances, until even the public, blind as it usually is, realizes it is being robbed. That is why hard times (as well as preelection periods) bring with them so many political scandals, so many jailed public officials, so many "reform" movements and so many men who are not members of political parties elected to high office.

And so we see that it is only after men have provided themselves with food, clothing, and shelter that any of their wealth can possibly be used as capital, payment for services, gambling chips, and bribes. Surplus wealth will be used as capital only when the use of capital promises to bring greater satisfactions than the same wealth would bring if exchanged for services, risked in a crap game, or slipped under a table as a bribe.

If it is true that capital is surplus wealth, it must follow that the only limit to the amount of capital that might be made available is the amount of wealth left over after a community provides itself with food, clothing, and shelter. In other words, it is only when the earnings of those who actually produce material goods are greater than their cost of living that capital can possibly be accumulated and used, or that *unproductive* laborers can hope to make a living.

As mentioned earlier, the Poleco-ist isn't interested in anything except what wealth is, how it is produced, and how it is divided among the producers. The instant the three little men get their hands on the goods which their land, labor, and capital produced, their goods have reached the consumer, and the production of wealth has been completed. For all the Poleco-ist cares, the three little men can eat their wealth, save it, or gamble with it; they can buy medical care, schooling, beauty, or culture with it; they can give it away, or even burn it. Whatever they

do with it, at that stage, will make no difference whatever in the production or distribution of wealth, the only matters with which the Poleco-ist is concerned. On the other hand, if by chance one or more of our three little men should decide to toss some wealth onto the belt to be used as capital, to produce more wealth, the Poleco-ist takes a new interest in it because it is being used in production of wealth, and production of wealth is all-important to him.

31

WHEN CAPITAL IS USED

*There's a time for some things, and
a time for all things; a time for
great things, and a time for small
things.—Cervantes*

THE NEXT PIECE of our jigsaw puzzle illustrates an imaginary bucket belt scooping up wealth that is being offered as capital, and then carrying it up to our old friend, the comfort-loving fellow perched on the edge of the Labor Bin.* If we study the drawing carefully we can see that he doesn't sweep all of the capital offered into the Labor Bin to use it as an aid to labor. He allows some of the capital to go by and to fall back, unwanted, into the Capital Bin from which it came. Later, the refused bit of capital, carried up again, might be accepted by the little fellow. On the other hand, it may be left in the Capital Bin to waste away like the goods that are so often produced by overoptimistic manufacturers, goods that are unsalable at a profit, goods that are stored away to gather dust, almost forgotten. Such things offered one day as capital become junk the next. Piles of war materials left over after every war, to rot and spoil at waterfronts throughout the world, are typical of

* See the jigsaw-puzzle piece on p. 43.

unwanted wealth that might have been used as capital, but wasn't. The comfort-loving little fellow passed up those piles of girders, tractors, food, and other unwanted war goods.

It is because he represents the part of man's nature that compels him to satisfy his desires with as little effort as possible that the lazy little man is so fussy about the capital he will choose to use. Having the power to reason, he knows that the more capital he uses, the less work he will have to do. But he also knows that when capital will cost him more than the labor required to do the same job, he's better off doing without capital.*

For example, if a truck should come up via the bucket belt, the leisurely little fellow might sweep it into the bin to make the labor of our old friend Abel D. Livery more efficient. The same truck coming up at another time and place would not be accepted—if,

* Those who have had some education in economics may miss mention at this point of the Law of Diminishing Returns. The "law" is more properly within the province of economics than of political economy. For the operation of the "law" is discernible only in *particular* production, on a *particular* farm, in a *particular* factory or retail shop. Political economy—or Poleco—is concerned only with the *general*. If we should think of the world *production* to mean *all* of the world's production and not that of John Dough in particular; and the word *capital* to mean *all* capital comprising one idea—as the Poleco-ist does—it becomes apparent that the economist's Law of Diminishing Returns has little meaning in the politico-economic sense.

for example, it happened to be Asiatic or South American labor that is to be aided. For labor is so cheap in those countries, it is more efficient—that is, less costly—to move goods from place to place on the backs of a hundred human beings than it would be to use an expensive truck. Even in our own country, during hard times, labor is so plentiful, and therefore cheap, fewer trucks and labor-saving devices in general are used. Instead, more human muscle is put to work to do the carrying and lifting necessary. During hard times, then, when labor is cheap, the little fellow perched atop our drawing might be imagined sweeping less capital into the Labor Bin; and the stockpile of wealth, as a result, growing smaller. But in prosperous times, which unfortunately are also war times, he would sweep capital into the Labor Bin as fast as the wealth from which it is drawn can be produced. In fact, the lazy fellow during prosperous high-wages times may be seen scrambling down to the three little men below, throwing himself on his knees, offering fabulous prices, and begging for more and any wealth that he might use as capital—capital that will, if added to the Labor Bin, produce more wealth faster, more easily, and more profitably.

32

“POOR” COUNTRIES DO NOT LACK CAPITAL

Capital is only the fruit of labor.

—Abraham Lincoln

MOST of us have learned to believe that the people of India, China, Mexico, and other so-called backward nations are poor because they lack capital. Since, as we have seen, capital is nothing more than wealth, and wealth nothing more than human energy combined with land in one form or another, the absence of capital too often suggests that there is a shortage of land or of labor in backward countries like

India and China. But that isn't true. For these "poor" countries have many times more land and labor than they use. The area of Mexico is greater than that of seven of the more prosperous European nations—France, Great Britain, Sweden, Holland, Denmark, Belgium,, Spain, and Portugal—*combined*, certainly enough land for the comparatively few people living in Mexico. And yet Mexico is as backward as India and China. The majority of Mexicans are as poor as the Chinese and Indians.

Or, we might suppose that the people of those countries don't work hard enough. But anyone who has visited those parts of the world knows that the Chinese, Indians, and Mexicans work much harder for the little they get than do people in more prosperous countries. And when natives of India, China, and Mexico do manage to get into the United States, we find that they are far more willing to work hard than we are. Undeniably, they have everything it takes—both land and labor—to produce as much capital as people anywhere.

Many believe, as Tom Malthus taught, that there are too many people in those poor countries, that there isn't enough land to support so many. But if we bother to look into any atlas, we shall find that there aren't as many people to the mile in those poor countries as there are in comparatively prosperous ones. For example, in India there are only 247 people to the square mile, while in England there are more than twice that many. In China, including Manchuria, there are only 120 Chinese to every square mile, while Belgium, with 713 people to the square mile, is almost six times as crowded. As for explaining Mexican poverty by arguing that there are too many people trying to dine off too little land, there are in fact only 25 Mexicans to each square mile of territory, while California, just across the border, with almost twice as many humans to the square mile, is one of the wealthiest areas on earth. Contrary to popular opinion, it would seem that the wealthier nations and those using most capital are also the most crowded. Too *many people* certainly doesn't explain the lack of capital in backward countries. One other equally absurd explanation often offered to explain

the lack of capital in "backward" nations is that the land of such nations is poor and worn out. But that idea is based on the false notion that the only use for land is agriculture. Poor as the land of the backward nations is said to be, the richest men in the world draw all of their fabulously great wealth out of that same land. Ibn Saud, for example, who rules over poverty-stricken Saudi Arabia, collects royalties from American oil companies to the amount of more than 125 million dollars a year; more than 340 thousand dollars a day! * Arabian oil is pumped out of Arabian soil by Arabian labor. How can such land be called *poor*? We know that many British and American stockholders have built huge fortunes through their investments in broken-down India. Most of the powerful nations of Europe, as well as Japan and the United States, have helped their businessmen draw billions of dollars out of the "poor" land and labor of China. Many American fortunes have been made out of Mexican mineral lands worked by Mexican labor; and yet such fortunes are as nothing when compared with the great wealth accumulated by a few "high born" Mexican families who have always been supported by handily corrupt politicians. Obviously, the wealth from which capital comes is produced in the "poor" countries; but, by some means or other, enough of it just doesn't seem to fall into the pockets of enough of the people of those countries so that they might accumulate a surplus to use as capital.

Worn-out soil, which is also blamed by the ignorant for poverty, is a result of poverty and is not the cause. Worn-out soil was no problem in prosperous California or in Palestine. Certain areas in those countries, only a few years ago, were desert, as dead and dry as any land could be. Today Palestinian land is again fertile, and the San Joachim Valley in California, formerly desert, has become one of the most productive agricultural spots on earth. Worn-out land doesn't explain a lack of capital or anything beyond the fact that the people who work the

* Other interesting figures pertaining to "backward" countries surrounding Saudi Arabia: Kuwait, about the size of New Jersey, pays its Sheik Abdullah \$200 million a year in oil royalties; Sheik Ali of Qatar gets royalties that average \$1,360 *a day*; Sheik Sulman of Bahrein gets around \$4 million a year.

land do not have anything left with which to pay for fertilizer and irrigation after they provide themselves with the least possible amount of food, clothing, and shelter.

All of this can lead to only one logical conclusion: somebody is collecting the surplus wealth produced, but is not putting it to use as capital in those backward countries in order to produce more or other wealth, because it costs less to buy labor in those countries than capital. It seems to be a fact that wherever labor is most expensive we find most machinery and other capital used, and we find new tools and methods developed at a faster rate; while the opposite is always true where wages are lowest. History seems to bear out this observation without revealing a single exception.

Who that "somebody" is who collects the surplus wealth is the culprit we started to track down some pages ago. Why labor is so cheap in backward countries is a question that must be left for later chapters.

33

CAPITAL DOESN'T COMPETE WITH LABOR

*Machines that equity demands
Should benefit the human race,
But serve in heartless owners'
hands,
Competing workmen to displace; .*

—J. L. McCreery

STARTING with the idea, as most of us do, that capital consists entirely of labor-saving devices—machinery, tools, and electrical appliances—it is only natural for us to conclude that capital tends to replace labor in

production,

to make labor and the laborer more and more unnecessary. But the facts are, as anyone who examines the question with a little care can see, capital and labor are not, and cannot be, in competition with each other. For capital and labor can't always do the same jobs.

First of all there are certain things that cannot be done by the laborer at all. We can't stuff a laborer's ears with rich soil, bury a few seeds in them, and call the laborer a farm. We can't strap a turret lathe on his back, stick some assorted tools into his hands, and use him as a factory. We can't build shelves to



hang from his shoulders, load them with merchandise, hang a neon sign from between his ears, and call him a retail store. Farms, factories, and retail stores are forms of capital for which labor can't be substituted.

On the other hand, a farm can't plow, cultivate, plant, or harvest itself. Only labor can do such things. A factory can't keep its equipment in order, keep itself operating, or supply itself with raw materials. Merchandise can't display itself, price itself, sell itself, or deliver itself. All of these jobs can be done by labor

only. These *and all other* forms of capital, useless until they are in the hands of a human being, simply add power to man's labor.

There are other jobs, very simple ones, that labor can't possibly do without capital. A tree would be useless to man if he weren't able to use capital in the form of an axe, a saw, a plane, or a hammer. No fabrics could be made by labor alone, since some sort of capital in the form of flax, wool, cotton, silk, spinning devices, and looms would be absolutely necessary. Even if man were content to wear animal skins rather than fabrics for clothing, he would at least need capital in the form of a knife to remove the skin from the animal's carcass. These are the simple forms of capital for which labor can't be substituted. But if we consider the more complicated products upon which we depend—plastics, metal objects, synthetic products, anything that is carved, joined, heat-hardened, canned, or otherwise preserved—we can see that the machinery needed to produce such wealth obviously does not compete with men for jobs, since man, unassisted by machinery, can't produce such things.

There are, of course, other forms of capital, but these even less than those we have discussed compete with labor. Until men learn to lay eggs, grow wool on their backs, or give milk, they cannot look upon capital in the form of livestock as doing them out of a job. Fishing boats, nets, hooks, and harpoons do not put men out of work, unless we can imagine a man shot out of a harpoon gun.

Perhaps the only forms of capital that might compete with labor are those used for digging, lifting, and carrying things, which in the final analysis are occupations unfit for human beings. There is no good reason why a man should be compelled to carry a load on his back, since trucks and mules do such work better. To put a human to work digging into the dirt in order to prepare a foundation for a building, or to remove coal from a mine, is not only degrading but is wasteful, particularly because man, if we'd allow him to, can do far more important work. Ditches and foundations are dug better by capital in the form of

steam shovels and bulldozers. Farmers still push and guide a plow only in the very poorest parts of the world. Mechanized farm equipment is better suited to such work. The only explanation for men continuing to compete for jobs with dumb animals and machines is that jobs are usually so scarce throughout the world, men must compete for the few jobs open to them; which makes man's labor cheaper than machines. But if it were arranged so that there would be more jobs available than humans willing to do them, wages would rise, and such stupid work as digging, lifting, and carrying would, through necessity, have to be turned over to the cheaper-than-labor brainless machines and dumb animals. This becomes apparent during every war, when labor becomes so scarce and costly that almost all the carrying, digging, and lifting is done by specially invented machines. Even little boys who formerly would earn pocket money after school by carrying groceries home for ladies can't be found hanging around the stores. Their labor, like all labor during bloody though prosperous war years, is busy doing work that requires more brain and imagination than carrying bundles.

The Poleco-ist believes—he may be wrong—that a world in which there are always more jobs to do than there are men to do them is not only possible but natural, once clumsy politicians stop meddling with our economic system. He believes such a world can be brought about, without taxing Peter to pay Paul, without murdering all who disagree, without marching on Washington to destroy our present form of government, and without going to war once or twice every generation.

34

CAPITAL AT WORK

To find an utterly uncivilized people we must find a people among whom there is no exchange or trade.—Henry George, The Science of Political Economy

IN A VERY SIMPLE society such as we might find in a new country where the population lives in small scattered groups, there is little or no capital. Miss Consumer might pick as much fruit as she likes from a wild-orange tree growing nearby and pay no one for it, since no one owns it: The oranges belong to nobody because nobody produced them. Like the shellfish, nuts, berries, animals, wild birds and their eggs, the wild-orange trees were created by nature. The Poleco-ist would describe Miss Consumer's helping herself by saying, "She



added her *labor* (energy spent in picking) to *land* (wild oranges), and as might be expected whenever labor and land are combined, wealth resulted—in this instance, wealth in the form of food."

Time passed, and Miss Consumer was wooed by and wed to Mr. Fisher, a fisherman. Like most of the men in the community, Mr. Fisher wasn't satisfied to live on the things he produced. He was tired of eating fish, fish, fish. He wanted other foods. And he wanted clothes for himself and for his bride. That is why he had spent so much of his spare time inventing and making fishhooks and nets. For with them—forms of capital—he was able to catch more fish than he needed for food. However, not only his fishhooks and nets were his capital, but all the fish he caught, above those he needed for his family, were his capital as well. In fact, his surplus fish, as we shall see, were his more important capital. For they enabled him to produce not fish alone, but anything for which he could exchange his fish.

There were many things for which he could swap his extra fish. For the other men of the community had become capitalists, too, and as such, produced more than they required for their own needs. For example, Mr. Weaver had made a loom in his spare time and used it to weave cloth and mats for anyone who could afford to buy them. Mr. Hunter had made traps and Mr. Archer had made bows and arrows.

Mr. Grower had planted and cared for an orange grove. Over a period of years he had managed to develop bigger, sweeter, and juicier oranges—the finest oranges to be had anywhere, and certainly far tastier than those that grew wild. The wild-orange trees that had been land were no longer so. For Mr. Grower had added his labor to them to produce better, more, and sweeter oranges, which made his orange grove *-wealth—his -wealth*. Mrs. Fisher realized she had no more right to the fruits of Mr. Grower's labor than he had to help himself to the fish her husband caught. But that didn't bother Mrs. Fisher. She could still help herself to the tiny, sour wild oranges that grew outside of town without paying for them. But, being human, she pre-

ferred Mr. Grower's sweeter, juicier ones and willingly gave one of the extra fish her husband caught for a dozen oranges that Mr. Grower could easily spare from his trees. Using his wealth, his oranges, in exchange enabled Mr. Grower to "produce" fish without going near the water. We might say he caught fish by chasing bugs off his orange trees. Mr. Fisher, on the other hand, produced oranges for his family by throwing his fishnets into the river. To put it another way, Mr. Fisher's capital—his surplus fish—produced, in effect, anything in the community for which



his fish could be exchanged. When wealth is exchanged in this way, the Poleco-ist says it is being used as capital to produce *other* wealth.

The community grew and spread out to cover a wider area. About ten miles from Mr. Grower's orange grove a certain Mr. Baker was winning great fame. His reputation as a baker of fragrant bread and delectable fruit pies had spread until one day Mr. Grower heard of it. Mrs. Grower, it seems, was a fine wife and mother, but she was also the worst baker imaginable. So it is easy to understand why Mr. Grower longed desperately for Mr. Baker's breads and pies. But a journey to and from Mr. Baker's

place twenty miles away was more than Mr. Grower was willing to pay for even the most heavenly pie.

Eventually, however, prodded by his insatiable longing, he hit upon an idea. He offered Mr. Mover, a neighbor who owned a horse and wagon, twenty-four oranges if he would bring a Baker pie back to him. Mr. Mover agreed, since Mrs. Fisher, Mr. Weaver, and Mr. Archer had offered him similar propositions. He could readily see how fine a living he would make by doing little more than ride through the beautiful countryside to and from Mr. Baker's shop. Thus, Mr. Mover became a capitalist, too, his capital consisting of a wild horse which he had caught and had "broken" to harness, and a wagon he had made in his spare time. Now, with the aid of his capital, he was taking part in the production of everything he transported: oranges, fish, cloth, fishhooks, etc.

Before long, Mr. Baker found himself with a surplus of oranges, fish, and the other things he had accepted in exchange for his breads and pies. To get rid of them before they spoiled, he had to become a merchant, operating a general store. As a result, Mr. Grower's oranges were being sold by Mr. Baker to people ten miles away from the nearest orange tree. Mr. Baker's customers were delighted! Now they could buy all sorts of things right in their own neighborhood, things for which, formerly, they had been compelled to travel ten long miles.*

One day Mr. Grower received a message from Mr. Seller, a merchant in another community several hundred miles away. "Dear Mr. Grower," it said; "Folks up here have never seen nor tasted an orange. But they've heard a lot about them, and being human, they're pestering me night and day to get some in stock. Can you send some oranges up to me at once on Mr. Mover's wagon? Yours truly, A. Seller (Prop.).

* Naturally, the idea of money and a banking system had to be developed at this stage, and it was. But since the subject of money requires far more space than can be spared in this chapter and is, moreover, a factor in finance rather than political economy, let's simply say that a money system developed. But since money merely represents claims to goods, let's continue to speak in terms of goods rather than money, and thus avoid confusion.

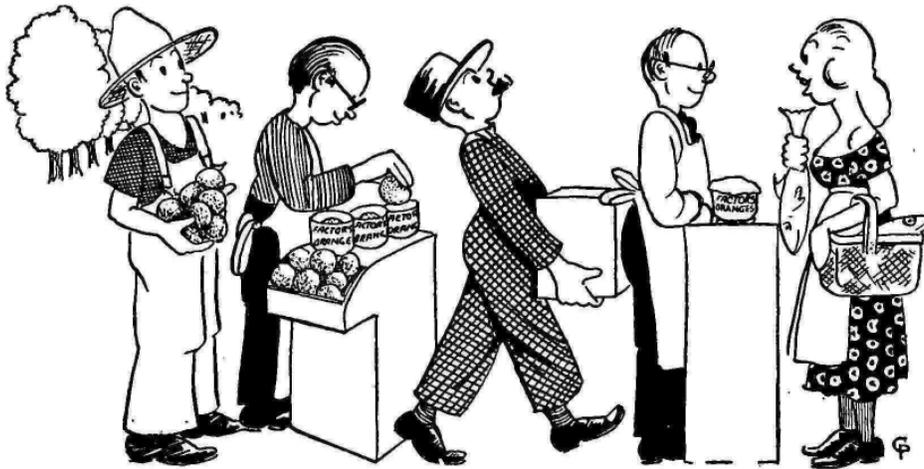
Mr. Grower knew his oranges. He knew that they'd rot before they reached Mr. Seller, whose store was so far away. (Refrigerated trucks hadn't been invented yet.) He knew, also, that his grove had grown so large he had far more oranges than he could sell in his own neighborhood. During the last few seasons, thousands of unsold oranges had rotted on the trees. What to do?

It so happened that a neighbor by the name of Factor, the pot-and-jar maker of the community, heard about Mr. Grower's problem. As he saw it, he could buy oranges from Mr. Grower at a very low price because the supply was so large. And he knew that he could get a high price from Mr. Seller because folks in his part of the country, never having tasted oranges, desired them desperately. He knew he could make a very good living if he could only figure out some way to preserve the oranges long enough to reach Mr. Seller's counters. As is usual when a human sees a profit—in other words, a chance to earn enough to satisfy more desires with less effort—the answer quickly developed itself in Mr. Factor's brain. Then he got to work.

First he took some of his fire-hardened clay jars. Next, he carefully packed each with oranges that had been thoroughly washed and sterilized in hot water. On top of the oranges he poured boiling sugar syrup until the jars were full; and finally he made an air-tight seal by pouring melted beeswax over the mouth of the jar. As a result of Mr. Factor's new preserving method, Mr. Seller's customers several hundred miles away were soon buying oranges as fast as Mr. Mover could carry preserved oranges to Mr. Seller's store. Now, in addition to keeping his own community supplied with pots and jars, Mr. Factor was employing additional capital—oranges, sugar, and beeswax—to become a manufacturer and "canner" of Factor's Famous Preserved Oranges, known to every housewife within the range of Mr. Mover's wagons. (Mr. Mover, of course, had to add more capital, too—horses and wagons—to handle the extra business.)

So we see that by employing more capital, Mr. Factor does more than increase the earning power of his own labor and

capital. He had also added to the earning power of Mr. Grower's labor and capital. (Mr. Grower now sells *all* the oranges he can grow and none goes to waste.) What's more, he gave Mr. Mover an opportunity to employ more capital (more horses and wagons), he added to the productive power of Mr. Seller's capital (his store and fixtures and stock) and, most important, he made it possible for consumers who had never tasted oranges before to have them in spite of the hundreds of rough miles that separated their town from the nearest orange tree. In certain respects, there is no difference between Mr. Grower



selling direct to Mrs. Fisher, nee Consumer, and his selling indirectly with the help of Factor, Mover, and Seller, to people hundreds of miles away. In both instances, production begins when Mr. Grower cultivates his orange trees, and ends when a consumer finally gets the orange into her hands.

At the same time, there's a big difference in the number of people producing oranges. In the beginning only Mr. Grower produced them. Later Mr. Grower, Mr. Factor, Mr. Mover, and Mr. Seller combined their efforts to produce oranges for Mrs. Fisher (nee Consumer). Moreover, as the oranges changed hands more often, the amount and variety of wealth increased for all concerned, while the effort required to earn an orange lessened

considerably. (It wasn't necessary to travel many miles for an orange as the use of capital increased.)

In spite of our example, communists and socialists won't agree that capital and capitalists make a community prosperous. To the Marxists' way of thinking, capital consists of labor-saving devices that put men out of work, since they do away with the need for labor. And yet, in our orange-growing example, we found that more people worked, earned wages, and lived better every time additional capital was put to use.

The Marxists will complain that many millions of people in capitalistic countries live in want and often don't have even the bare necessities of life. To support their argument, they'll quote the late Franklin D. Roosevelt, who said, "One-third of our population, the overwhelming majority of which is in agriculture or industry, is ill-nourished, ill-clad, and ill-housed." And that proves, they will tell us, that capitalism always means poverty for the masses in even the world's wealthiest capitalistic nations. And if we look about us, and read our newspapers, we do indeed find a great deal of poverty among the masses.

The Marxists might argue further that in our example we deliberately left out the "masses"; but that wouldn't be exactly true. For Messrs. Grower, Factor, Mover, Seller, and Fisher were all laborers and were certainly, therefore, of the "masses." But they were also users of capital—and therefore capitalists! Thus they were capitalists and of the "masses" at the same time. "Impossible!" the Marxists will shout. Not at all, the Poleco-ist will reply. For, as we shall see, it is possible *in a really free economy* for the masses to be capitalists; and for capitalists to be of the "masses."

35

LABOR EMPLOYS CAPITAL AND EXPLOITS IT

Labor in this country is independent and proud. It has not to ask the patronage of capital, but capital solicits the aid of labor.

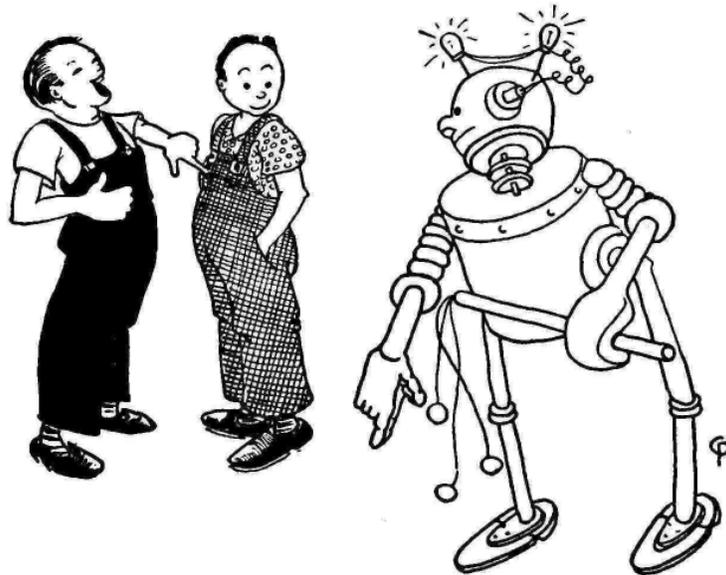
—Daniel Webster

WE HAVE GROWN accustomed to hearing the communists and socialists scream passionately, "Capital exploits labor!" Around election time, Republicans and Democrats thunder speeches containing things like "New capital must be provided to give jobs to labor." Very little thought is required to prove that both statements are equally stupid. As we have seen, the farmer's livestock, seed, tractors, and other equipment are his capital; but his cows can't milk nor butcher themselves, his sheep can't shear their own wool, his tractors and smaller farm equipment can't operate themselves, and his barns can't gather in the crop at harvest time. Even the most modern automatic machinery in the most highly modernized factory can't run itself, repair its broken parts, nor keep itself clean and oiled. Equally helpless is the merchant's capital until refrigerators, frankfurters, and eyebrow tweezers learn to offer themselves for sale, move themselves from the factory to retailer to consumer, or exchange themselves for any of the many other forms of capital. An actual demonstration of the uselessness of capital without labor was reported by Wakefield in his *England and America*:

The first Spanish settlers in Saint Domingo did not obtain laborers from Spain. But without laborers, their capital (seeds, implements, and cattle) must have perished, or at least must have soon diminished

to that small amount which each individual could employ with his own hands. This has actually occurred in the last Colony founded by Englishmen—the Swan River Settlement. . . .

Certainly, if capital cannot employ itself it cannot employ labor; for employ means *to make use of; to use*, and not *to give a job to*. Only man can employ labor; his own or that of another. A moment's thought is all that's needed to see plainly that all of the factories, machinery, and tools in the world combined cannot provide or deny a job for labor. This became especially



evident during the last depression, when thousands of factories, completely machined, were as idle as the millions of unemployed laborers.

Labor, and only labor, employs capital! Labor must use it, keep it going, change its form or location, put it into exchange, or in some other way employ it, if capital is not to become absolutely useless. Equally important, labor has to produce the capital in the first place. Capitalists, then, may hire laborers; but capital, if we understand the meaning of *employ*, cannot possibly employ labor. We dare not forget, if we are to escape confusion, that capital, with the exception of animals and plant

life cultivated by man, is a lifeless thing, just so much junk until it is put to work, employed, by labor. Being lifeless, it can't rob, enslave, drive, or exploit laborers; it can only help labor produce more wealth with less effort.

And so we see it is labor that provides work for capital. It is labor, human energy, that exploits* capital. And the only reward capital receives for its help is an occasional squirt of oil for its gears or bearings or, if the capital happens to be a farm, a few shovelfuls of manure or other fertilizer.

Now that we understand the natures of the things that combine to produce the stockpile of wealth, let's go on to see how the stockpile divides itself among the world's people.

36

THE MEANING OF DISTRIBUTION

The whole annual produce of the land and labour of every country . . . naturally divides itself . . . into three parts.—Adam Smith, The Wealth of Nations

Now, IT is generally agreed—even among most socialists, communists, and conservatives—that there is something wrong in the way wealth is distributed. But the very suggestion that wealth *can* be distributed indicates that not everyone who discusses *distribution* really understands the meaning of the term. For the fact is, as we shall see, wealth cannot be distributed equitably any more than the sun can be made to shine brightly. *Wealth distributes itself*, and no power in heaven or on earth, including that of politicians and statesmen, can stop it.

To begin with, the word *distribution*, as used by the Poleco-

* exploit: To get the value out of. (*Webster's Collegiate Dictionary*.)

ist, has nothing to do with shipping wealth by mule, camel, train, truck, boat, or plane. Shipping or moving wealth is *transportation*, not *distribution*. The word *distribution* has nothing to do with the socialist's idea of government gathering up all of the nation's wealth as fast as it's produced and then doling it out to the citizens "according to their needs." The Poleco-ist uses the word *slavery* to express that idea. For it should be apparent that our southern plantation owner, before the Civil War, distributed wealth by the method the socialists propose. He was the government, so far as his slaves were concerned. What the slaves produced, he gathered in. To each slave, the owner gave food, clothing, shelter, medical attention, and education *according to what the plantation owner* decided were the slave's needs.

Since three factors—*land*, *labor*, and *capital*—produce the stockpile, logic insists that the stockpile consists of some wealth that is *rent*, some wealth that is *wages*, and some wealth that is *interest*. It is the stockpile's *dividing itself* into rent, wages, and interest, and then (thieves and swindlers permitting) *distributing itself* among the owners of the land, labor, and capital used, that the Poleco-ist has in mind when he uses the word *distribution*.

What *distribution* is, and what it isn't, can best be illustrated with the story about Tom, Dick, and Harry of Saucerville, U.S.A. The Saucerville China Works is the only chinaware factory in operation in Saucerville as our story opens. However, an idle though fully equipped chinaware factory stands on an adjoining piece of land. The ground upon which both factories are built is rich in clay deposits.

The idle factory had been shut down since the day its owner died, leaving his property to two young nephews who knew nothing about the chinaware business. One, an accountant named Dick, inherited the factory and equipment; and the other, a doctor named Harry, inherited the land upon which the factory stood. Each had been offered ten thousand dollars in cash for his property by the owners of the Saucerville China Works,

but both had refused to sell. If the property were worth twenty thousand to the Saucerville China Works, they figured, it should be worth at least as much to them if, together, they reopened the plant and produced chinaware.

But since neither young man knew anything at all about making chinaware, they set out to find the best all-around china-maker in town. Their search ended when they heard about a lad named Tom who was then working as foreman in the Saucerville China Works. Dick and Harry lost no time in getting in touch with Tom to offer him an interest in their chinaware business. Tom's job as foreman for the Saucerville works was paying him five thousand dollars a year. He reasoned that since he was able to earn five thousand working for someone else, he should certainly be able to earn at least as much, or more, working for himself. So he accepted. The three men shook hands on it. And thus the partnership known as Tom, Dick & Harry Co., Makers of Fine Chinaware was born. Tom was to give his labor, skill, and talent, and nothing more; Dick was to contribute his factory, materials, and equipment; and as his contribution, Harry was to give the use of his land and all the clay in it. And, like all partners, they were to share whatever profits the company made.

Tom really worked hard; harder than he had ever worked before. He designed the cups and dishes, made them, packed them, and even did the selling, shipping, bookkeeping, and purchasing. At the end of the first year the three partners met in Saucerville to count up their profits and found that after the original capital was replaced and general overhead expenses were met, their one-year-old company showed a neat profit of exactly five thousand dollars.

"That's not bad," said Harry, putting an arm around each of his partners. "Not bad at all, considering this is our first year."

Dick, the capitalist, agreed. "Not bad? I think we did very well. Five thousand dollars! Divided by three, each of us gets \$1,666.66."

That didn't sound right to Tom. "Do you mean I'm to get

less than two thousand bucks for a whole year's work? It's all right for you fellows. You made yourselves a living by accounting and doctoring, and this money is just something extra for you. But I'm the guy who actually made this profit we're sharing. I'm the guy who did *all* the work. No sir! I was earning five thousand before I came here—doing the same kind of work—only I didn't used to work so hard. I'm not going to take a penny less than five thousand bucks. That's just wages—my regular wages."

"But if you take five thousand, Tom, there's nothing left for Harry and me. We were supposed to share in the profits; but you're not leaving anything for us to share."

"I'm sorry, fellows. I worked my head off. You know that. Long hours, sometimes seven days a week. I pinched pennies and did everything I could to show as big a profit as I could. It's not my fault if there's only five thousand to share. And after all, you aren't losing anything. You didn't actually do any work to produce the five thousand."

"But my capital," Dick argued, "my capital did something. You couldn't have made dishes without it. If I had sold my factory and equipment for ten thousand dollars to the Saucerville people when they offered to buy, I could have invested the money. And at five percent, I'd have gotten five hundred dollars a year. It seems to me that if my capital can earn five hundred with strangers, it should have earned five hundred dollars in a business that I own a part of. And five hundred is what I want out of the profits. That's just fair interest!"

"And don't forget," Harry chimed in, "you can't make dishes without clay. And you used my clay from my land to make the dishes we sold. And you rested the factory on my land, too. You know very well I could have rented out my land for five hundred dollars a year. That's why Saucerville offered ten thousand to buy the land. It seems to me that I should get at least as much—five hundred dollars—out of the chinaware that was made out of my clay and on my land."

But Tom argued that if each of his partners took five hundred

dollars there'd be only four thousand left for him; one thousand dollars less than he could have earned working half as hard for the Saucerville China Works. That would be just like cutting his salary; like punishing him for working too conscientiously. Certainly Tom has a right to his full wages, which he says should be equal to what the same labor would earn elsewhere. But his partners seem to have an equally just claim to at least as much as their property, invested elsewhere, could earn for them. Unfortunately, since there is only five thousand to share, they cannot all be satisfied. What's to be done? How is the



wealth to be distributed in such a way that neither Tom, Dick, nor Harry is cheated?

The socialists would say, "Dick and Harry are capitalists—therefore thieves—so let's not worry about them. Give the five grand to Tom. He's labor. And everyone knows labor is always being taken advantage of, exploited, subjugated."

The Republicans might say, "Poor management. Besides, the Tom, Dick & Harry Company, being an infant industry, ought to be protected with a higher tariff. Can't compete with cheap foreign goods. And besides, Tom's high wages makes the cost of chinaware too high; the company would be better off cutting

down their overhead by merging with the Saucerville China Works/

The Democrats, on the other hand, would call in some carefully selected economists who would draw lines in many pretty colors on graph paper, design a few probability curves, and as a result of this scholarly research announce: "The law of Diminishing Returns has set in. It's the old story of Supply and Demand. The price of chinaware is too low. The profits of the company must be increased to six thousand instead of five. Then there'll be enough to share—five thousand to Tom as wages, five hundred to Dick as interest on his capital, and five hundred as rent to Harry. How to raise prices? Easy! Have the government pay a subsidy of one thousand dollars of the taxpayers' money to the Tom, Dick & Harry Company, but only if Tom will destroy his china after he makes it. That will cause a shortage in chinaware, and as we know, prices go up when goods are scarce. We Democrats know, because we tried to raise prices by destroying pigs and plowing crops under during the '30's. We'd have succeeded if it weren't for the Republicans, or something."

The communists would solve the matter more efficiently. They'd have the government take the whole five thousand and give Tom as much food, clothing, and shelter as they thought necessary to keep him alive long enough to produce more china. And if those lousy capitalists Dick and Harry dared open their mouths to complain, the government would yank out their tongues, wrap them around their necks, and strangle them to death. Since the communist government would own the factory and the land, it would also own the wages, interest, and rent being claimed by Tom, Dick, and Harry. The expense of collecting them, in taxes, plus the cost of pulling out the tongues of Dick and Harry, would have to be borne by society as a whole.

Of course, just as chopping off a head is a method for curing a headache, so all of the above suggestions are methods of distributing wealth. But what the Poleco-ist seeks is a way that is

fair to all; a way that does not depend on force or threats of punishment, or on taking from one to give to another.

37

WHY TOM, DICK, AND HARRY CAN'T AGREE

Therefore doth Job open his mouth in vain; he multiplieth words without knowledge.

-Job 35:15

TOM, DICK, AND HARRY can get

nowhere by arguing. They have only five thousand dollars to divide, but among the three they have claims totaling six thousand. Until some genius discovers a way to subtract six from five, Tom, Dick, and Harry cannot possibly distribute their wealth. Until they realize that what they call wages, interest, and rent aren't wages, interest, and rent at all, they can't even hope to come to an agreement.

Like wealth, discussed earlier, wages, interest, and rent are abstract ideas. Ideas, of course, cannot be seen, heard, felt, smelled, or tasted. So, we can know of them only through our reason. If Tom, Dick, and Harry would depend upon their reason instead of what their ears hear and their eyes read, they would soon see that their arguments have been about nothing, that their conclusions—based upon false premises—are absurd.

For example, Harry says he's entitled to five hundred dollars as his share in the profits because the chinaware was made on land that he could have rented to the Saucerville Company for that amount of money. However, if we should pretend that the profits over which the boys are squabbling were fifty thousand instead of five thousand, we may be sure Harry would not be satisfied with a measly five hundred dollars in rent. He'd certainly expect a full one-third as his share: \$16,666.66. For it

seems that while humans will not accept *less* than their labor or investment will bring them elsewhere, they have no objection to accepting more.

Abe Lincoln once asked a friend: "If we call a dog's tail a leg, how many legs will the dog have?"

His friend answered, "Five, of course."

"Not at all," said Abe. "Only four! Calling a tail a leg doesn't make it one."

Similarly, Harry cannot make the five hundred he demands *rent*, by simply calling it rent. It is more accurately *contract*



rent. That is, Harry as owner of the land agrees to allow it to be used by anyone willing to pay him five hundred dollars, whether the user makes a million dollars on his land or goes broke on it. If Harry had made such an agreement with Tom and Dick when they formed their partnership, he would have had a legal right to demand five hundred dollars. But under that agreement he would still be entitled to no more than five hundred dollars, even if the profits had been ten or a hundred times as much. That, in essence, is *contract rent*. But the word *rent*, as it is used when speaking of *distribution of wealth*, refers to *economic rent*, which is an entirely different idea. But before we analyze

economic rent for Harry's benefit, let's examine Dick's argument.

Dick is using the word *interest* carelessly. In the language of the newspapers and radio, interest might be almost any return for the use of anything; especially for the use of money. In the economic sense, however, interest is that increase in the stockpile of wealth (not money) which results from the use of capital. Dick is asking for payment for the *use* of his capital—his goods. But taking pay for the use of money or goods is more accurately called *usury*. For, according to *Webster's Collegiate Dictionary*, *usury* means "A premium paid for a loan of money or goods." Dick's demand for five hundred dollars, then, is not a demand for interest, but for usury, a premium paid for the loan of his goods.

And when Tom claims the whole five thousand dollars as wages, he is thinking of *contract wages*, not *economic wages*. When he worked for Saucerville, he was paid for his time, his knowledge, and his ability. But the payment for such things is not properly wages in the *economic* sense. His pay remained one hundred dollars a week, whether the company made a fortune or took a loss. In other words, his "wages" had little to do with the amount of chinaware produced through his efforts and direction. Such is the nature of *contract wages*. But *economic wages* is quite another thing. It is only that part of wealth—chinaware in Tom's case—that results from the use of human energy (labor). Where no wealth is produced there can be no wages; as more human energy is put to work productively, more wealth is produced and, accordingly, more wages; where less labor produces less wealth, wages must be fewer. For *wages is a part of the actual wealth produced*.

Another weakness in Tom's argument is his belief that as his own boss he is doing the same work he did when he worked for Saucerville. He goes on to argue that since that is true he should earn at least as much with Dick and Harry as he did before he joined them. The truth is that Tom isn't doing the same work. At Saucerville, he acted as foreman and directed the energies of dozens of less valuable hands working under him.

The average wage of those who carry "flour," mix clay, shape, bake, decorate, pack and ship chinaware is much less than the hundred a week that Foreman Tom earned. The average wage of the factory hands would be nearer fifty dollars a week. When Tom went to work for himself, he no longer did the work of a foreman; because he had no one working under him. He did everything himself. At no particular time was he doing a kind of work more valuable than the most efficient worker he had had working under him at the Saucerville Works. And so, if he is going to figure out what his salary should be according to what the same work would have brought him when working for Saucerville, his salary should be the average pay of the clay mixers, shapers, bakers, decorators, packers, and shipping clerks; or about fifty dollars a week. For that is the work he does as one-third owner of his own business. As foreman, he was one orderly brain with dozens of hands; but as his own boss, doing all the various jobs himself, he had only two hands to carry out the direction of a brain overloaded with unimportant details. Fewer hands means less labor; less labor (unless assisted with capital in the form of energy-saving machinery) means less production; and less production means less wages.

One other weakness in Tom's arguments is his claim to more wages because he is working harder for Dick and Harry than he did for Saucerville. Wages do not result from hard work, or from long hours of hard work, so much as they do from efficiency of labor. A carpenter's helper generally works much harder than his experienced boss; and for less money. But the more experienced boss-carpenter is able to produce more goods (wealth) in less time and with less effort. Some people do not work at all, and starve; other people don't work any harder, yet receive enormous incomes. Thus it becomes clear that hard work has little to do with earning wages.

But one of the most important errors in the thinking of all three—Tom, Dick, and Harry—is their belief that the five thousand dollars that is giving them so much trouble is, in fact, profits. As Dick, the accountant, should have known, profits

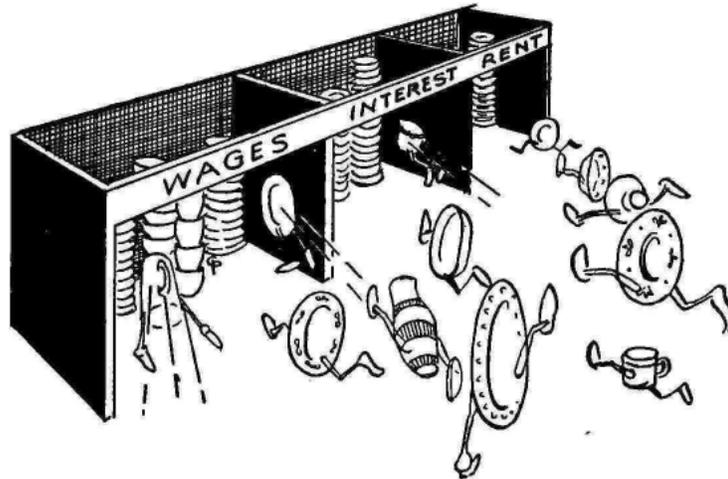
are what is left *after* full wages, rent, and interest are paid. Tom should have received one hundred dollars a week (contract wages) from the start, because he obviously wouldn't have accepted less than he could have earned elsewhere; Dick should have been paid his five hundred dollars (contract interest) and Harry his contract rent *before* they even began to discuss dividing profits. And that would have meant that their business had earned no profit but had actually operated at a one-thousand-dollar loss—not at all an unusual occurrence in business. In other words, the three partners are fighting over "profits" that don't exist.

But in spite of the fact that they operated at a loss, the boys did produce wealth in the form of chinaware. Theoretically, a certain number of the cups and saucers resulted from the labor used in making all of the chinaware. The Poleco-ist calls these, regardless of how many or few they may be, *economic wages*. A certain additional number were produced by the capital used, and those are *economic interest*, according to the Poleco-ist. A certain number resulted, let us say, from some *superior* quality in the land, and those dishes represent *economic rent*. It doesn't matter whether the laborer gets all of the wages, all of the dishes his labor produced; or whether some is lost or even stolen from him. No matter who ends up with them in his possession, a certain number of the dishes produced, or their equivalent in money, are nonetheless wages. Similarly, if Dick does or does not get all of the dishes that resulted from the use of his factory and equipment, that number of dishes is still *economic interest*. And if a racketeer should take from Harry the number of dishes produced that resulted from the superiority of Harry's land, that number of dishes is still *economic rent*. In other words, *economic rent* is part of the wealth produced by his land, and is not the amount of tribute Harry can collect from anyone who *needs* his land. *Economic interest* is that part of what has been produced that came into being as a result of Dick's capital, and is not a usurer's fee Dick charges for the use of his money or goods. *Economic wages*, likewise, is that part of the dishes

produced resulting entirely from the human energy employed to produce it, but is not a payment for a certain number of hours, days, or weeks of service.

Strictly speaking, then, wealth cannot be distributed; it distributes itself unaided and naturally. A factory of dishes produced divides *itself* into three groups: *economic rent*, *economic wages*, and *economic interest*: the *rent* resulting from the use of the superior land employed; the *-wages* resulting from the productive labor employed, and the *interest* resulting from the capital employed. Adam Smith said it this way:

Wages, profit (interest) and rent, are the three original sources of all revenue as well as of all exchangeable value. All other revenue is ultimately derived from one or other of these.



38**THE LITTLE THREE MEN**

"You are not like Cerberus, three gentlemen at once, are you?—R. B. Sheridan, The Rivals

IT ISN'T any more helpful to know that the stockpile of wealth is made up entirely of wages, interest, and rent than it is to know that a bank vault is chock-full of pennies, dimes, and dollars. If we are to arrange to have wealth distribute itself properly, we shall have to find out not only what proportion of wages, interest, and rent is in the pile but also to whom each share belongs. After we learn that, we shall have to find some way of making sure that everyone gets all that's rightfully his; and finally, if we find someone is being cheated, we shall have to discover who is doing the cheating. Before we can continue on our road to discovering what parts of the stockpile are rightfully whose, it will be necessary to make a slight detour. For it is clear that we can't discuss wages without first knowing something about the laborer who produces and earns them. We discussed *labor* earlier and found it to be invisible though powerful human energy; but a *laborer*, unlike *labor*, is a man. Similarly, we shall have to analyze the capitalist, too, if we are to decide who has a right to the *interest* part of the stockpile of wealth. And since we shall have to be able to recognize a landowner when we see one, if we are to give him no more nor less than the rent in our stockpile due him, we shall have to study him a bit more carefully, too. And that is where the three little men, Mr. Laborer, Mr. Capitalist, and Mr. Landowner, come back into our story. On page 99, it will be recalled, we saw all three gaily tossing their wealth around.

The little fellow in our drawing isn't, as we might suppose, a laborer helping himself to his wages. Rather, he represents all the productive laborers in the world stuffed into one body, helping himself to every bit of wages found in the stockpile of wealth. Similarly, the second of the little fellows is all of the capitalists in the world stuffed into one body, and the third is all of the world's landowners stuffed into a single body. Imagining our three little men in that way may be difficult, especially for those who can't escape the fact that it is impossible to stuff millions of bodies into one. But it shouldn't prove to be too hard, since everyone imagines things like that every day. For example, when we think of the United States, we don't think of all the hills, valleys, factories, farms, New Englanders, Texans, blacks, whites, baseball teams, frankfurter stands, men, women, and every other thing found within the nation's border. We think of all the things that make up the United States together. We stuff all of them into one long-legged, chin-whiskered, star-spangled old gentleman and we call him Uncle Sam. And when we think of Uncle Sam, we're thinking of all of the little things that make up our country stuffed into his make-believe body. If we can do that, we should be able to imagine all the men who labor productively stuffed into the body of the little man in our drawing. Just as Uncle Sam isn't a real person, neither is our Mr. Laborer; but just as the *idea* of Uncle Sam is real, so is the *idea* of Mr. Laborer. And of course the same is true of Mr. Capitalist's body, stuffed full of all those who use capital to produce wealth, and Mr. Landowner's body stuffed with all who own land.

It is no accident that the three little men look as alike as triplets. They are closely related. For, as we know from our daily experience, the same man might be both laborer and capitalist, that is, he may own his own capital and operate it with some or all of his own labor. A farmer, a merchant, or a manufacturer would be typical. Sometimes we find the same person—a gas-station owner, for example—not only owning his own capital (his service station, pumps, etc.) and owning his own labor as

a self-employed grease monkey, but owning the land upon which his service station rests, too. He then is, at one time, a capitalist, a laborer, and a landowner. He must, therefore, be imagined split into two or three parts; and then, that part of him that is a laborer must be imagined stuffed into Mr. Laborer's body, and what's left of him split in two, one half to be stuffed into Mr. Capitalist's body and the remainder into Mr. Landowner's body. Consequently, each of the three little men, stuffed as they are with slices from the same bodies, are



essentially very much alike—and that's why they so closely resemble each other.

It all sounds a little crazy until we get used to the idea. It's so different from our usual way of thinking of a *laborer* as any man wearing overalls; of a *capitalist* as a drooping-jowled, top-hatted fatty bull-whipping his workers into his factory, and of a *landowner* as the old meany who comes around every month to give us a receipt for the rent we pay him. Once we get used to it, however, we shall find the stuffed body way of thinking less insane than the thinking we have learned from the cartoonist.

 39

THE MEANING OF CAPITALIST

Nothing in education is so astonishing as the amount of ignorance it accumulates in the form of inert facts.—Henry Brooks Adams, The Education of Henry Adams

MOST OF WHAT most of us know about capitalists we learned from the mad Marxists. The communists and socialists have done their teaching so well that today most people—so-called capitalists and laborers alike—think of all rich people as *capitalists* and all poor ones as *laborers*. Even editors, radio commentators, and our communist-hating statesmen, all of whom should know better, seem to agree with the terribly confused Marxists as to the meaning of the word *capitalist*.

If capital, as we have seen, is that surplus wealth that is used to produce more or other wealth, it must follow logically, regardless of what the Marxists teach, that a *capitalist* must be one who uses wealth to produce more wealth. Since money, mortgages, stocks, bonds, and other paper securities are not capital, such things used by Malcolm Buckmaster to earn an income can't possibly make him a capitalist. He's more properly a financier or a speculator. Similarly, since neither special privileges nor monopolies are wealth, much less capital, whoever uses such things to drain a living from society cannot possibly be considered a *capitalist*. There's as much difference between a capitalist and a monopolist as there is between an automobile mechanic and an automobile thief.

A *capitalist*, to be precise, is a farmer who uses seed, fertilizer, improved land, farm machinery, livestock; or a miner who uses

his own mine equipment; or a fisherman who uses his boats, nets, etc.; or an industrialist who uses factories, tools, machinery, and raw materials; or a transportation company that uses trucks, boats, etc.; or a merchant who uses a store, fixtures, and merchandise. All of these are using wealth to produce more or other wealth, and these are the capitalists of which the Poleco-ist speaks. That's the sort of guy our Mr. Capitalist, in our drawing, is.

There is very little difference, if any, between a capitalist and a laborer. A laborer, it would seem, is one who uses his labor alone to produce goods, while a capitalist should be one who depends entirely upon his capital to produce his wealth for him. Since, however, it is almost impossible in our present society to produce anything without capital of some kind, we might say that there are very few productive laborers in the world that aren't at the same time capitalists. And since capital cannot work itself but must, to be at all productive, be used either by the capitalist's own labor or by labor he hires, we must conclude that every capitalist is to some extent a laborer. Here, then, is another reason why the three little men look so much alike.

It may be argued, in fact it certainly will be argued by many, that a hired man, since he doesn't own the capital he uses, is not part capitalist. That is, of course, entirely true. But he isn't part laborer either! Like the merchant we discussed earlier—the one who rented out his typewriters—the hired man is producing nothing. He is merely renting out his time, labor, and talent to earn a living. Whether his labor during that time produces a thousand dollars' worth of goods or ruins a thousand dollars' worth of material and equipment, his income will be the same. Whatever the rented-out labor produces for the employer was produced not by the hired man but by the employer, just as truly as the novelist's book written with a rented typewriter was produced by the novelist, and not by the owner of the machine. A man can't rent his labor to another and have it, too! Therefore, the man who hires out his labor, muscular or mental, is neither laborer nor capitalist. Exactly how he should

be classified will be discussed in more detail in later chapters.

In the same sense, the man who rents out his machinery, the use of his farm, or the use of his goods to another is neither capitalist nor laborer. For he is not using his wealth or labor to produce more wealth, but again, like the merchant who rented out his typewriter, he is using them merely to earn an income. Not he, but the person to whom he rents out his wealth and labor and who actually uses them is the capitalist.

At this point, the communists and socialists must surely scream in anguish, for it becomes quite clear that the late Henry Ford (whom the Marxists hated with all of what little soul they had) was in great measure as much a laborer as any man in the Ford plant. For, it is said, he worked harder, worked longer hours, and worked more days a week to produce Ford automobiles than any of his employees. True, much of his labor was mental and managerial, but it was nonetheless labor, and productive labor at that. On the other hand, the Poleco-ist implies that the hired man *isn't* a laborer! The Marxists won't like that, because, as self-appointed friends of the laborer, they suddenly find that the laborer they've pretended to champion so long, in the politico-economic sense, might not be a laborer at all!

40

A PARTICULAR MAN ISN'T MANKIND

But none of the arts theorize about individual cases. Medicine, for instance, does not theorize about what will help to cure Socrates or Callias, but only about what will help to cure any or all of a given class of patients: this alone is its business. Individual cases are so infinitely various that no systematic knowledge of them is possible.—Aristotle, Rhetorica

WE MUST THINK of the three little men in this way if we want to understand Poleco, which is a science not of individual human beings but of all humanity taken as a whole. For it is easy to see what confusion must result if we think in terms of individual persons rather than of mankind as a group. For example, one man may use some machinery as capital and yet lose his wealth as a result. But that certainly wouldn't prove that machinery isn't productive. A man may work all day producing crates and discover, after he has hammered his last nail into place, that he has made all of the crates too small and has as a result ended up with so much butchered lumber, junk. Again, that wouldn't prove that labor doesn't produce useful things.

By thinking of all of the world's laborers, capitalists, and landowners divided into three imaginary bodies and then stuffed into them, the Poleco-ist is able to handle his ideas more intelligently. For while it would be impossible to find two human beings who are exactly alike, it is quite simple to discover some

characteristics that are alike in nine hundred and ninety-nine humans out of a thousand. It is the nine hundred and ninety-nine, and not the one exception, that the Poleco-ist has in mind when he speaks of labor, capital, land; when he speaks of the laborer, the capitalist, and the landowner.

It is exactly this principle that scientists lean on in practicing their science. Because men are very much alike collectively, a surgeon knows exactly where in a body to find an ailing organ, bone, gland, or artery long before he has even met his suffering patient. An orator, speaking before a mob, may not know a single person in his audience, and yet by appealing to what he knows to be common to people generally, he is able to say exactly what is needed to win their admiration and support. An experienced comedian, facing a strange audience in a strange town, knows exactly what his audience will laugh at, even though *all* people do not think the same things funny. Such things are possible only because human beings in general behave like human beings, even though each human individually does not necessarily behave *exactly* like another.

In the same sense, the Poleco-ist knows that all laborers are different and perform thousands of different types of labor; but at the same time, he knows that they all have one thing in common, which is, they all exert their energy to make a living. And he knows that not all capitalists use the same kind or amount of wealth to produce more wealth; but he also knows that all, taken as a class, use one kind of productive wealth or another. And of course he knows that all landowners are owners of land, even though some may own agricultural land, some city land, some land covered with timber and some land rich in oil or uranium.

Now that we understand our three little men a bit better, we can return to pursuing our villain.

41

MEASURING THE IMMEASURABLE

*For Mercy, Courage, Kindness,
Mirth,
There is no measure upon earth.*
—Laurence Binyon

OUR NEXT logical step must be to determine just how much of our stockpile of wealth, at any particular time, is wages, the laborer's share; how much of it is interest, the capitalist's share; and how much of it is rent, the part that goes to the landowner. This might seem an impossible task, since there is no way of knowing just how large or small the stockpile of wealth is at any particular time, or exactly how much labor, land, or capital was used to produce that stockpile. But as we shall see, it isn't quite so difficult as it might at first appear.

The stockpile of wealth, as we remarked earlier, is an idea—a concept—something that lives only in a brain. And ideas, of course, can't be measured, divided, or multiplied, like apples or pounds of butter. We speak of a "big idea" or of a "rotten idea," but never of a "four-pound idea measuring six feet by four." We can't say that a particular mother has a certain amount of love which she divides among her family: 35% for her husband, 55% for her baby, and the balance for her son. Mother love, like the stockpile of wealth, is an idea, and therefore cannot be computed into percentages or with simple arithmetic—although most of our modern economists try to do just that. With their charts they try to explain that National Production of wealth for the year nineteen-something was umpty billion dollars, that wages equaled 71.6%, and interest equaled

7.3%. Such figures look good in annual reports, but they have absolutely no meaning in the politico-economic sense.

But ideas like love, knowledge, or the stockpile of wealth *can* be measured with the aid of higher forms of mathematics such as algebra and calculus. For example, we can say that

X = all of the mother's love.

A — the love she gives her husband.

B = the love she gives her baby.

C = the love she gives her son.

Therefore: $X - A = B - C$ (All of mother's love minus the amount of love she gives her husband equals the amount of love left to be snared between the baby and her son.)

Just as there is no way of knowing precisely how much love mother has to start with, so there is no method for being sure how large our stockpile of wealth is at any particular time, since it is always changing in size. It grows smaller as we eat, wear out, spoil, or otherwise destroy wealth in our daily living; and it grows larger as new wealth is being produced by all of us in varying amounts from day to day. The stockpile is growing and shrinking from minute to minute. But no matter what size it may be at any particular moment, we know that part of it is wages, part is interest, and the remainder is rent. If we want to know how much of it is wages and interest, all we need to do is subtract the part that is rent. (Wealth — rent = wages -f interest.) Or if we want to know what part is wages, all we have to do is subtract from our stockpile of wealth the amount of interest and rent. (Wealth — (interest + rent) = wages.) It's as simple as that.

But this method may not seem completely satisfactory to those who want to know exactly how many dollars and cents of our stockpile are their wages, their interest, or their rent. They may very reasonably argue that we can't very well go to the butcher and pay him X dollars for a pound of steak and

escape without a cleaver parting our skull. This is a practical world, those readers may insist, one that demands more practical methods for dividing that stockpile than the arrangements of X's, A's, and B's. Fortunately, as we shall see, our algebra will bring out answers in dollars and cents, answers more accurate and revealing than those we now receive from the simple arithmetic and statistics upon which so many economists—especially those of the "statistical" school—risk their opinions and our welfare.

Thanks to Ricardo's *Law of Rent*, a theory presented more than a hundred years ago by an English stockbroker, David Ricardo, it is possible to measure, in dollars and cents, just what part of the wealth we produce is rent. Once we know that, we shall also know that all that isn't rent must be wages and interest. Therefore, our next logical step should be an examination of Ricardo's Law of Rent.

42

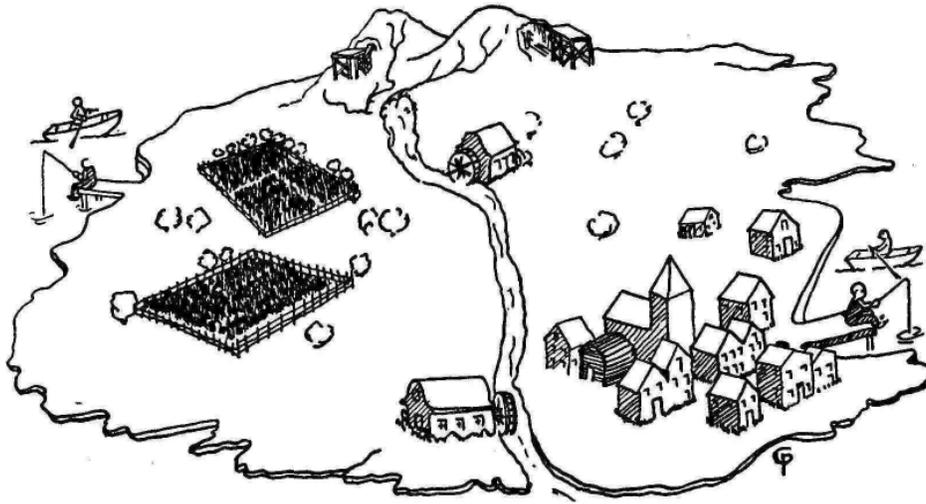
RICARDO'S LAW OF RENT

The rent, therefore, -which any land will yield, is the excess of its produce beyond what would be returned to the same capital if employed on the worst land in cultivation.—John Stuart Mill, Principles of Political-Economy

RICARDO SAYS that the difference between what is produced by two pieces of land upon which the same labor and capital have been spent is *rent*. Furthermore, he says that there is no rent on the least productive land in use. In essence, that is Ricardo's Law of Rent. But the full significance of the words with which the "Law" is expressed

is not always grasped. Some explanation is needed to understand it fully.

As everybody knows, one piece of land may be superior to another for any of various reasons. To illustrate the variety of ways in which one piece of land may be better than another, we have drawn an imaginary country containing two farms, two fisheries, two retail stores, two mines, and two mills. In the community of the size we are imagining, it would be unlikely that there would be exactly two of everything, but to keep our illustration as simple as possible let us suppose there were.



The farm at the edge of town, let us imagine, is owned by Zeke Korn, and the one on the outskirts belongs to Obie Cobb. Both happen to have the same number of acres under cultivation, both happen to have the same quality and quantity of seed planted, and both are equally good farmers. They work the same number of hours and with equal skill. In short, both men are equal to each other in all respects. But by the time their crop is harvested, Obie finds that he has 1,000 bushels to sell while Zeke has only 800. The difference between the two crops—200 bushels—was not the result of more or better capital or labor, for we know that both men used the same amount and quality of these factors. Therefore, the difference can't be

interest (the return that results from the use of capital) nor wages (the return that results from the use of labor). The 200-bushel difference can have been only the result of one piece of land having fertility or other natural qualities superior to the other. Ricardo would tell us that the 200 bushels, being something that Obie's superior land gave him as a sort of gift, must be called *rent*, for rent, he says, is the difference in productivity between Obie's superior land and Zeke's land which is the poorest in use. Poor Zeke's land, or, should we say, Zeke's poorer land, produces no rent at all, according to Ricardo, because it is marginal land, which means it is *the least productive land in use*. There is no rent on the margin.

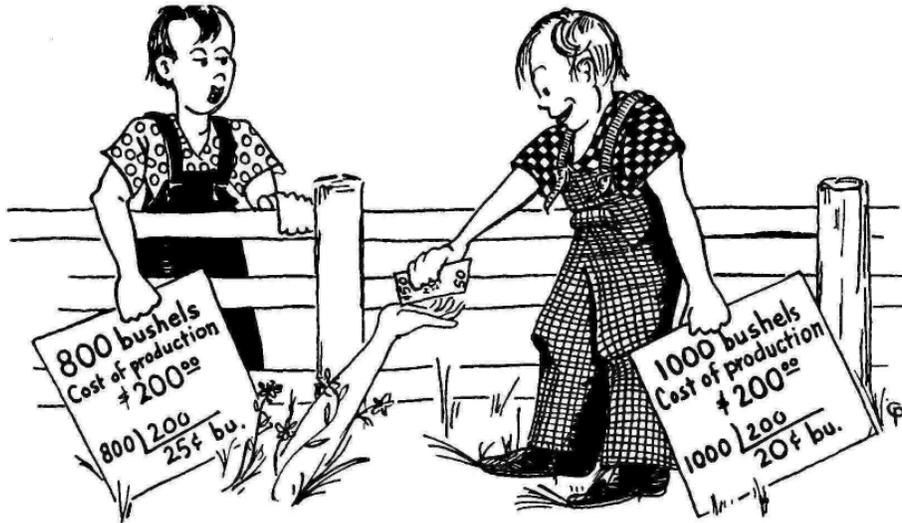
When the time comes to sell their crop, the idea of rent becomes a matter of dollars and cents. Since both men must sell to the same market, both must sell at the same price. If we suppose that it cost Zeke \$200 in capital and wages to grow his 800 bushels, he can't sell his crop for less than 25¢ a bushel, since that is what it cost him to produce. At that price he just breaks even. But with the same amount of capital and labor—\$200 worth—Obie harvested 1,000 bushels, which enables him to offer his crop, if he wished, for 20¢ a bushel without taking a loss.

If Obie dislikes Zeke more than he likes money, he might actually offer to sell his crop on the market for 20¢ a bushel. If he does, Zeke must meet that price or be stuck with his crop; for no one will pay him 25¢ for wheat he can buy from Obie for only 20¢. If Zeke should stubbornly refuse to take a loss of 5¢ a bushel by selling his crop at 20¢, he will lose the whole \$200 in labor and capital he invested. If he does sell at 20¢ he will still lose 5¢ a bushel, or a total of \$40. True, his neighbor Obie will make no profit by underselling Zeke, but he will at least break even.

It is more likely that Obie will not cut his price to 20¢ just for the fun of seeing Zeke lose \$40. Not because Obie likes Zeke, but because, like most humans, Obie likes to make a profit. Accordingly, he will more likely offer to sell his 1,000 bushels

at the same price Zeke puts on his 800 bushels—25¢. Zeke at that price will take in \$200 and get his money back; but Obie, having 200 bushels more than Zeke, will take in \$250.

Since both Obie and Zeke used the same amount and quality of capital and labor, the extra \$50 that Obie took in cannot be either wages or interest. Ricardo would say that the extra \$50 that Obie happily finds in his wallet is rent, because nature happened to have made the soil on his land more fertile than Zeke's. In other words, nature slipped an extra \$50 into Obie's pocket.



It isn't only fertility that can make one piece of land superior to another. Nearness to the market makes one piece of land better than another to magically produce a rent. For example, let's look at the two fisheries. The one way up the coast belongs to Caleb Finn and the other, on the edge of town, belongs to Goodman Pike. Again, let's understand that both men are equally good fishermen, equally energetic and skilful. Both use identical nets, hooks, boats, and other equipment. And for the sake of argument, let's also agree that both are able to catch an average of 50 pounds of fish a day. Mr. Pike, who is nearest to the market, can fish all day and sell his catch right at the dock on the edge of town. But Caleb, living so far away from the

market, must spend half his labor traveling to and from town, which leaves him only half a day's labor to fish. And so, with the same amount of labor and capital, the fisherman in town can catch and sell 50 pounds of fish each day, while poor Caleb must be satisfied with only half-a-day's catch, or 25 fish. The difference between the incomes of the two fishermen is due, as in the case of the farmers, to the superiority of Mr. Pike's land, which is superior only because it happens to be closer to the market. The difference, measured in fish or in money, is rent, since the increase wasn't due to either capital or labor but to the superior location of one piece of land. A better location put 25 fish a day extra into Mr. Goodman Pike's pocket.

Some land is superior because of richer mineral deposits. The ore of one of the mines in our drawing is richer than that of the other. The same labor and capital used in both mines for the same number of hours might dig out the same quantity of ore, the rock containing the tiny specks of iron. But after separating the iron from the worthless rock, we will find that one mine has yielded more *pure* iron than the other. The difference, then, between what one mine owner gets out of his mine as compared with what the other mine owner gets out of his—with the same labor and capital—is a free gift of nature. She just happened to deposit a greater proportion of iron in one stony hill than she did in another.

Now let's look at the two mills in our illustration. The mills and the skill of the labor operating them are identical. So is the machinery. But there is one important difference, and that is, one mill is built at the foot of a waterfall while the other is farther down the stream. That difference in location is important, because the machinery in both mills is run by water power. And since the stream naturally runs stronger at the foot of the waterfall, and spends its energy as it continues its journey down the hillside, the mill farthest from the falls will not get quite so much power to turn its mill wheel as the one built at the foot of the falls. In other words, even though the machinery is identical in both mills, the huge circular saws at the falls will

operate with greater power and speed; and at day's end, as a result of the natural water power, one mill will have ground more corn or will have sawed more boards or will have produced more of whatever it is the mill produces. Since that extra wealth produced could not have resulted from either capital or labor, since those factors were exactly the same in both mills, and since the increase could have been due to nothing but a superiority of water power given by nature to one piece of land, the difference in goods produced can be nothing but rent.

Apparently, then, it isn't necessarily greater fertility that makes one piece of land superior to another. Nor is it always nearness to the market nor richer mineral deposits. It may be any natural or artificial advantage. In our example of the two mills it was water power. But there are many other natural opportunities that might make one piece of land more productive than another. Wind to power windmills, for example, or sunshine to attract vacationists or to power solar engines; river, lake, and ocean harbors to make shipping easier—all of these opportunities are natural qualities of the land that are not produced by man but are given freely by nature. The rent they produce is a gift of real dollars-and-cents wealth given to the lucky man who happens to produce on any land that is better than the least productive land *in use*.

43**POPULATION PRODUCES RENT**

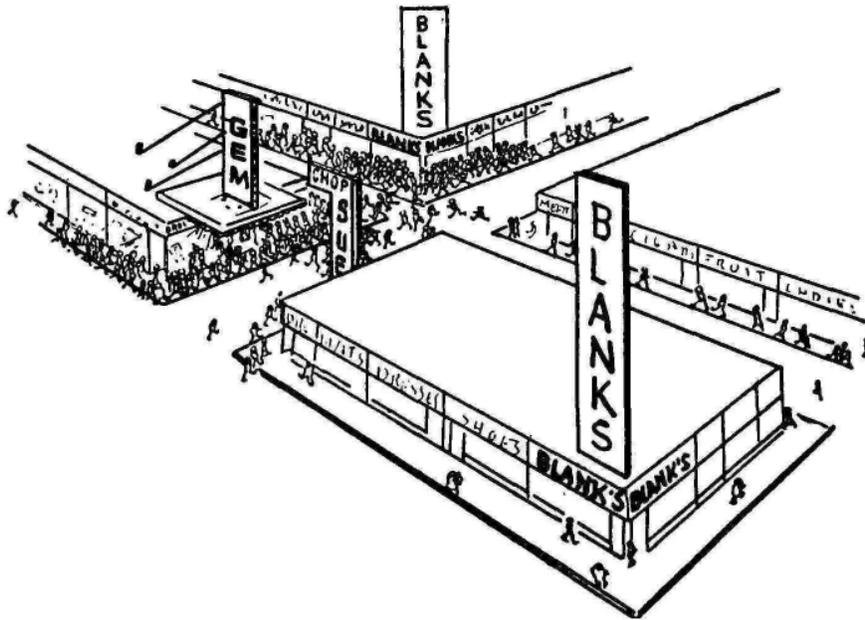
*I conclude, that as People double
faster now than they did in former
Ages, so ye Rents of Lands must also
rise proportionately. . . .*

—Sir William Petty

WE HAVE SEEN how rent comes into being through the qualities of land itself, qualities provided by nature with no help from man. We have seen how richness of soil, nearness to the market, the concentration of mineral deposits, and the strength of natural forces have produced rents of the kind Ricardo revealed. But by far the most important producer of rent is population—large numbers of people simply walking over the land. The two stores in our drawing will serve to demonstrate how it works.

Imagine the two stores to be in any city in the world. We can do that because the Law of Rent is a natural law, a universal law, that always works the same way everywhere, in New York as well as Squeedunk. If it didn't it couldn't be called a natural law. Therefore, to make it easier, let's say that the two stores we are imagining are in the reader's home town, the city he knows best. And let him further imagine that in his town, a Mr. Seller owns two identical shops, and that he owns the land upon which they are built. Both shops are exactly alike in every respect. They're the same size, they're designed alike, they feature the same merchandise at the same prices. The fixtures and window displays are also identical, and the employees are equally efficient and conscientious. The stores differ only in location. That is, one is located on very busy Main Street and the other on Joy Street, where fewer people stroll

and shop. Naturally, the store on busier Main Street sells more than the other. For the sake of argument, let's say that it does \$200 more a week in sales than the Joy Street store. Since all other things were equal—same labor, same capital, same management—the only possible cause for the \$200 difference between the business done in Mr. Blank's two stores is the greater number of people in the busier area. Because the \$200 was an increase for which the superiority of one piece of land was responsible, the extra \$200, Ricardo would say, is *economic rent*.



The superiority consisted of heavier population—a greater number of people passing a given spot each hour.

To prove that crowds do in fact produce rent, the Poleco-ist asks us to imagine that a year or so later some theaters are built on Joy Street and that the busline that formerly ran along Main Street changed its route and now travels down Joy. Any merchant will agree that more people who formerly paraded along Main Street will change their habits and will begin to stroll and shop on Joy Street instead. Mr. Blank's Joy Street store will then do more business as a result and his Main Street store will, of course, do less. The Main Street store, now the less productive of the two, will no longer produce a rent, but

the Joy Street store, now doing more business than the other, will. Rent grows wherever the crowd goes.

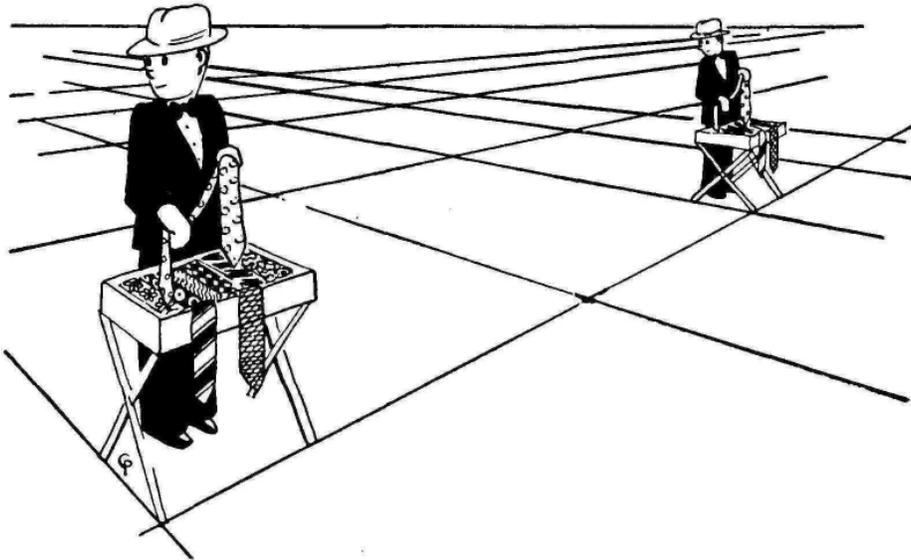
In our example, Mr. Blank owned the stores as well as the land upon which they rested. If he didn't, he would have been compelled to pay a different amount of money to whoever owned them for the right to use the locations. The amounts he would have to pay—in *contract rent*—would have been at least equal to the *economic rent*, the rent he collected in extra business from the more advantageously located store. As a result, Mr. Blank would have made no more, after he paid *contract rent*, in one location than he would have made in the other. The additional business produced by society, *economic rent*, would have had to be paid to the owners of the land he used. As owner, Mr. Blank paid the rent to himself, simply taking the rent he collected from the better location from his one pocket and paying it into his other.

So we see there are actually two kinds of rent: *economic rent* which develops by itself from the natural qualities of land, and *contract rent* which is simply a payment made by one man to another for the right to use a piece of land. *Economic rent* isn't paid, and it can't be paid, by one man to another. It can only be collected by the user of land from its superior qualities. *Economic rent may be collected even where no rent is paid.* That may seem confusing to the reader at first, but can be shown to be true quite easily if we imagine two brothers peddling neckties on the street corners of New York.

One of the brothers, Alphonse, sets up his "pitch" on the 42nd Street side of the Public Library, and the other brother, Basil, sets up his suitcase on the 40th Street side. Since they are using public streets, neither is paying rent to anybody. To make sure that we keep our two stands absolutely equal so far as capital, labor, skill, and ambition are concerned, we must imagine that every hour the two brothers change places. By doing so, each of the brothers spends half his time on 42nd Street and half on 40th. Both sell neckties of one quality, at the same price, and of the same range of patterns. Their stands

and signs are duplicates. In other words, the stands (their capital) and the amount and quality of the labor used are exactly alike on both streets.

In spite of their likeness, the stand on 42nd Street, as any New Yorker would guess, must sell many times more neckties than the other, simply because thousands of people pass there every day while only a handful of people use 40th Street. If we assume that the 42nd Street stand earns fifteen dollars a day, it is unlikely that the 40th Street stand would earn more than eight dollars. Clearly, since the seven-dollar difference between



the incomes earned on the two locations cannot be due to either labor or capital, which were identical on both locations, it must have been produced by the superiority of 42nd Street over 40th Street. The seven-dollar difference obviously was caused by the heavier traffic on 42nd Street—by humans passing by—and therefore can be nothing but *economic rent*. Although the brothers *collected* rent—in actual dollars and cents—from the 42nd Street location, they didn't pay any. When the brothers, whether Al or Basil, peddled on 40th Street, no rent could be collected from that location because it occupied *marginal* land—by definition *the least productive land in use*, and, according

to Ricardo, *there is no rent on the margin!* That "margin" of which Ricardo speaks is, perhaps, the most important idea in political economy. It's rather difficult to understand, but once it is understood it opens a world of answers to some of our most perplexing problems. So, in the following chapters, let's examine it slowly and carefully.

44

THE MEANINGFUL MARGIN

Yet, in every colony settlers could find land on which to produce. . . . Nothing was needed to furnish a generous and diverse food supply from the cultivating of the earth except implements, skills, good management, and hard labor.
—Beard, *A Basic History of the United States*

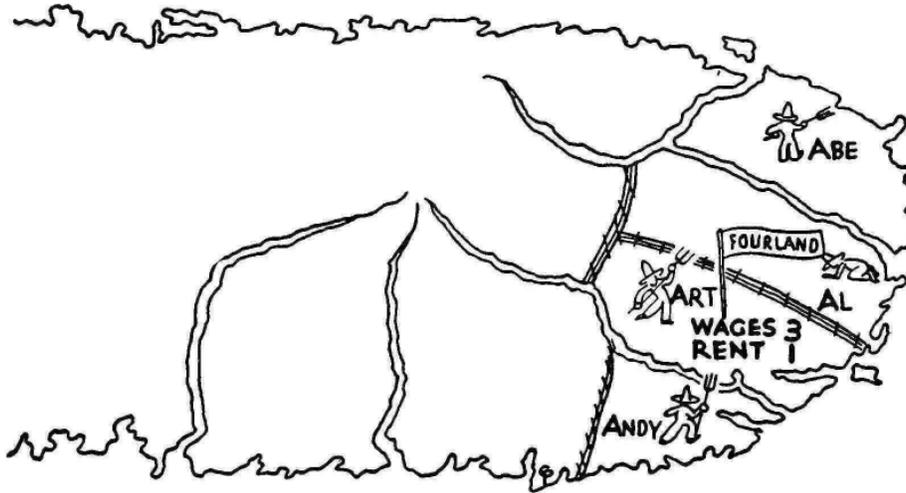
VARIOUS NAMES have been used to express the idea of marginal land. Economists, speaking of the least productive farm land, call it the *margin of cultivation*. If it is city land used to manufacture or to trade goods, the same economists might speak of the *margin of production*. Since there is no fundamental difference between agriculture and manufacturing, both being part of all production of wealth, we may with more safety and with less likelihood of confusion simply call the least productive land in use, regardless of what it is used for, *the margin*. But let's remember that the words *in use* are the important ones. According to Ricardo, the *margin* is not the least productive land that exists, but is the *least productive land actually in use*.

To understand more fully the nature of the margin and how it affects almost every event in our lives, let's imagine a new,

unsettled area, a wilderness thrown open to settlers, as this continent was to the Pilgrim fathers, or as the West was to our own pioneers and frontiersmen. The first settlers entering the area, like the human beings they are, would undoubtedly select the best land they could find and would immediately fence it in. Now let us suppose that the first settlers, Abe, Al, and Art, have fenced off a section of the very finest land for themselves. On their lands, a certain amount of labor and capital will produce four units of something: four bushels of corn, four tons of iron, four thousand pounds of beef on the hoof, four million dollars in retail sales—four of *something*. Exactly what form of wealth is actually produced on this land isn't important to our purpose. So, to avoid confusion, let's agree that Abe, Al, and Art are producing wheat, four thousand bushels of it, and that all use the same amount of labor and capital to do so. As our story opens, Fourland (that's the name of the community Abe, Al, and Art have settled) is the only land in use. That means that, since it is the only land in use, it is the very best and at the same time the very poorest in use. And since the poorest land in use is *the margin*, all land at this stage of our story is *marginal land*. Because there is no rent on marginal land, every grain of wheat that the boys produce on their piece of land is their wages and interest, for all of it is the product of their labor and capital. If Al works harder, that is, if he puts more labor into his land, he will collect more wages in the form of extra wheat from his land. If he should use more—or more efficient—capital (seed, fertilizer, machinery) he may reap more bushels as interest. Or, if Art should put less capital and labor to work, he will find less in wages and interest coming up out of his land in the form of wheat. But in our example let's imagine that all three men work equally hard, with equal skill, and with identical capital. Each then earns four thousand bushels of wheat, and it's all wages and interest.*

* If the reader is being confused by our speaking of receiving wages and interest in the form of wheat, let him imagine that the three men sell their crop at one dollar a bushel. Then, clearly, each man will receive four thousand dollars in wages and interest out of his land in return for the labor and capital he put into it.

We can well imagine how the people far from Fourland reacted when they heard about Abe, Al, and Art, and of the free land the boys had taken for themselves, and of the fact that everything produced in Fourland is wages and interest for the producers. They behaved exactly as the Europeans and Chinese did when they heard of the free land and high wages in America;



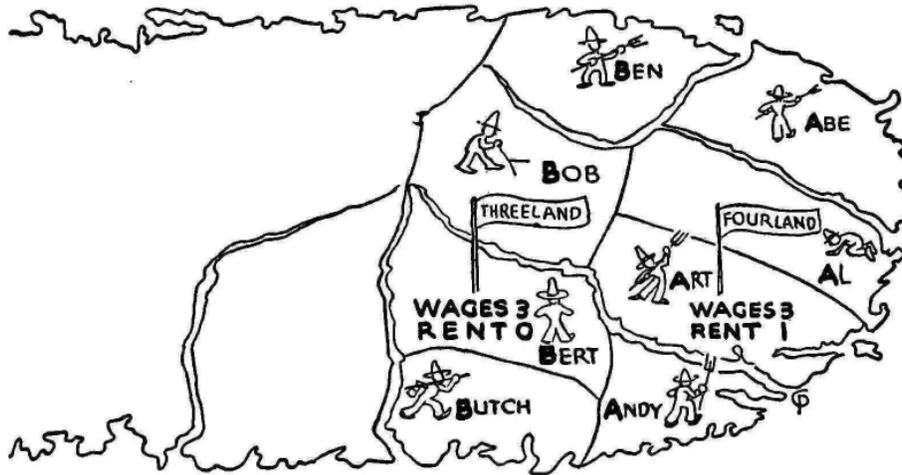
exactly as the Easterners did back in 1849 when they heard about the free gold in California that belonged to anyone who staked out a piece of gold-bearing land for himself. The following lines from the "National Histories Supplement" of *Webster's New International Dictionary* may give us some idea of how fast people pile into a territory where free land is to be had:

In 1790 a civilized population of about 109,000 lived west of the Alleghenies. In 1815 there were about a million; and by 1830 about 2,300,000. Cheap public lands and the opportunities to develop homes on the fertile soil attracted immigrants from all the Eastern States.

So, without too much sorrow, those who heard of the good fortune of Abe, Al, and Art tore themselves away from their "happy" homes and swarmed into Fourland. Unfortunately, when the first of the newcomers, Ben, Bob, and Butch, arrived, they found that all of Fourland was already owned by Abe, Al,

and Art. Accordingly, they satisfied themselves by grabbing as much of the next-best land as they could fence in, and they called their community Threeland. The name was quite appropriate, since by using as much labor and capital as the Fourlanders did, they got only three thousand bushels out of their land. Mother Nature, it seems, hadn't made Threeland quite so fertile as Fourland.

Once the newcomers had gone into producing crops, Fourland was no longer the margin, the least productive land in use; Threeland was. And of course everything Ben, Bob, and Butch produced on their land—the whole three thousand bushels—



was their wages and interest. Since the extra one thousand bushels collected by the Fourlanders was not the result of their labor or capital, they must have been rent. They still collected four thousand bushels of wheat from their land, but now only three thousand are wages and interest; the other thousand bushels is rent.

It may be argued by the reader that calling one of the four thousand bushels *rent* doesn't necessarily make it so. Since the Fourlanders keep the whole four thousand bushels, just as they did before the Threelanders arrived, the reader might quite understandably suggest that the Fourlanders are earning four thousand in wages and interest while the Threelanders are earn-

ing only three thousand. But we need only imagine that Butch, a Threelander, for some reason or other chooses to go to work for Al, and we shall see quite clearly that wages and interest are, in fact, three thousand bushels on Fourland as well as on Threeland.

Let's suppose Butch walks over to see Al, and asks him for a job.

"Yes," Al might say, "I could use a man like you around here. I've certainly got more land than I can work alone. Most of it is idle. With your help, I could farm twice as much of my land."

"Good. I'll bring my own tractor, seed, and other stuff—my capital—and start working right away."

"Just a minute, Butch. I think we ought to talk a little more about it. How much wages do you want?"

"Whatever I and my capital produce. Whatever wheat I get out of the ground will satisfy me."

"On *my* land? No. That won't do. That way I'd be getting nothing at all out of my land and I'm getting that much now leaving it idle. I'm sorry, Butch."

Butch starts to walk away somewhat disappointed. Suddenly he stops, turns around, and says, "I guess you're right, Al. I wouldn't let anyone work for me either if I didn't get *some* benefit out of it. How much will you pay me?"

Al thinks a minute or two, before answering. "What do you say we split half and half? My idle land, if worked, can produce four thousand bushels. Let's divide it equally, two thousand for you and two thousand for me."

"Nothing doing. I can make more than two thousand bushels with the same amount of work and capital on my own Threeland. Why should I work just as hard to make only two thousand working your land?"

"I see what you mean, Butch. I wouldn't work for someone else either if I couldn't make as much as I could working for myself. Okay, I'll pay you three thousand bushels; as much as you earn on your own land. That'll leave a thousand bushels for me."

Butch is a shrewd bargainer. "Make it 3,200 bushels, and we'll call it a deal."

After a moment's thought, Al agrees. Even if he pays Butch 3,200 bushels he'll still be making eight hundred bushels off land that would otherwise be idle—and, best of all, he won't have to do a bit of work to earn it.

It may seem to the reader that the Poleco-ist was wrong when he said that wages and interest were the same on both Fourland and Threeland. For, according to the above incident, Butch's wages and interest on his own Threeland were two hundred bushels less than his wages and interest on Al's Fourland. But we haven't taken human nature into account. When Ben and Bob, the other Threelanders, hear that Butch is making two hundred bushels more than they by hiring himself out, they're going to act like all human beings—they're going to run over to Fourland for jobs, too.

"Hello, Al," Ben might say. "How about giving me and my capital a job?"

"Well, I don't know. How much do you want?"

"Same as you're paying Butch. I'm just as good a farmer as he is."

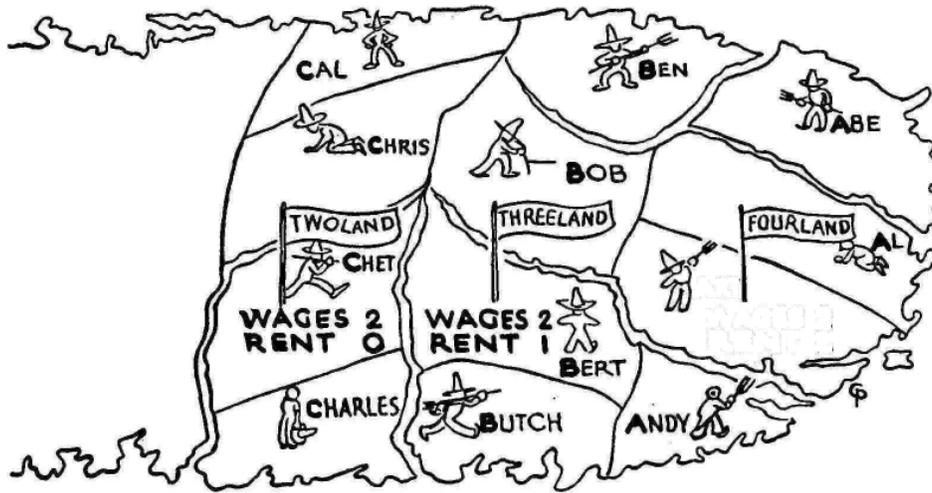
"Yes, I know you are. But I don't need any more than one man. Might just as well keep Butch. Why don't you boys run over and see Abe and Art? They've got some Fourland, too."

"We saw them. They don't want to pay us more than three thousand bushels, maybe a hundred bushels more. We can make pretty near that on our own land."

And then, as men always do when there are more men than jobs, Ben and Bob began to bid against each other. Ben offered to work for 3,175 bushels. Bob said he'd work for 3,150. Before long, Al had to enter into the bidding to protect his position, and eventually the job paid three thousand bushels, exactly what the boys could earn working for themselves. *Wages and interest at the margin are the wages and interest on the best land, too.*

There is still plenty of free land around our imaginary settlement, and consequently more pioneers come in to get some of

it. But when they arrive, they find that the best land is already fenced in by the Als, Abes, Arts, Bens, Bobs, and Butches. The land the latecomers Cal, Charles, and Chris finally fence in for themselves can produce only two thousand bushels if they put in an amount of labor and capital equal to that used on the better lands. Of course, they call their lands Twoland. Since theirs is now the least productive land in use, the margin moves down from Threeland to Twoland and, as might be expected, two thousand bushels becomes the wages and interest on the best land as well as the worst. The Fourlanders now collect two thousand bushels as rent, the difference between what can be

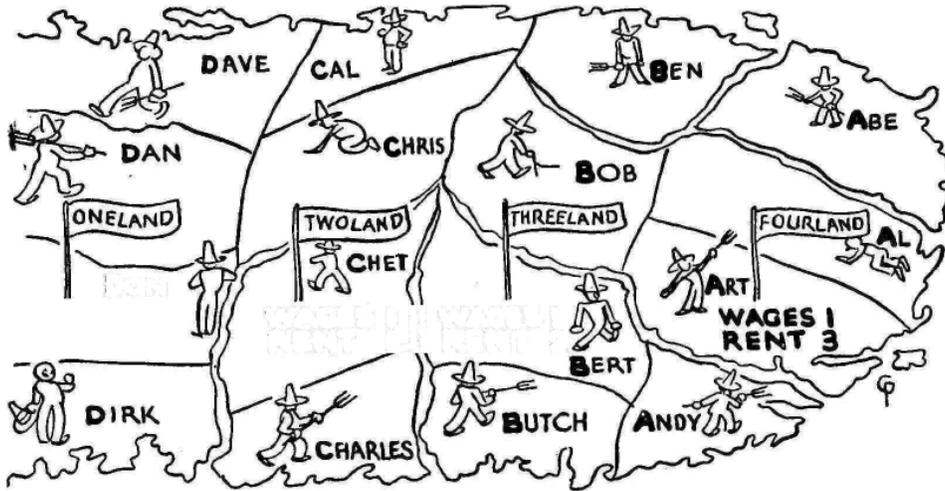


produced on Fourland and what can be produced on the least productive land in use ($4,000 - 2,000 = 2,000$). The Threelanders, who before the arrival of Cal, Charles, and Chris collected no rent, now collect one thousand bushels in rent ($3,000 - 2,000 = 1,000$). And of course the Twolanders collect no rent, since they are using marginal land.

Still later another batch of land seekers comes. The best they can get is land that, with the same amount of labor and capital, produces only one thousand bushels. They, the Daves, Dans, and Dons, settle on their Oneland, and as they begin to produce, the margin falls again. Now, only because poorer land was put into use, wages and interest drop to only one thousand bushels on

Oneland, Twoland, Threeland, and Fourland. At the same time rent naturally shoots up to one thousand on Twoland, two thousand on Threeland, and three thousand on Fourland.

If Butch should ask Al for a job now, we may be sure he couldn't expect to earn as much in wages and interest as he could working his own Threeland. For Al can hire all the Onelanders he wants for much less than the three thousand bushels he offered when Threeland was the margin. Onelanders would jump at the chance of earning even fifteen hundred bushels, since that's



much more than the thousand bushels they can make working for themselves. So, since all of the Onelanders would compete for any such "marvelous" wages, Al wouldn't have to pay a bushel more than one thousand bushels, the wages and interest that might be earned on the least productive land in use. By simply allowing Onelanders to work his land, and by allowing them to keep as much as their labor and capital would produce for them on their own land as their own bosses, Al can claim three out of every four bushels they produce. Al, without doing a lick of work and without investing a nickel's worth of capital, earns three times as much as his tenants.

45

THE MARGIN AT WORK IN THE CITY

What is the city but the people?

—William Shakespeare, *Coriola-*

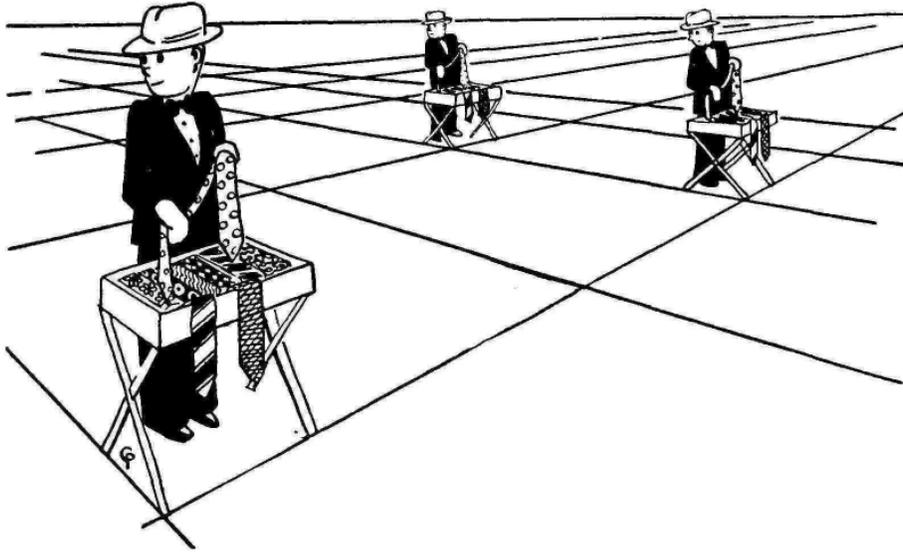
mus

IN MODERN twentieth-century big cities, just as it does in newly settled agricultural colonies, when less productive land is put into use, rent increases while wages and interest fall. It happens always, everywhere, under every form of government, and *without exception*. If we return to the two necktie-peddling brothers, Alphonse and Basil, and watch developments in their business, we shall see how the margin works in New York City today.

When we left them a few pages ago, Alphonse and his brother Basil were operating two necktie stands: one stand on busy 42nd Street and the other on not-so-busy 40th Street. Due only to the heavier traffic—greater population—the 42nd Street location (let's call it *Alphonse's* from here on) made fifteen dollars a day, while the poorer location (and let's call this one *Basil's*}, because of lesser traffic, earned only eight dollars. The difference between Alphonse's income and Basil's, seven dollars a day, we found could logically be nothing but *economic rent*.

Now let us suppose that, since we last observed the two boys, times have become a bit tougher. More men are out of work, and wages being offered around town are not so high as they had been. In almost no time at all, we may be sure, word will get around that "a certain guy peddling neckties on the street near the library is knockin' down fifteen bucks a day, and his brother a couple of streets away is makin' eight." As a result, many of those who are out of work or are making less than eight dollars a day on their jobs will soon be scurrying around for the best

unoccupied street corner they can find. Let's say, for the sake of demonstration, that the best corners they can get enable them to make only six dollars a day, although they work as hard and as efficiently as Alphonse and Basil. And, of course, we must suppose that they are carrying the same quality of neckties. Let Cecil represent all the peddlers working six-dollars-a-day locations. Obviously, the difference, now, between what Cecil makes and what Alphonse makes is the result of Cecil's being on a less heavily traveled corner. Therefore, Alphonse is collecting nine



dollars in rent instead of the seven he collected before Cecil came into the picture to work less productive land.

Again, to prove that the nine dollars is all rent, and that Alphonse's wages are no more than Cecil's, let's suppose that the winter season is coming on. It rains or snows every few days to chase sidewalk peddlers into shelter. The strong winds blow the neckties off their stands. A damp, clammy cold bites into the bones and numbs the toes of the shivering peddlers, and before long, we may be sure, they will begin to think in terms of more comfortable jobs, easier ways to make their livings.

Now, let us further suppose that a store, right across the street from Alphonse's stand, advertises for an experienced necktie

salesman to sell over a retail counter. That job would certainly look mighty attractive to our half-frozen street peddlers. And Alphonse, like the others, would probably be there to answer the ad. But how much would such a job pay? Even though Alphonse is earning fifteen dollars a day selling neckties, there is no chance whatever that he can expect to get that kind of money as a hired necktie salesman. For among the applicants are also the Cecils, who would be delighted to take the job for six dollars a day, since that's as much as they can earn on the best unoccupied corners open to them. And what is equally important, they can come in out of the wind and rain and still make the six dollars working in a comfortably warm and dry store. Since all of the applicants are equally skilled, there is no reason whatsoever for the "boss" to pay Alphonse more than the six dollars the Cecils would happily work for. And if Alphonse should apply to every store in New York, from swanky Fifth Avenue shops to those on down-at-the-heels Third Avenue, he would find all of them offering the same six dollars a day—the same wages that might be earned on the *least productive* street corner in New York—on the margin. The exceptions, if any, would be very rare.

We mustn't think, however, that the "bosses" of all the haberdashery shops got together to make a secret deal among themselves to keep wages for necktie salesmen down to six dollars a day. They didn't have to send research crews out to learn how much their competitors were paying, so as to be able to get their salesmen at the lowest price. It should be clear, from what has gone before, that the market price for necktie salesmen, like that of all laborers, establishes *itself, naturally* and automatically. All necktie salesmen, being human, tried to satisfy their desires with the least possible effort; and since the Cecils were able to satisfy their desires with six dollars a day, they offer to work at that price. As a *natural* result, the wages for all necktie salesmen fell to that figure. The "bosses" paid no more than six dollars for the same reason: that figure enabled them to satisfy their desires for a necktie salesman at the lowest possible cost.

And so we see that the margin determines what wages and

interest shall be in the complex society of modern New York, exactly as it does in simple, almost-primitive new colonies. Rent, on city land, precisely as it does on farm land, comes into being the moment a less productive location is put into use; and as rent increases it leaves a smaller proportion to be divided between wages and interest. It works with mathematical certainty, since it is impossible to subtract three from five and end up with more than two; to subtract rent from our stockpile of wealth and leave more than the remainder for wages and interest. It's as simple as that.

46

CONTRACT RENT BASED ON ECONOMIC RENT

CONTRACT RENT BASED ON ECONOMIC RENT

Many persons will, therefore, be desirous of obtaining possession of these fertile fields and will be content to give a certain premium for an exclusive privilege to cultivate them; which will be greater or smaller according to the more or less fertility of the soil. It is this premium which constitutes what we now call rent.—James Anderson, Observations

WHEN Mr. Seller goes out to rent a site for a store he intends to build, he doesn't pay any price the owners of the land may ask. The *contract rent* he will agree to pay will not be more than the amount of *economic rent* he thinks the location will give him. That is why an experienced merchant visits the neighborhood he is interested in and counts the number of people who pass the particular location he has in mind. He knows that out of every thousand people who pass, a

certain percentage will enter his store, and of these a certain percentage can be expected to buy. It is upon these percentages, fixed by the law of averages, that he estimates what might be a fair *contract rent* to pay. Similarly, before a farmer agrees to buy or rent a piece of land, he inquires around the area to learn what the probable yield of the land in the neighborhood might be. In other words, the amount of *contract rent* a man will agree to pay for the use of a piece of land will be equal to the amount of *economic rent* he expects the land to give him. In effect, the man who works the land and invests his capital in it, willingly pays over to the landowner any advantage that the land "pays" him. He doesn't always realize it, but all he expects to keep for himself is the wages and interest his labor and capital produce. Unfortunately, the best-laid plans do not always work out as hoped. When the farmer agrees to pay, let us say, two thousand dollars in contract rent, he hopes that his crop will bring him at least two thousand dollars in rent plus a reasonable return for his labor and capital. And when the merchant signs a lease, promising to pay two thousand dollars for the right to use a certain plot of ground as a store location, he expects that there will be a large enough number of people in the neighborhood who will be able to afford to buy his goods at a price that will enable him to collect two thousand dollars above what his labor and capital might earn for him on the open market. But the *economic rent* he actually collects will depend upon what business conditions will be in the future during the full term of his lease, while the *contract rent* he agrees to pay for a certain number of years is fixed according to the prices and buying power prevailing on the day he signs the lease. Obviously, if hard times come along to cut down the purchasing power of his customers, and if selling prices of goods should fall to reduce his sales volume, he will be collecting less rent than he is legally bound to pay. Likewise, if the price of cotton, wheat, corn, or whatever crop our farmer is raising should fall by, let's say, one-third, the *economic rent* he collects from his land will also be reduced by one-third—but he will still have to pay the *contract rent* he

originally agreed to pay, *in full*. That means that if either the merchant or farmer, faced with a fall in prices, collects less from his land than he has agreed to pay out for it, he must make up the difference somehow: he can either reduce his own wages; take less than what his capital would have earned for him elsewhere, or go into debt by borrowing the difference from a money-lender. But some way or other, he must pay *contract rent*



according to his agreement, regardless of how much or little *economic rent* the land may yield to him.

Since he can keep no more in wages and interest than is left to him after rent is subtracted, rent is a rather important matter. And yet it is almost completely ignored in many economics textbooks. It is rarely mentioned in many economics classes in some of our best universities. So far as our government economists are concerned, they mention *economic rent* so rarely, one might think that neither rent nor land itself even existed.

47**THE MARGIN RELATED TO THE HIGH COST
OF LIVING**

High or low -wages . . . are the causes of high or low price; high or low rent is the effect of it.— Adam Smith, The Wealth of Nations

THE HIGH COST of living is a subject that breaks into the news and into people's conversation quite frequently. On off days, when cartoonists just can't seem to dig up any other idea, we can expect them to do a picture of a balloon marked HIGH COST OF LIVING sailing skyward, and below, Mr. and Mrs. Public gazing worriedly and helplessly upward. Actually, the high-cost-of-living problem is treated as casually as the measles—something everyone must expect to suffer through—something nobody can do much about.

As a matter of fact, the high cost of living is just another name for low wages and interest. A pound of steak at even two dollars a pound doesn't seem too expensive to the man who earns ten or fifteen thousand dollars a year. But the same steak, even if offered at fifty cents a pound, is prohibitively high to a destitute or unemployed man, or even to a father of two if he earns less than three thousand a year. During periods of inflation, the afterwar periods when everyone is said to have too *much money*, prices are very high as compared to prewar figures. But high as prices are, most people can afford to pay them and do. On the other hand, after the inflation fades into deflation (deflation is another name for hard times), prices are cut to the bone by manufacturers and merchants competing for the little spending money still around. The cost of living then, in dollars, falls very

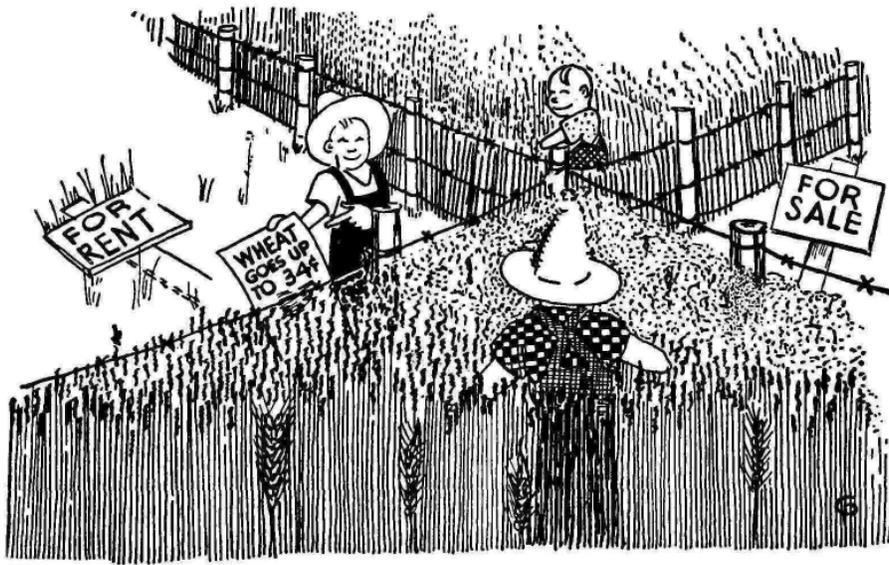
low; but since so many people are out of work, and so few of those who have jobs earn a living wage, people can't buy very much in spite of the low prices. During the early days of the depression of the 1930^s one of the nation's largest restaurant chains hung huge oilcloth banners outside carrying the following legend: ALL YOU CAN EAT FOR 60¢. A few people did go in and did order one serving after another, perhaps to test the capacities of their stomachs, or to see what it would feel like to leave a table fully fed; but the number of those tempted to spend as much as 60¢ for one limitless meal was so small, the restaurants added little to their total business through the stunt, and soon after dropped it. Sixty cents was quite a bit of money during those hard times. People just didn't have more than fifteen cents or a quarter to spend for lunch. Many brought their lunch, consisting of leftovers from their dinner of the night before, from home. If we could have looked into the briefcases carried by many dignified gentlemen during the last depression, we should have found they were not filled with important legal papers, as we might expect, but with sandwiches and fruit.

The cost of living is the cost of food, clothing, and shelter. It cannot be lower than the cost of producing those things. The cost of producing them can't possibly be lower than the cost of the food, clothing, and shelter necessary to keep the producers alive and willing to produce. A ten-cent pound loaf of bread can't be made out of wheat that costs ten cents a pound to produce. Unless the cost of raw cotton goes down, the price of cotton shirts, sheets, and dresses can't possibly be reduced. Since it costs more and more to produce raw materials as poorer and poorer land is put to use, we must expect the cost of living to rise as the margin is pushed out to less productive land. To demonstrate that the margin and the high cost of living are in fact closely related, let's return to our old farmer friends, Obie and Zeke.

Obviously, the least that Zeke, who works marginal land, can afford to take for his crop is enough to replace the capital he used to produce it (seed, fertilizer, etc.), plus enough food,

clothing, and shelter to keep himself alive. He'll take more if he can get it, and sometimes he can; but since he must compete with all the other farmers working marginal land like his, the price he must eventually sell for will be around the figure that will just enable him to get by.

In this drawing we can see two properties adjoining Zeke's and Obie's that aren't being used. The reason they aren't being worked is that one piece of land can produce only 600 bushels for every \$200 worth of capital and labor spent, and the other can produce only 400 bushels. That means on one piece of land



it costs more than 33¢ to produce a bushel ($\$200$ divided by 600 bushels equals 33¢ a bushel), and on the still poorer land a bushel costs 50¢ to produce ($\$200$ divided by 400 bushels equals 50¢ a bushel). So long as the market price for wheat is only 25¢, neither Zeke nor Obie can afford to use the idle land. By selling wheat that costs 25¢ to produce, Zeke just manages to stay alive, and any cost above 25¢ means he stops living. That is why two pieces of property are seen unused in our drawing. They just can't be worked so long as the market price of wheat stays around 25¢ a bushel. But as populations grow, more wheat is needed, and the farms

that can produce wheat at 25¢ a bushel can't produce all that's needed to satisfy the increased demand. Since the supply of wheat isn't as great as the demand, bakers and millers bid against each other for what wheat is available until their competition drives the price up to 34¢ a bushel. At that price, it is possible for a farmer—let's call him Jonathan—to work the land adjoining Zeke's. The land that requires 34¢ in labor and capital to produce a bushel of wheat can now break even, thanks to the increase in price, and now becomes the new margin.

If the increasing population, or a war, should again increase the demand for wheat, still poorer land will have to be put into use to satisfy the needs. When the demand becomes so great that millers and bakers offer 50¢ a bushel, land that will produce only 400 bushels at a cost of \$200 can be put to use and we can expect another farmer, Cal this time, to produce wheat on the land next to Obie's. At 50¢ a bushel his crop will return the \$200 in labor and capital he put into it—he can get by.

Now, if we tabulate the events of the last few paragraphs, we end up with something like this:

be extended farther out to even poorer land. When Zeke's 800 bushel land was marginal land, wheat had to sell for at least 25¢; then, when Jonathan's land became the margin, 33¢ became the market price; and finally, when Cal's land became the margin, 50¢ became the market price. From this, we may deduce that when prices are high, a living can be made on less productive land; and when prices fall, only better land can be used profitably. The second point revealed by our table is one we have already discussed: that is, as poorer land is put into use, rents increase on all land that is better than the least productive in use (the margin), which leaves a smaller proportion of total production to distribute itself as wages and interest.

48

THE MARGIN DURING GOOD TIMES AND BAD

*After 1921, with the disappearance of the war demand for food products, agriculture started on a course of steep and ruinous decline. The prices of farm produce fell swiftly. Farmers by the tens of thousands went into bankruptcy. Farm mortgages were foreclosed and freehold farmers driven into tenancy or off the land.—Charles and Mary Beard, *Basic History of the United States**

So LONG as prices keep going up, things aren't too bad for most people. Because, as we have seen, as prices go up, more and more land can be used profitably by more people—more workers can earn at least marginal wages and interest—more consumers can spend money. And those who have better than the poorest land earn better livings, since they collect

economic rent in addition to marginal wages and interest. It is this fact that enabled so many of our farmers to pay up their debts and even save a little money during the last war.* It is this fact that enabled so many marginal manufacturers and side-street merchants to grow comparatively prosperous during the war years, and enabled those who used better-than-marginal locations to earn fabulous profits. The only groups that do not benefit through high prices are those living on past savings and those whose earnings are fixed by long-term contract. That is due only to the fact that their earnings, limited by contract, are not permitted to increase with the natural wartime advance of prosperity.

But after the war is over and hard times come back, to compel humans again to refrain from marrying and multiplying as fast as they did during "better" days, fewer people are able to afford to buy as many things. As a result, prices of all goods, including wheat, tend to fall until it is no longer profitable for Cal to use his land. If we suppose that the market price of wheat falls from 50¢ to 25¢, not only all the Cals but all the Jonathans as well will have to walk away from their land. Some of the Cals and Jonathans, unaware of the causes of rising and falling prices, will try to hang on; but since the more they produce at the lower prices the more they lose and the further they go into debt, they'll eventually be dispossessed by the moneylenders holding the mortgages on their land. That is precisely what happened after World War I; and that is what happened in many sections where prices fell with the end of World War II. When the

* Some say it was the subsidies given to farmers that enabled them to pay up their debts; but it must be remembered that subsidies and parity-price arrangements are merely artificial methods whereby prices are forced up above their natural level. In that sense, subsidies and parity-price controls may have stayed the next depression. But if we bear in mind that the prices are kept high at the consumers' expense—once in the form of a higher cost of living and a second time in the form of higher taxes—and if we also remember that farmers are also consumers and taxpayers, the fact that farmers are again going into debt and that many of them are again losing their farms does not come as a surprise. And the depression that is supposed to have been stopped by subsidies was simply dammed for a while and must naturally break through with even greater violence—in the form of destitution or war—when our national debt passes the breaking point.

ability of the consumer to buy falls off for any reason—lower wages, higher taxes or both—prices must fall regardless of how hard government tries to prevent it with subsidies, parity-price arrangements, loans, relief, or other political schemes.

When farmers and cattlemen lose their farms and ranches as a result of falling prices, it isn't they alone who suffer. Being without income, they can't buy very much of the manufactured goods from the industrial areas. That of course means more men will be working in factories than are needed to supply the reduced demand for manufactured goods. Since goods that can't be bought can't be sold and therefore can't be produced, the necessary result is that many factory hands are laid off regardless of how strong or efficient their labor union may be. Naturally, the unemployed factory hands must cut down on their buying too, which in turn compels retailers as well as other manufacturers to reduce the number of their employees. Little by little, the margin contracts to reduce the *economic rent* collected by the users, while the *contract rent* they must pay out stays up where it was during prosperous times; more and more unemployed men from the rural areas pile into the cities to compete for jobs, causing a reduction of wages and interest among the processors, manufacturers, and retailers. This steadily increasing unemployment, falling earning power, and lowered buying power continues to grow worse and worse until it finally reaches Wall Street to blow the top off the stock market. It is then that the editors, radio commentators, and government economists become publicly aware of a depression that began, right under their noses, years before. Actually, the financial panic that woke them up is very much like the bursting of a boil that has been painfully festering long before. The Wall Street crash is the result of a depression and is not, as is commonly believed, the cause.

During periods of war prosperity, pasture land ordinarily unfit for agriculture is used and becomes the margin, only because high prices make the use of such land profitable. And during these so-called "good times," we see many stores being opened for business and many apartment houses being built in hard-to-get-to

neighborhoods that ordinarily couldn't support such enterprises. But when bad times return, it is the marginal farmers and businessmen who are first squeezed out by the fall in prices, because, although their land no longer produces a rent, they are still obligated to pay the *contract rent* to the landowner or mortgage holder. Only those farmers and businessmen occupying land that still yields a rent larger than the one they must pay, can possibly hold on. Owners of apartment houses that had been built on marginal land located a million miles from nowhere during days of housing shortages are among the first to find falling prices and unoccupied apartments driving them to bankruptcy, receivership, nervous breakdowns, and suicide.

49

TO BUY LAND IS TO PAY RENT IN ADVANCE

Rent is also expressed in the selling price. When land is purchased, the payment which is made for the ownership, or right to perpetual use, is rent commuted or capitalized.—Henry George, Progress and Poverty

ONE MORE POINT

before we leave Ricardo's Law of Rent behind to go on to other things. In our examples above, we spoke of the farmer and the storekeeper "renting" pieces of land upon which to employ their labor and capital. It must not be presumed that the situations would have been different if they had bought the land, instead of "renting" it, from a landowner. For, economically, buying land is no different from paying rent for the use of it.

That this is true can be demonstrated if we suppose that after wages and interest are deducted, a piece of land produces \$400

in economic rent. And let's say that the prevailing rate of interest is five percent. To find the selling price, the landowner does something known as *capitalizing the rent*. That is, he treats his land as capital, and considers the rent it produces, interest. He therefore divides the rent his land produces by the current rate of interest, and thus arrives at the value, or selling price, of his land.

The reason the landowner chooses this method for determining land value, or selling price, is that the landowner is a human, and as such wants to do as well owning the buyer's \$8,000 cash as he can by holding on to his land. Since it will take at least \$8,000 loaned out at five percent to earn an amount equal to the \$400 his land produces in rent, he won't take a nickel less than \$8,000 for his land.

Similarly, neither the farmer nor the merchant would pay more than \$8,000 for a piece of land that produced only \$400 in economic rent, because their \$8,000 can earn that much if loaned out at five percent.

Therefore, it becomes clear that the land continues to yield an *economic rent* to the user whether he owns the land or pays rent for it. If he buys the land, he is simply paying twenty years' rent in advance ($\$400 \times 20 \text{ years} = \$8,000$). But that is true only so long as the interest rate remains at five percent. If the interest rate should fall, let us say to two and a half percent, the selling price of the land would double! The land that produces \$400 in economic rent for the user, and formerly sold for \$8,000 when the interest rate was five percent, will now be worth \$16,000—only because the rent divided by the interest rate equals that much ($\$400 \text{ rent divided by } 2 \frac{1}{2}\% = \$16,000$). *The buyer now must pay the equivalent of forty years' rent in advance!* All of which is just another proof of what has been hinted at several times in preceding chapters: *as the interest rate falls, land value (which is rent) rises; and as the interest rate rises, land values fall.*

The inescapable fact that any increase in rent must result in unequal decrease in wages and interest should be of immeasur-

50

INTEREST

Gratiano speaks an infinite deal of nothing. . . . His reasons are as two grains of wheat hid in two bushels of chaff: you shall seek all day ere you find them, and -when you have them, they are not worth the search.—William Shakespeare, Merchant of Venice

UNDOUBTEDLY, no part of political economy has been snarled into such hopeless confusion as has interest. The following are only a few of the strange, groundless ideas relating to interest that have grown in the minds of the public at large:

Interest is the robber of industry. (We can thank the Marxists for this strange concept.)

Interest is any income, other than wages, we can get. Interest is what we get for lending our money to a person or a bank.

Interest is the premiums that bond and preferred-stock holders receive.

Interest is what the boss has left after he pays his help and operating expenses.

Interest is profits made by speculating on the stock market.

Interest is the difference between the value of present and future goods. (Bohm-Bawerk gave us that one.)

Interest is the payment made to capitalists as a reward for saving their wealth—for abstaining from using it.

Interest is any wealth obtained by exploiting labor. (Another Marxist idea.)

None of the above is logically sound. Some, upon careful examination, become absurd. Most of them have nothing to do with interest, but are more closely related to *tribute*, *usury*, *insurance*, and *managerial wages*. The temptation to reveal the fallacies in each one of the weird ideas of interest we've listed is almost irresistible. But to do so would require a dozen pages that might be used to far better advantage. Instead of proving what interest isn't, let's find out what it is by considering its nature.

It seems that economists who have started out to discover *what interest is* have ended up, invariably, by explaining why a borrower should pay a moneylender for the use of his money. It's like starting out to learn what a pig is and ending up by explaining why an elephant can't ride a bicycle. Perhaps it is because interest is too simple to understand, too simple to be worthy of scholars who aren't satisfied to match their intellect against any problem that isn't beyond human understanding. Whatever the reason, the fact is that almost every current economic textbook speaks of interest as that which a borrower pays for the use of money or goods.

But that can't possibly be interest in the economic sense! As we have seen, three factors — land, labor, and capital — contribute toward the production of wealth. All three play a part in increasing the stockpile of wealth, which is then shared by the owners of land, labor, and capital. Rent, we learned from Ricardo, is that part of the stockpile that resulted from the use of superior land. Wages, as almost everyone knows, is that part for which labor, the second factor, was responsible. And it seems self-evident that interest, if anything, must be the remaining part that was produced by the remaining factor, capital. Nothing could be neater, or easier to understand. And yet, present-day economists and professors of political economy just can't or won't see it.

Most economists agree that interest, as our drawing indicates, is the part of the stockpile that is caused by the capital used. They further agree that money is not capital. And then, through some strange reasoning process, they conclude quite illogically that interest is an amount of money paid to a moneylender by the

borrower. That's like saying that man is part of the human race; horses are not members of the human race; therefore, man is the payment made for a horse. Obviously, interest just can't be an increase in production and at the same time be a premium paid for the use of money or goods. As any good dictionary will tell us, it is *usury*—not *interest*—that is "a premium paid for a loan of money or goods."

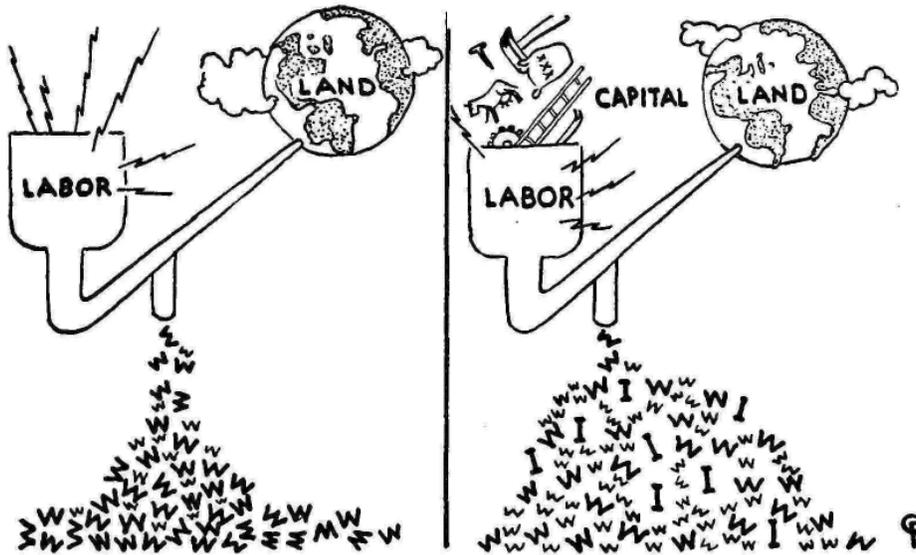
There may be some excuse for moneylenders avoiding the word *usury*. They may be somewhat ashamed to use the word because of the bad name Shylock has attached to their profession. But the economist can't expect to be forgiven for deliberately avoiding the use of the word, since he, above all people, should know the difference between usury, which is the payment for the use of money, and interest which, he agrees, is an increase in the stockpile of wealth. If he agrees that money isn't capital, and that only capital can produce interest, logic demands that his conclusion be: payment for the use of money or goods cannot be *economic interest*. And yet, in most of our universities today, professors go right on teaching that interest is the 4% or 6% that the borrower pays the bank, insurance company, or other moneylender.

If the word *interest* is to be used to symbolize the payment of a fee made by the borrower to the lender, in all fairness let its use in that sense be limited to the field of finance where it belongs. That's the sense in which Aristotle used it when he wrote:

The most hated sort [of wealth-getting] and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it. For money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of getting wealth this is the most unnatural.

If the reader has been following the Poleco-ist closely, it must be quite clear to him by this time that since capital, like labor and land, is a factor of production, it must produce something—

it must either add some material goods to our stockpile of wealth, or *it isn't a factor of production*. Whatever increase capital *and capital alone* added, that increase is interest. That is why, when the Poleco-ist uses the word *interest*, he means only one thing: *that part of the stockpile of -wealth that resulted from the use of the capital used in its production*. He might further define it as *all that's left of the stockpile of wealth after rent and wages have been deducted*.



51

LABOR-SAVING CAPITAL HELPS ADD WAGES TO STOCKPILE

Judge not according to the appearance .

. . —John 7:24

EVERYTHING in our stockpile of wealth that would have been impossible to produce without capital isn't necessarily interest. For if it were, our entire stock-

pile would be interest, because practically all of the wealth found in a civilized society is produced with the aid of capital of some kind. On the other hand, since no wealth can be produced without land, it might be argued just as reasonably that the entire stockpile is rent. And an equally sound argument could be advanced to prove that all wealth is wages because without labor no wealth whatsoever could be produced. All three arguments can't be true, since each contradicts the other. None is true. For it is only that part of the stockpile that resulted *entirely* from the labor used that is properly wages; it is only that part that resulted *entirely* from the *superior* land that is rent; and it is only that part for which capital was *entirely* responsible that is properly interest. And while there is a difference between interest and wages, it is so slight that one might easily be mistaken for the other. To demonstrate, let's return to our old friend John Dough, the baker.

If we had climbed down the flour-covered stairs of his basement a year ago, we'd have seen John busily cutting out rings of dough with a cookie cutter and then dropping them into a caldron of boiling oil. Soon, beautifully golden doughnuts would have bobbed gaily to the surface, to dance among the bubbles until John removed them and set them aside to cool and drain free of oil. Doughnuts, let's pretend, were quite popular in John's neighborhood, and he had been selling them as fast as he had been able to make them. But making them by hand and selling them at fifteen cents a dozen took so much time that John didn't make much on them.

That is why, when a doughnut-machine salesman called on John some days later, he had little trouble making a sale. In the automatic machine, John saw an opportunity to make more doughnuts faster. The salesman explained that the new machine would soon pay for itself out of the greater number of doughnuts John would be able to make with it. If we should ask John, he would say that his new machine represented a capital investment, and that all of the doughnuts it would produce above the number he produced without it would be the interest earned by his

capital. Many economists would probably agree. And yet, as we shall see, those extra doughnuts would not be interest.

Let us say that John used to make 25 dozen doughnuts a day without the machine. At 15¢ a dozen, he used to take in \$3.75. But with his machine, John can fill it up with batter, push a button, and then walk away from it to do other work while his doughnut maker all by itself turns out two hundred dozen doughnuts. Sold at the same price, they will bring in \$30.00. We would then see an increase in our stockpile of wealth: 175 dozen additional doughnuts. All those extra doughnuts certainly seem to be interest.

Before long, however, other bakers will have heard about John's earning \$25.00 extra every day since he got his new doughnut maker; and, being human, they'll rush to buy machines like his. Soon, as a result of all of the bakers stepping up their doughnut production, there'll be more doughnuts on the market than people will buy. After all, there's a limit to the number of doughnuts a person can eat. Rather than be stuck with a supply of unsold doughnuts every day, the bakers will *naturally* cut down on the quantity of doughnuts they make. They won't work their machines full time, but just long enough to make the doughnuts they know they can sell. Eventually, John, like the other bakers, will be making no more doughnuts with his machine than he did in the days before he bought the doughnut maker. However, John will find that his machine enables him to produce as many doughnuts as he did before, but with less effort and in less time; and that of course means that his wages per hour, as a doughnut maker, has been increased. For just pushing a button, he is rewarded with the same number of doughnuts—\$3.75 worth—as he formerly received for cutting out rings of dough, dropping them into boiling oil one at a time, spearing them, and finally arranging them on brown paper to dry. In other words, there will be no greater number of doughnuts on our stockpile than there were before; but those that are there will still represent mostly *wages*, since they are the product of John's labor, just as they were before John bought his machine.

The time John saves, he can use to produce eclairs, biscuits, or cookies. An increase of those things on our stockpile will also be *wages*, the return for the greater efficiency of John's labor—labor made more efficient by capital—by a machine that permitted him to produce as much by pushing a button as he formerly did by cutting out and fussing with doughnuts.

Or let's suppose we are talking about a shoe factory completely equipped with the very latest types of high-production machinery. Certainly that factory and its equipment would be considered to be capital, and the huge volume of shoes it turns out with so little labor might seem, at first, to be interest, since it is undoubtedly adding so many shoes to our stockpile of wealth. Actually, however, it doesn't necessarily add a greater number of shoes, but less expensive ones. The mere invention of shoe-making machinery doesn't increase the number of human feet in the world; and there can be no more shoes made than there are feet that can afford to wear them. And so, again, it isn't an increase of capital—interest—that the machine-made shoes represent, but the earnings of labor made more efficient through the use of machinery. If the extra shoes produced with machinery were interest, the rate of interest would increase just as fast as labor-saving machinery is improved. The rate of interest would be greater when the sewing machine was invented than it had been in the days of hand sewing. It would go still higher with the development of mass-production sewing such as we find in the garment trades today. But the facts are quite the contrary. Interest rates have steadily fallen with the development of each new invention. But wages, that is, the amount of food, shelter, and clothing that a day's labor will buy, have steadily increased with the advance of invention and the development of faster, more automatic machines. Even a tramp, today, thanks to improvements in road-making machinery, can bum along smooth, clean highways, whereas the hobo of fifty years ago had to stumble along dusty, bumpy, and muddy roads.

One more example, this time in a very simple sort of industry, will be sufficient to mark the almost invisible difference between

wages and interest. Let's imagine, this time, an apple picker who earns his living by shinnying up a tree, loading his arms with as many apples as he can safely hold, climbing down, placing his fruit carefully on the ground, and then shinnying up again for another load. If he continues to work that way all day long, he can probably gather as many as a hundred apples. They will of course be his wages, the produce of his labor. Now let us suppose he is approached by a bag-and-ladder maker who explains the advantages of owning one of his bag-and-ladder combinations, and who then offers him a "ten-day FREE trial.*

The bag and ladder he borrows is certainly capital, wealth used to produce more or other wealth. With their aid, he can climb up and down the tree faster and with less labor. By filling the bag slung over his shoulder, he finds he can gather larger loads. The bag, therefore, saves him the trouble and time he formerly spent climbing up and down the tree. Most important, he ends his day's work with seven hundred apples—six hundred more than his labor unaided by capital formerly produced. But we can't say, simply because the extra six hundred were made possible by the bag and ladder, that those six hundred apples are interest. If they were, the bag-and-ladder maker would have a right to demand all six hundred apples that were produced by his capital, since he still owns the bag and ladder. But no man in his right mind, even if he had no understanding whatever of economics, would pay the bag-and-ladder maker six out of every seven apples he picked.

Rather than pay so much, or even three apples out of every seven, for the use of the ladder and bag, our apple picker would take a little time out to make his own. Or if he lacked the skill to do that, he would certainly shop around among other ladder-and-bag makers and buy from them at the lowest possible price. (We must presume that there are other ladder-and-bag makers, for if we don't, the payment of six out of seven apples would be *tribute* demanded by a monopolist rather than "interest" charged for the loan of capital.) If our apple picker should buy the ladder and bag, there'd simply be an exchange of wealth, the apples of

the apple picker for the product of the ladder-and-bag maker. Since such an exchange, in itself, does not add a single apple, bag, or ladder to the stockpile of wealth (the same number existed before and after the exchange), no interest has resulted from the transaction, but simply an increase of satisfactions for both men, which is the invariable result that follows every exchange of goods.

But there was an increase in our stockpile—six hundred extra apples—after the ladder and bag were *put to use*. Yet, although, the bag and ladder did make the extra six hundred apples possible, we can't say *they* produced the increase. The bag and ladder did no more than add to the efficiency of the apple picker's labor. Before he used the labor-aiding capital, he had to spend much of his labor in tree climbing, a form of labor that didn't produce a single apple. But the tools he used later permitted him to spend more of his time and labor in *actually picking apples*, labor that was highly productive. The six hundred additional apples, then, resulted from this more efficient use of the apple picker's labor, and since it was a product of more efficient labor, the increase is more properly wages—not interest.

At this point in our investigation, the reader might suppose that the Poleco-ist is saying that capital doesn't produce interest; that everything that isn't rent is wages. But that isn't quite so. The Poleco-ist simply says that *dead* capital usually adds to the efficiency of labor, thereby increasing wages; but he concedes that *live* capital, the kind that produces its own increase *without the help of labor*, does, as we shall see, add *economic interest* to the stockpile of wealth.

52**LIVE CAPITAL PRODUCES INTEREST**

He [the farmer and stock raiser] is, therefore, the sole source of the riches . . . because he is the only one whose labor produces over and above the wages of labor.

—Turgot

IT WILL BE RECALLED, from our chapter on capital, that some forms of capital—machinery, tools, factories, bags and ladders, etc.—are dead; useless unless they are employed by labor, since they cannot operate themselves. It will also be remembered that some forms of capital—animals, plants, and any other forms that grow and reproduce themselves—continue to produce wealth even after the laborer has gone to sleep. They are live.

A man who invested his wealth in producing lawnmowers or factories would require roughly twelve times as much labor and capital to produce twelve as he would to produce only one. But if he wanted twelve rabbits or cows, he'd simply put a male and female of the species together in a field and let nature do the rest. It would be only a matter of time before he would have many more than the dozen animals he wanted. Twelve would require no more labor and capital than one. All of the animals other than the capital he started with (one pair of rabbits) would certainly be *economic interest*, since almost no labor was involved in producing the increase.

A candymaker would have to spend a dozen times as much in labor and raw materials to produce a dozen times more candy; but a beekeeper can produce pound after pound of honey and wax with no more effort than is needed to place one queen

bee inside a hive. She does the rest. She attracts the workers and the drones, produces baby bees, keeps the whole hive busy, and in time what started out as one lonely but mighty attractive insect in a wooden box finally becomes pound after pound of nutritious honey and valuable beeswax. Since there was no labor added after the queen bee was set up in business, all of the increase is obviously interest, *entirely* the produce of *live* capital. Most of the sweet, sticky honey we now find in our stockpile of wealth is undoubtedly interest. And so are the millions of pounds of beef, eggs, milk, corn, wheat, and other products of *live* capital. Such things were produced, for the most part, without much help from man's labor. So, for the most part, they can't be anything but interest.

It becomes clearer now that all wealth used to produce more wealth does not, in itself, produce an increase. A thousand dollars' worth of gold and silver placed in a chicken coop or in the safe of a factory will not, in a year, increase itself by one thin dime. But a hundred dollars' worth of hens, and a conscientious rooster, placed inside the same chicken coop during the same time will increase themselves not only in numbers but in pounds of meat, feathers, eggs, and fertilizer—all salable wealth. That is true, of course, only if man provides plenty of food and keeps natural enemies away from the coop. But even with food and protection supplied, neither money, gold, nor silver can increase itself. We might safely say, then, that only living capital—plants and animals—produces an increase with almost no help from labor. In other words, *only capital having the power to reproduce itself can possibly produce real interest.*

But—and it's a very important *but*—the idea of capital isn't any one thing, but is all of the things in our stockpile of wealth that are removed and put to work producing more or other wealth. Capital isn't the surplus wealth of one neighborhood, or of one country, but is all of the surplus wealth-producing wealth that exists in the world. And it is that fact that leads the Poleco-ist to suspect that all capital, both the live and the dead forms *combined*, produces an average increase in our stock-

pile of wealth. Just as we say that chickens produce eggs, although we know that even the most determined rooster, a chicken, can't lay one, the Poleco-ist says capital produces interest, understanding, of course, that it is only the live kinds that actually do the producing. Nor is that simply the Poleco-ist's way of weaseling his way around an obstacle. For just as the rooster, a nonproducer of eggs, is still a very active factor in the poultry business, so is dead capital—machinery, etc.—very necessary to the increase produced by live capital. True, to imagine a world without live capital is to imagine a world without any



capital whatever, since the raw materials of all industries—except the mineral and fuel industries—are of the living capital variety. On the other hand, without dead capital—barns, fences, tools, feed, fertilizer, mills, factories—man wouldn't be able to use interest-producing live capital.

The initial cause, then, of true interest, would seem to have something to do with life and the power to reproduce. And since any natural increase in living capital requires more or less time, it becomes obvious that time also must be related to interest. With those characteristics of interest in mind, we should be able to see more clearly why people are willing to pay for

the use of capital, why moneylenders are able to collect payment for the use of their money without the aid of a baseball bat, and why the rate of interest is two percent sometimes and ten percent other times.

53

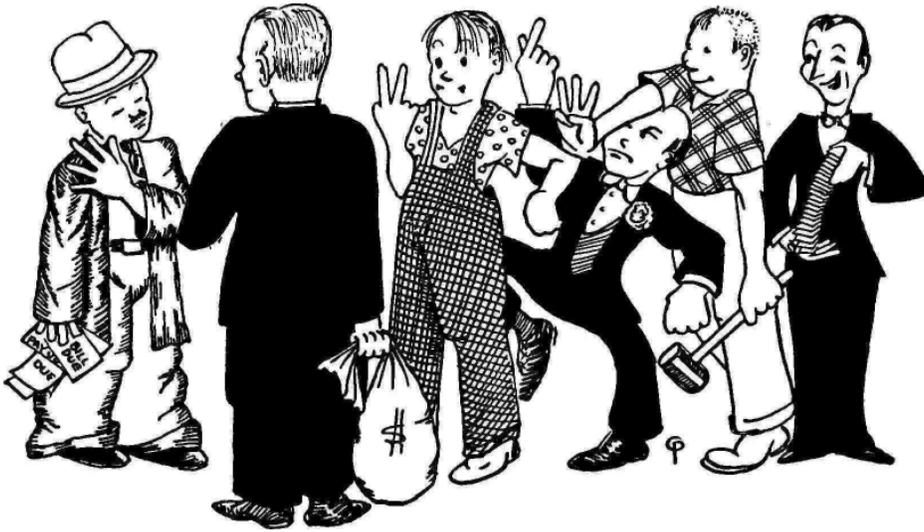
WHY MONEY IS LOANED OUT

The way to gain power and influence is by lending money confidentially to your neighbors at a small interest, or perhaps no interest at all, and having their bonds (promises to pay) in your possession.—Samuel Johnson

A MAN with money may do with it as he pleases. He can invest it in a farm, seed, and fertilizer and take a profit from the increase he harvests at the end of the year. Or he can use it as capital to go into the manufacturing business by buying some machinery and raw materials. He can use his money as capital by exchanging it for retail-store equipment and merchandise. He can gamble with it, give it away, or lend it out as a moneylender. It's his money to do with as he chooses; and in the economic sense, one way is just as respectable and natural as another.

If he is a normal human being he will invest his money where he thinks it will bring him the biggest return in additional wealth or pleasures—whichever he wants more. The prime characteristic of all normal beings, the desire to satisfy their wants with as little effort and risk as possible, brings the various profit opportunities into competition for man's surplus wealth. If wheat is selling at an *unusually* high price, a man may put his surplus wealth into wheat farming. If a big demand should

boost the profits in turkey raising or beekeeping to an *unusually* high level, his money will probably go into producing such things. He may see a chance to make a bigger killing in manufacturing radios or buttonhooks, or perhaps in selling glorified hamburgers through a chain of lunchrooms. He may feel lucky and imagine greater profits on his surplus wealth if invested on the stock exchange or at the race track. Wherever he sees the greatest promise of biggest returns with the least effort and risk, his surplus wealth will naturally flow.



And just as naturally, if he is approached by someone who wishes to borrow some cash, he considers the borrower nothing more than another opportunity competing for his surplus wealth. He doesn't care whether the borrower eventually uses his money to buy capital with which to produce more or other wealth, or to buy a car, or to entertain and make a play for the boss's daughter. All the lender wants to know is: will the borrower pay him as much for his money as the same amount, with no greater risk, would earn for him if he invested it in farming, manufacturing, retailing, or gambling? If he has reason to believe this borrower will pay him more for his surplus wealth than he can get elsewhere, he'll lend him his money. What is

true of our individual moneylender is similarly true of banks, insurance companies, pawn shops, and other moneylending in situations. That is why we find the funds of such moneylending agencies invested in all sorts of things—in farm, factory, and retail-store mortgages; in large housing projects; or in plain and simple moneylending. And, *risk being equal*, the return that promises the greatest profit will decide how much they will demand for the use of their money; whether they will lend it to a department-store owner, to a farmer, or to a speculator; whether they will use it to erect huge public housing projects; whether they will lend it to the government in return for tax-exempt bonds, or whether they will use it to bribe a public official. The individual with surplus wealth on his hands thinks the same way.

54

WHY A PREMIUM IS PAID FOR THE USE OF MONEY

A bird in hand is worth two in the bush.—Cervantes

BUT WHY SHOULD the borrower be willing to pay a premium for something that may or may not bring him a profit? A farmer who borrows money in the spring has no way of knowing how big his crop will be in the fall, how high a price it will sell for, or what return he will finally harvest on money he borrowed and used. Nor does the businessman know, when he borrows money, whether it will earn as much for him as he agreed to pay for the loan. Nevertheless, he willingly borrows the money and solemnly agrees to return it, plus a little extra, on a certain date, whether he

makes a profit or loses his shirt. Clearly the borrower doesn't pay "interest" because of what the borrowed money, if invested, will earn for him. He pays, it seems, for an advantage of time. That is, when faced with the choice of either saving his money for a year or borrowing as much as he might save in a year, he prefers to borrow. Therefore, it seems quite likely, as economists of the Boehm-Bawerk school believe, that man places a higher value on present wealth—wealth he can enjoy today—than he does on wealth he might be able to accumulate at some future time. The difference between the value he places on present and future wealth decides the amount he is willing to pay for money he borrows.

This idea of the borrower placing the value on money is quite noticeable among "small loan" borrowers. A man of small income might be able to save a little money each week for a year or two and finally have enough cash to buy a two-thousand-dollar car. And yet, rather than wait, he willingly pays from sixty to a hundred dollars to borrow the two thousand dollars with which he might buy and enjoy his car today. The advantage of time seems to be worth that much to him. And generally the payment for the use of money or goods—usury—is the purchase of a year's time—making next year's pleasures enjoyable today.

55**HOW EARNINGS OF ALL INDUSTRY
LEVEL OFF**

*Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command . . . the study of his own advantage naturally . . . leads him to prefer that employment which is most advantageous to society.— Adam Smith, *The Wealth of Nations**

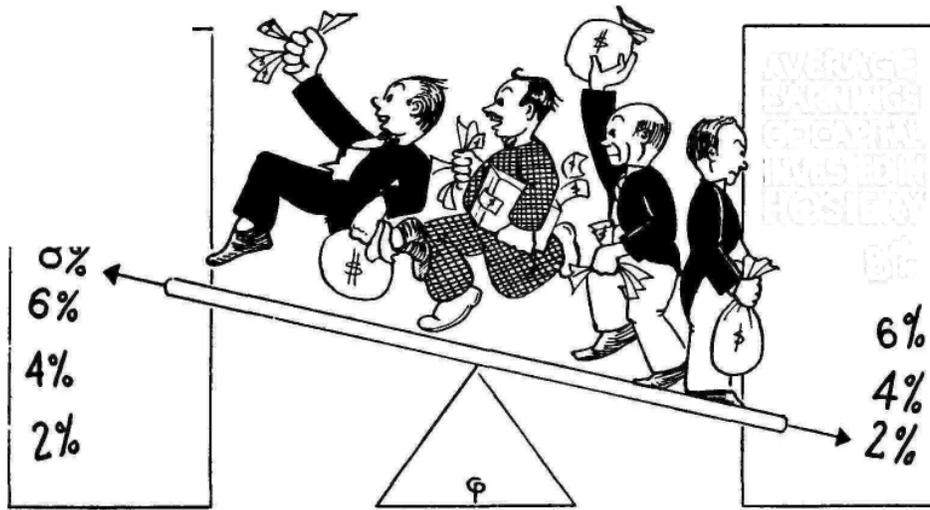
IN THE LONG RUN, \$2,500 worth of capital invested in any business will earn no more nor less than the same amount of capital will earn in any other business. If the average earnings of capital should be around 4%, as it was said to be in 1949, \$2,500 worth of capital put into any business would—on an average—earn around \$100. If any business is to tempt the three little men to toss their surplus wealth (capital) into it, that business must offer more than the average return—more than \$100.

If one type of business is riskier than average, it must certainly offer our three little men more than \$100 if it is to tempt them to part with their surplus wealth. And, quite naturally, if the risk is smaller and there is little danger that their invested capital might be lost, they'll be quite satisfied with somewhat less than \$100 in *contract interest*.

Because one business is always riskier than another, we must expect to find that the returns for the use of \$2,500 worth of capital will be sometimes more and sometimes less than the

average \$100. But if we imagine, just for the sake of argument, that all industries are equally risky, we shall find that *contract interest*, the charge for the \$2,500 worth of capital, will usually rest around the same figure for *all* businesses. This leveling off of *contract interest* is natural. It happens automatically, without the help of financiers or politicians. In fact, it happens in spite of all they try to do to stop it from behaving as it naturally does.

If farming, for example, happens to be enjoying a high-price period, and if \$2,500 invested in fertilizer, seed, and farm equipment will produce \$110 in interest, we'll see the three little



men putting more of their capital to work farming. That would indicate more farmers putting their savings and borrowings to work in farming in order to take advantage of the higher prices offered for farm products.

In time, because so many more farmers are producing crops, the market must become overloaded with wheat, corn, cotton, etc., and the prices of such things must fall to a point giving less than the average return—perhaps as little as \$90—about three per cent.

On the other hand, while the prices of farm produce may be falling, there might be better-than-average interest being earned in the hosiery-manufacturing business. Like the human

beings they are, always out to get the biggest return with the least risk, our three little men will stop putting so much of their capital into farm production and more of it into hosiery making. That is, we shall see fewer tractors being bought, less seed being planted, and less fertilizer being used. But at the same time we shall also see more hosiery mills and machinery (forms of capital) put to work to get in on the better-than-average profits to be made in hosiery making. Drawing capital away from farm production will naturally reduce the supply of farm products, and that must result in higher agricultural prices. And increased volume of capital shifted from farming to hosiery making will have the opposite effect; it will cause an overabundance of hosiery which must lead to a falling off of hosiery prices.

We'll then see our little fellows pulling their capital out of manufacturing and back to farming where, as a result of shortened supply, prices have again risen to a point more attractive to our three little men.

56

RATE OF INTEREST

The virtuous Brutus lent money in Cyprus at eight-and-forty per cent, as we learn from the letters of Cicero.—Adam Smith, The Wealth of Nations

IN MOST COLLEGE economics courses, the term *rate of interest* is given far more attention than it deserves. For the term is financial rather than politico-economic. It refers to the number of pennies a borrower must pay to a moneylender for every dollar he borrows. With it, economics professors try to teach their students why it is wise

to pay 4% for the use of money sometimes, and 2% or 30% at other times, according to how much the borrower expects to make

if he invests it in some form of productive capital. Since the borrower has no way of guessing in advance how much his borrowed money will earn for him, he can't possibly know what *rate of interest* he can profitably pay. Because such knowledge, therefore, is obviously useless, the student might spend his school hours more advantageously studying how to fight with windmills; or how to speak effectively with a mouthful of taffy and a borrowed set of teeth.

The rate charged for the use of money, as we have remarked, is more properly a usury rate. Yet, even the usurer's rate, like so many other economic phenomena, is determined at the margin. A review of earlier chapters makes that quite clear.

First, it will be recalled, the earnings of all capital used in all fields of production tended to level off to about the same rate for all. (Chap. 55.)

Next we observed that it was the interest earned by *live* capital that kept the earnings of *dead* capital in balance. (Chap. 52.)

And from our chapters on rent, we saw that interest on the very best land was no more than it was on the margin, and that interest fell as rent increased.

All of which adds up to an explanation of what determines the rate of interest. It might be stated as a law: the *rate of interest* (usury) is fixed by what, *on an average*, all *living* capital can produce when put to work on the least productive land in use: the margin; plus insurance for risk.

We can see the influence of the margin on the usurer's rate quite easily if we imagine all of the users of living capital—the farmers, ranchers, chicken raisers and dairymen—all investing their capital in the spring, each investing \$2,500 worth of capital. At the end of the year the capital of every one of our investors will not have earned an equal amount of interest. But let us suppose that the \$2,500 worth of cattle that each of the ranchers sent out in the spring all came back at round-up time so much heavier and with so many calves, the ranchers averaged

\$70 after wages, rents, and the cost of replacing their capital were subtracted. The \$70 is, of course, interest. And let us suppose each of the farmers' \$2,500 worth of seed and fertilizer grew up to become a crop that brought an average interest return of \$80; and that the chicken raisers and dairymen averaged \$75 in interest. Simple arithmetic quickly reveals that the *average* earnings of *live* capital that year was $\$70 + \$80 + \$75 - 3$ —or \$75, which equals 3%. Three percent, then, will be the *rate of interest* in all industry because, as we observed earlier, the interest earned by all industry—farming as well as manufacturing—tends to level off at a common point.

That doesn't mean that anyone putting \$2,500 into a business of any kind will automatically earn exactly 3% on his investment, but rather that all capital invested during that period, when averaged, will earn that return. Nor does the Poleco-ist suggest that anyone going out to borrow money will pay only 3%. Malcom Buckmaster might pay only 3%, or less, because he's a substantial citizen who has plenty of collateral to guarantee that he can easily pay back the money he borrows. On the other hand, if the borrower is a young man named Joe, who owns little more than the clothes on his back plus a few sticks of furniture; and if he has a job that he may or may not lose before he can repay the borrowed money, he will have to pay a much higher rate for a loan. Several New York lending companies, lending money to little people who can't get credit from a bank, advertise in subways and cheap newspapers to tempt Joe into borrowing money, and once they've snared him, charge him 15%. The "interest" Joe pays is still only 3%; but the other 12% represents a penalty he must suffer for being a poor risk—or, as the moneylender would call him, a potential dead-beat. Any difference, therefore, between the average earnings of live capital on the margin and the amount the moneylender charges isn't interest of any kind, but is *insurance* against risk—a bonus offered by the borrower as a substitute for more tangible collateral. The rate of interest, then, finds its own level as a result of

the competition among farmers, hosiery makers, and other borrowers. It is the average earnings of live capital at the margin *plus insurance for risk* that determines the usurer's fee—the *rate of interest*.

57

WAGES

Ye have sown much and bring in little . . . and he that earneth wages earneth wages to put it into a bag with holes.—Hag. 1:6

BEGINNING with the day we leave school to go to work, and throughout the rest of our lives, we try to become as intimately acquainted with wages as we possibly can. But in spite of the irresistible fascination gathering pay checks holds for most of us, the meaning of wages remains almost as vague in our minds as any of the other economic terms we've been analyzing.

On the other hand, at this stage of our investigation we do have a clearer picture of wages than we had when we first began to plow through the pages of this book. For our scrutiny of rent, the margin, and interest occasionally revealed unexpected glimpses of wages, too. For example, while examining rent, we discovered that as it increased to take a greater share of the wealth in our stockpile, it left a smaller share to be divided between interest and wages. When we observed the natural movements of the meaningful margin, we discovered that all wages fall *as a proportion* as less productive land is put into use. And in analyzing interest, we found that parts of the stockpile that at first sight appeared to be interest were more properly wages.

The fact that labor-saving capital produces wages and not interest can most easily be demonstrated by our imagining a contractor being called in to dig a foundation for a building. We don't ask him how much capital he will use, or how modern his capital is. We don't care! We simply agree to pay him a certain price to dig a hole of a certain size within a certain number of days. We pay him the same price if he uses dozens of steam shovels and trucks or if he digs the hole with his fingernails. If he uses a million dollars' worth of capital to dig the hole, he can't collect a nickel more than if he used only twenty dollars' worth of picks and shovels. In other words, he will collect the same wages he could earn digging foundations with his fingernails, but not a cent more, even if he used tons of the most modern equipment as capital. If anything, we will have to pay him less, because it costs less to dig a foundation with steam shovels than with a crew of men equipped with picks and shovels.* Clearly, then, the contractor's capital produces no interest, but merely enables labor—his own and that which he hires—to produce wages faster, more easily, and more pleasantly.

Even a good part of the increase that live capital adds to the stockpile is not interest but wages. For just as efficiency is an attribute of labor, so is intelligence. That a considerable amount of intelligent labor goes into producing the agricultural products we find on our stockpile is evident if we compare the milk production of specially bred cows with that of ordinary ones; common Indian corn with man-developed hybrid varieties; the juicier fruit that man has developed with the puny wild varieties from which they evolved. Moreover, the additional eggs, milk, corn, fruit, and wool which have resulted from man's patient, intelligent crossbreeding must, *to a great extent*, also be considered wages.

But there are still many things about wages that aren't too clearly understood. For example, almost every economics textbook treats wages as if it were the money one man pays another

* This is true only in prosperous countries and in prosperous (war) times, when the competition for jobs is not so keen as it more often is.

for his labor. In other words, most economists today think only in terms of *contract* wages and, as a result, overlook the obvious fact that all productive laborers produce wages—the "boss" as well as his employees. Most people—educated and uneducated alike—are satisfied that wages is the stuff they find in their pay envelopes at the end of the week. But it isn't. The bills and coin they receive are merely receipts or claim checks entitling them to draw a certain amount of food, clothing, shelter, and gadgets from the stockpile that their labor, with the aid of their capital, has produced. The idea of money would be much more easily understood if the printed matter on our paper money read:

CLAIM TO WEALTH

The bearer, having produced a dollar's worth of food, clothing, shelter, or gadgets, has deposited it on the world's stockpile of wealth, and he is, therefore, entitled to take a dollar's worth of goods from the stockpile any time he pleases; and if he prefers, he may give this Claim to Wealth to another person in return for services, or for any other reason he chooses, in which case the last holder may redeem this certificate for a dollar's worth of food, clothing, shelter, or any other goods on the stockpile.

To put it simply, wages is what the stuff in the pay envelope will buy. Even though a man might get the same number of dollars in his pay envelope, his wages is actually cut in half if the cost of living doubles. Coal miners know this to be true, and only too well. For in spite of their having won innumerable pay increases through years of "successful" strikes, they are still living very poorly, and only because their cost of living has gone up just as fast as their wages has increased.

Another strange idea most of us have picked up is that only hired laborers earn wages. But if we remember that it isn't only the labor of the overalled lad carrying a lunchpail in one hand and a Social Security card in his other that produces wealth, but that all productive labor does, it becomes quite evident that all productive laborers produce their wages. With the ex-

ception of the rare employer who takes no part whatever in operating his business, "bosses" as well as their employees produce, and therefore earn, wages. In fact, their incomes (if they are not enjoying monopolistic privileges) are almost entirely wages, plus winnings which are the reward for gambling, or risk taking.

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WAGES OF HIRED AND SELF-EMPLOYED LABOR THE SAME

There is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock.—Adam Smith, The Wealth of Nations

As WE LEARNED while watching Butch apply to Al for a job, the wages of Al the employer and Butch the employee were exactly the same. True, there was a thousand-bushel difference between their incomes; but those thousand bushels, it will be remembered, were the earnings of Al's land, and not of his labor; they were, therefore, rent and not wages. The same principle holds true in our present more complex society just as it did in Al's newly settled Fourland. The same quality and quantity of labor will produce the same wages whether the man exerting the labor works for himself or hires his labor out to another.

But that is not to say that the income of grocer Cadwallader will be the same as his income would be if he closed his store and went out to take a job as a grocery clerk. As a clerk, Cad wouldn't be exerting the same quantity and quality of labor. He'd do little more than sell goods over the counter, keep his

stock neatly arranged on the shelves and, after eight hours or so, he'd go home to do as he pleased. But as his own boss, Cad would have to do all the things a clerk does, *but in addition* he would have to order merchandise, pacify bargain-hunting customers, keep books, guard his credit, and work from early in the morning until late at night. So, in addition to earning a clerk's wages, the self-employed grocer would also earn managerial wages—wages he produced managing the business. If we compare the wages, per hour, of a hired manager of a chain grocery and of a self-employed grocer, we'd find them hour for hour to be almost identical.

In addition, the self-employed Cadwallader earns a sum above wages. When he buys merchandise at a certain price, he has no way of knowing that he can sell all of it at a profit. Between the time he buys and sells, the retail prices may fall. If he isn't careful, he'll buy things that can't be sold at all. Therefore, every time he buys merchandise he's gambling, taking a chance. And when he rents a location on which to build his store and promises to pay a certain amount, he actually gambles that the location will put at least as much economic rent in his pocket as his landlord will take out of it. When he hires clerks, he's gambling that their labor will produce as much for him as he's agreed to pay them. In other words, Cadwallader the grocer is not only a laborer but is a gambler as well. If he guesses right, he'll win; but if he guesses wrong, like any other gambler, he'll lose. His income therefore consists of ordinary wages, plus managerial wages, plus winnings.* If it were possible to subtract what Cadwallader gets as a reward for his successful gambling, we should find his income when employing himself in his own store to be no more than his wages would be if he sold his store and continued to run it as manager for the new owner.

* Because businessmen are, to some extent, gamblers, economists classify them as *entrepreneurs*, a French word that means *risk takers*; and they call the *entrepreneur's* reward for his risk his *profits*. The Poleco-ist doesn't use the word *profits* at all, because it can mean too many different things: wages, interest, and/or rent, or a combination of these, or winnings in speculation, or even gains resulting from monopoly.

Before we leave Cadwallader, it might be well to remind the reader that as a gambler the businessman doesn't always win. He doesn't always make a profit on the land, labor, and goods he buys. In fact, it is a matter of public record that far more than half of all new businesses fail within two years; that the percentage of businessmen who guess wrong and fail is even greater during the first five years, and still higher over a ten-year period. Between 1930 and 1947, the number of bankruptcies in the United States each year averaged 14,440. These figures, reported by Dun & Bradstreet, don't include all businessmen who guessed wrong. They don't include the many who simply walked away from their businesses in disgust, the banks that failed, or the farmers who lost their farms through foreclosure; but only those who were involved in bankruptcy court proceedings.

59

THE HIRED LABORER PRODUCES HIS OWN WAGES

The produce of labour constitutes the natural recompense or wages of labour.—Adam Smith, The Wealth of Nations

PERHAPS the least logical idea relating to the subject of wages is the one that stems from the long-debunked *wages-fund theory*, which is described in *Webster's Unabridged Dictionary* this way:

Wages-fund theory. A theory generally held by economists from 1830 to 1870, that the rate of wages depended on the ratio between the amount of capital available and the number of laborers. It has been abandoned because an amount of capital divided by a number of laborers cannot, in the nature of things, give a *rate* of wages.

Except for an unimportant error in dates, and the naive supposition that the absurd theory *has* been abandoned, Webster's account is quite accurate. The fact is that the wages-fund theory, absurd as it is, is still the foundation for much of our economic thinking today. The argument of Republicans, Democrats, and Socialists—"if business does not provide the capital to provide sixty million jobs, government must"—certainly stems from the idea that without a fund of capital there can be no employment and therefore no wages.* The statements of labor-union officials—"allowing foreigners into the country means lower wages for American labor because a greater number of workers will have to share in the nation's wealth"—is certainly an expression of the wages-fund theory. All we need do is consider the arguments of those favoring birth control to see that they, too, are based on the idea that there is only a certain amount of wealth in our "fund of capital" and that the greater the number of humans born to share in that fund, the smaller the share for each must be. But the greatest harm that has stemmed from thinking in terms of a wages-fund is the groundless belief that wages are drawn from capital at all. As F. A. Walker, the American economist, wrote in his *Wages Question* a long time ago:

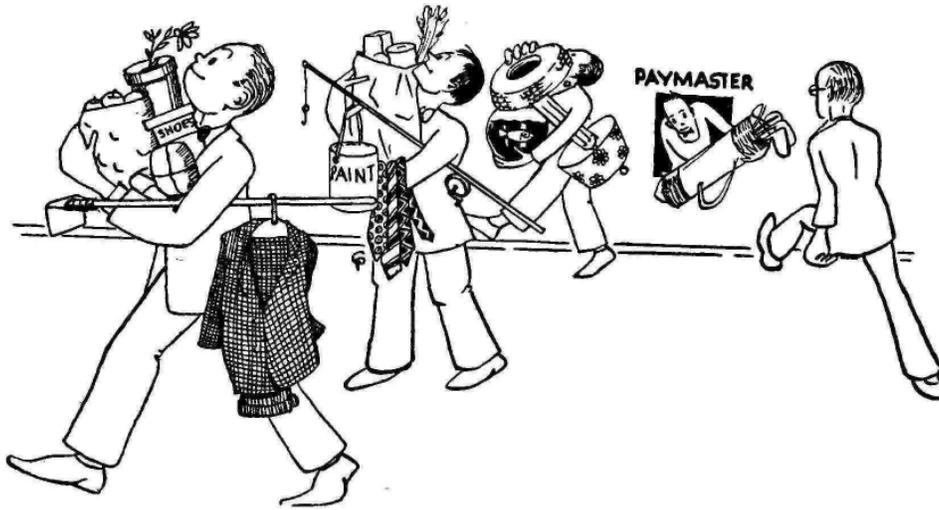
It is, then, for the sake of future production that the laborers are employed, not at all because the employer has possession of a fund which he must disburse; and it is the value of the product . . . which determines the amount of the wages that can be paid, not at all the amount of wealth which the employer has in possession or can command. Thus it is production, not capital, which furnishes the motive for employment and the measure of wages.

Wages, of course, are not drawn from capital. In spite of the fact that the "boss" does hand us our pay at the end of the

* John Maynard Keynes, whose economic philosophy has influenced most of today's fashionable economic thinking and teaching, holds that employment cannot increase unless investment increases. However, Keynes agrees this might be true only where competition isn't actually free. The Poleco-ist always speaks in terms of an *absolutely* free economy.

week, he doesn't provide us with wages. For it is the stockpile of wealth, our production, and not the "boss's" accumulated capital, that is the source of all wages.

There are times when wages really do seem to come from a fund of capital saved up or borrowed by an employer. For example, a man working in a shipyard certainly doesn't seem to be paid off in the aircraft carriers his labor produces. For at the end of the first week, before he has even finished a small part of a carrier, he receives a week's pay. It seems beyond argument that his wages must have come out of a fund of capital



which the shipyard owner saved up. But if we examine our example a bit more carefully, we find that the laborer's wages do indeed come out of his production, and that he *is* paid off in aircraft carriers. For if it takes a hundred days to build a million-dollar carrier from start to finish, after each day's work the carrier will be 1/100th nearer to being worth a million dollars. In other words, at the end of each day, 1/100th of a million-dollar ship, or ten thousand dollars' worth, has been completed. Obviously, then, the laborers working in the shipyard produced their own wages. When they are paid off at the end of each day, their share of the ten thousand dollars' worth of carrier that their labor produced is being bought from them by the

shipyard owner. Even the law seems to recognize this fact, for until the shipyard owner has paid all of the laborers employed in building the carrier, until he has given them money in exchange for the wages their labor produced, the law doesn't permit him to sell the ship.

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SUPPLY AND DEMAND DOESN'T DETERMINE WAGES

. . . when it is said . . . that the general rate of wages is determined by supply and demand, the words are meaningless. For supply and demand are but relative terms. The supply of labor can only mean labor offered in exchange for labor or the produce of labor, and the demand for labor can only mean labor or the produce of labor offered in exchange for labor. Supply is thus demand, and demand supply.—Henry George, Progress & Poverty

IT'S ALMOST a rule, nowadays, to answer most economic questions with "It's the *law of supply and demand*." Generally, the law of supply and demand has little meaning in the field of political economy, especially when related to wages. It is supposed to mean that wages go up when the demand for labor is greater than the supply of laborers. If that were true, low wages should be a sign that there are more laborers than there are jobs for them to do. That sounds reasonable enough, but it doesn't always hold up under examina-

tion, except in instances of a particular shortage of a particular type of labor in a particular industry. It is never true when we speak of labor, wages, and jobs in the general sense; and it is the general and not the particular with which the Poleco-ist *is I* always concerned.

During a depression, according to the law of supply and demand, wages should be low, for there is an "oversupply" of laborers. Many men are out of work and they earn *no* wages, so their wages are neither low nor high. But those who are lucky I enough to have jobs, even though they might earn fewer dollars! than they formerly did, are able to buy more with their dollars, because during depressions the cost of living falls. Since wages are the amount of food, clothing, shelter, and gadgets that dollars can claim from the stockpile, it is evident that the money earned by those who *are* working during a depression will buy| more of those things. Therefore, in spite of an "oversupply" of unemployed laborers, the real wages of those who have jobs* are comparatively high. Further disproof of the same "law" may! be found in the tropics, where there is usually a scarcity of will-; ing labor. It's hard to get the natives to work for the white man, because all the food, clothing, and shelter the natives desire'} may be taken directly from nature. Since the "uncivilized" natives are human, and humans won't work if they can do just; as well without working, the white man has had to tax them,^ punish them, or fool them into taking a job of work. Because, labor is so scarce in the tropics, then wages, according to the law of supply and demand, should be very high down there; | but anyone who has visited those parts of the world knows how miserably low the wages there really are, and what a shamefully small portion of the wealth produced by the natives is returned to them as wages.

Logically, there can't be an oversupply of labor as the "law" of supply and demand suggests. Since the wants of all humans are unlimited, and since they can't satisfy those wants without their producing wealth (or giving a valuable service to those who do), there must—*under natural conditions*—always be more

than enough jobs to be done. To be sure, as things usually are between wars, millions of men who want work can't find it. But that isn't because there are no jobs to be done, for that would imply that everyone had everything he wants, which is of course absurd. Multitudes of men are out of work because of some kink in our economy—a kink that doesn't permit them to use their labor to earn wages for themselves or to hire out their labor to others. No creature in the animal kingdom would lie down to starve rather than search, climb, or even fight for food. Certainly man is no different in that respect. Therefore, if he isn't earning wages, if there *seems* to be an oversupply of labor most of the time, it must be because man, in some way or other, is being forbidden to earn wages, just as surely as the animals in the zoo are forbidden by their barred cages to catch or gather their "wages."

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WHAT IS THIS STUFF CALLED WAGES?

The power of the labourer to support himself . . . does not depend on the quantity of money which he may receive for wages, but on the quantity of food, necessaries, and conveniences become essential to him from habit, which that money will purchase.—David Ricardo, Works

To AVOID THINKING of W3gCS 3S a certain amount of dollars, let's not use the word *dollars* at all in the next few paragraphs. Instead of referring to dollars, pounds, francs, pesos, guilders, and so on, let's make up our

own word for money. Let's combine the first letters of the three words *FOOD*, *CLOthing*, and *SHeelter* to form the word *foclosh*, understanding that a *foclosh* is a unit of money like a dollar, a franc, a pound, a peso, or a guilder. And let's suppose that fifty *focloshes* can be earned by ordinary labor on the least productive land in use. Since wages on such land, at the margin, is just enough to feed, clothe, and shelter a man and his family decently, plus enough to replace the capital he uses to produce his wages, we may assume that fifty *focloshes* is a living wage. To clarify the idea in our minds, a man who earned fifty *focloshes* wouldn't grow fabulously rich; but he wouldn't be poor either.

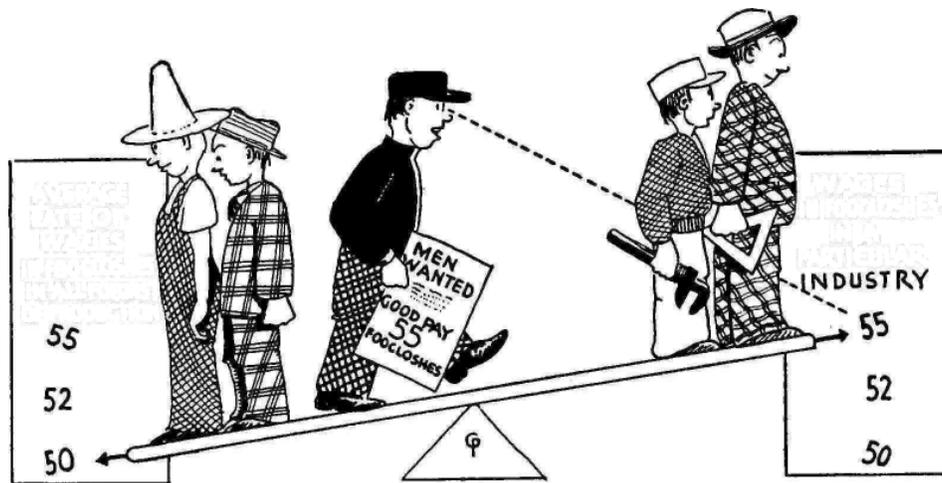
Since wages on the margin is fifty *focloshes*, fifty *focloshes* would be the wages *for the same quantity and quality* of labor everywhere, in all industries, on the best land as well as on the poorest in use. But that is not to say that every person who earned wages would earn *exactly* fifty *focloshes*. A man who put additional labor or more efficient capital to work, or one who was more skilful, would earn more than the man who put less of such things into his production. We may be sure, however, that an average amount of labor and capital, used anywhere, in any industry, will produce no more wages than it would on the least productive land in use.

For example, the average fisherman, if he turned to farming, ditch digging, building, or truck driving, would earn approximately fifty *focloshes*. He might, now and then, get a little more (in money) if he went to work in a factory. But he would soon discover that his cost of living in a factory town would be so much greater, his real wages would buy no more than he earned as a fisherman—and perhaps less. This comes about quite naturally. For if factory work paid much better (as such work did when we first became an industrial nation), fishermen and farmers and miners would pile into the cities for the better paying jobs, and before long there'd be so many men looking for the few available jobs, wages in factories would fall back to the general level of wages: fifty *focloshes*. If factory wages

fell below fifty foorcloshes, factory help would desert to go back into better paying fishing, farming, or ditch digging.

But, in our example, fifty foorcloshes is the wage for ordinary laborers, laborers of ordinary intelligence and strength who required no particular training or knowledge for their jobs. The wages of more experienced fishermen and wiser farmers will be higher, for their labor will produce more wealth, more foorcloshes. Listless and stupid farmers and fishermen will produce less wealth and will, therefore, earn proportionately less.

Carpenters, tinsmiths, plumbers, and other skilled laborers *in the long run* will earn no more than farmers and fishermen. For



their trades are easily learned, and if their wages should at any time rise above the general level, men in other occupations, including farmers and fishermen, seeking to satisfy their desires for more money with less effort, will pour into the better paying trades in such numbers, competition among them will soon pull the wages in those trades down to the common level. Labor unions have long tried to prevent this natural tendency for men to pour into high-pay trades and thus bring wages in those trades down to the common level; but by and large they have had little or no success. Organized labor does not *earn* more than labor in unorganized fields.

Again we must fix the thought in our minds that the fifty-

fooclosh wage we're talking about isn't the number of foocloshes we find in our pay envelopes, but refers to the value of the food, clothing, shelter, and gadgets which our foocloshes entitle us to remove from the stockpile. In parts of the country where the cost of living is low, the number of foocloshes we are paid will be fewer than the average fifty; and where the cost of living is high the wage rate will be higher than fifty foocloshes.

But it isn't food, clothing, shelter, and gadgets alone that comprise the wages of man. Schoolteachers, clergymen, and bank employees are typical of many who work for fewer foocloshes in return for the prestige their work gives them in their communities, and for the authority over other humans their work allows them. Large corporations invariably hand out vice-presidencies and other executive titles more generously than they hand out additional foocloshes in pay envelopes, because they know that their employees don't mind earning a little less if they're given shiny desks, responsible positions, or impressive titles that suggest responsibility. Consequently, we often hear of mechanics earning far more money than bank managers, corporation vice-presidents, and college professors; but that isn't to say they are better paid.

Security, or what is the same thing, assurance against being thrown out of work periodically, is also part of contract wages. That is why civil-service employees—public-school teachers, policemen, firemen, and post-office employees—are notoriously ill-paid, so far as money is concerned. The civil-service employees willingly work for even less than the fifty foocloshes because part of their contract wage is the knowledge that they needn't fear losing their jobs if they report to work on time, do as they're told, refrain from thinking, and go home on the moment of quitting time. Part of their wages is the peace of mind they gain from the knowledge that after a certain number of years of being an unthinking, obedient, and often unnecessary cog in an inefficient machine, they will receive a pension on which to retire . . . like a horse that has served his master well.

In jobs where the chances for success seem high, contract

wages will be lower than average. Prominent examples are the extremely low wages of hard-working law clerks, hospital interns, unknown actors, architectural draftsmen, young engineers, advertising personnel, and, currently, television writers, directors, and actors. All of these are perhaps the most poorly paid of all labor. Their pay is far lower than the average fifty fookloshes we have arbitrarily selected as being marginal wages. They willingly work for less than average pay because the lucky ones who finally succeed have a chance to earn so much more than ordinary marginal wages. Adam Smith thought this to be as it should be:

In the great part of mechanic trades, success is almost certain; but very uncertain in the liberal professions. Put your son apprentice to a shoemaker, there is little doubt of his learning to make a pair of shoes: But send him to study the law, it is at least twenty to one if ever he makes such proficiency as will enable him to live by the business. . . . In a profession where twenty fail for one that succeeds, that one ought to gain all that should have been gained by the unsuccessful twenty.

Whether a job is pleasant or unpleasant will also cause variations in take-home pay. A man who has an opportunity to choose will demand and get more fookloshes for cleaning sewers than for cleaning florists' shops. Driving a dynamite truck will pay better than driving a milk wagon. A stenographer will earn more in an office located in the slaughterhouse area of a big city than she would, doing the same work, in an advertising-agency office located in exciting, ultramodern Radio City. Chances of finding a suitable husband, one who can actually support a wife, is often just as much a part of a girl's wages as money entitling her to draw food, clothing, shelter, and cosmetics from the stockpile. That is why successful Park Avenue doctors and large advertising agencies and other employers who do business with well-to-do and marriageable men can get beautiful and bright young ladies to work for them at far below average wages.

For very short periods, in new industries, wages may shoot up

higher than average, as they did when the automobile industry was young. In the early days, mechanics and chauffeurs were unusually well paid, because men who understood automobile motors and those who could drive anything more complicated than a horse-drawn brewery truck were hard to get. The same was true when the radio, neon sign, and television industries first took hold. Trained help was scarce in those new fields for a while, and as a result those who were even partially equipped to do the work were paid far above the average rate. But, as might be expected, the high wages paid in those industries soon encouraged so many people to train themselves or their children for such jobs, competition quickly set in and wages in those fields fell to the same level that prevailed in all industries. So, we might say that while special skills will enable a laborer to earn better than average pay temporarily, they soon become common skills and consequently command only common wages. Not long ago a young man with a high-school education or a young lady who could typewrite well and take shorthand was able to command a somewhat superior salary. As a result, even the poorest families made every sacrifice to give their sons better than average educations and to send their daughters to secretarial schools. Today most Americans in cities are at least high-school trained, and a large proportion of our girls can type and take shorthand. The result has not been to increase wages but to make such education so common that the ordinary hired American today is expected to hold at least one college degree if he is to hope to earn as great a share of the existing stockpile of wealth as his almost completely unschooled American grandfather did. Anyone who remembers conditions during the depression of the '308 will recall that a girl had to have a university degree from a *better* college, besides more than average beauty and charm, in order to get a job selling goods over a department-store counter, a job that paid less than twenty dollars a week. Obviously, then, *in the long run* education doesn't enable the laborer to earn more than the wages of ordinary labor employed on the least productive land in use.

It is only when individuals are fortunate enough to have been born with a special talent that they can hope to earn more than average wages. Such individuals are very rare. Those who work with very costly materials and who, therefore, must be exceptionally alert, patient, and careful—diamond cutters and fur workers, for example—reap higher-than-average wages consistently. They are paid not so much to cut diamonds or to make fur coats as to avoid ruining their employer's capital: his rare stones and skins. Doctors and dentists also work on unusually valuable materials: our bodies and health. That's why we willingly pay them so much more for their time than we would for that of a watchmaker or shoe repairer. A person having a beautiful voice, unusual beauty, exceptional personality, or two heads, can, as an entertainer, command somewhat more than average pay. That parents realize this to be true becomes evident to anyone observing mothers who drag their children to dancing schools, modeling schools, and musical conservatories. It's impossible not to marvel at the almost insane determination in mamma's eyes as she compels her child to work desperately at developing any spark of talent the child may possibly have. The result: Hollywood and Broadway are so overloaded with so much talent that entertainers *on an average* earn far less than ordinary shipping clerks. To be sure, quite a few actors, musicians, and prize fighters earn fabulous sums; but for every one who does, thousands can't even keep themselves in coffee, cake, and cigarettes.

Clearly, then, wages consists of *all* satisfactions, and not merely the food, clothing, shelter and gadgets the money in our pay envelope will buy. Pleasantness of work, steadiness of employment, security, honor, chances for winning success, and even romance and excitement are as much a part of our wages as the foorclothes we find stuffed in our pay envelopes.

To summarize:

Wages is a part of the world's stockpile of wealth. It is that part which has resulted from the world's labor, mental and physical, that was used to produce that stockpile.

ring onto the hand of the one girl in a million before she comes to her senses, she will in effect be wearing on her dainty little finger the miles of plump frankfurters he had added to the stockpile.

In addition to material food, clothing, shelter, and gadgets, wages also consists of immaterial though equally valuable things, i.e., honor, authority, responsibility, security, opportunity for future success, pleasantness, romance, excitement.

Wages isn't drawn from accumulated capital. It is the actual wealth labor produces, or the wealth of others for which it can be exchanged.

As poorer land is put into use, wages as a proportion of the stockpile will fall, because when the margin is extended to less productive land that part that is rent increases to take up the difference.

Contract wages, interest, and rent are paid by one man to another. Economic wages, interest, and rent are never paid but are collected from the stockpile of wealth that all three factors—land, labor and capital—combine to produce.

The contract wages a hired man can get for his labor depends on the economic wages his boss hopes the labor he hired will add to the stockpile. The hired man won't work for less in contract wages than he can earn in economic wages as his own boss.

Labor-saving capital produces wages and not interest. Since dead capital—machinery, tools, minerals, etc.—consists of land to which labor has been added, it may be considered stored up, canned, or preserved labor. When a man produces a lever—of strong wood or metal—he has stored up some of his intelligence and muscle in dead materials. The lever by itself can move nothing; can produce no increase. It is dead and can exert no energy. But in man's hands, the intelligence he had stored up earlier in designing the lever now multiplies his labor power many times to enable him to move greater weights with far less labor. Therefore, anything produced by labor-saving capital is more properly wages, not interest.

The difference between economic wages and economic inter-

est is indistinct. No sharp line can be drawn between the two, except by definition, because only *living* capital is capable of adding anything at all to the stockpile of wealth without the help of man's labor; and even such capital must be assisted by man's labor in the form of intelligent and skilful crossbreeding, selection, fertilization, and irrigation. Any increase of *dead* capital is, as we have seen, wages and not interest. Therefore, much that appears to the casual eye to be capital's earnings—interest—is in reality labor's earnings—wages.

Only productive labor produces wages. Since wages is a part of wealth, only *productive* labor produces wages. Doctors earn fees, beggars earn charity donations, the thief earns loot, the racketeer earns tribute, the gambler earns winnings or prizes; but only *productive* laborers earn wages. Wages are drawn directly from the stockpile—in goods or in foorcloshes—by those who produce material wealth. But fees, donations, loot, and tribute are not drawn from the stockpile but are paid by the productive laborer out of his accumulation of foorcloshes. Those foorcloshes represent food, clothing, and shelter above what the productive laborer needed for his own use. Doctors, teachers, entertainers, and other *unproductive* laborers then give their services to the *productive* laborer in exchange for foorcloshes, which they later redeem at the stockpile for the wealth they want. But obviously they cannot possibly draw wages *directly* from the stockpile, as the *productive* laborer does, because they produce no wealth and therefore no wages.

Wages are not earned only by overalled labor-union members, but by all productive laborers. Hired labor and self-employed; free labor and slave; mental labor and physical; all, so long as such labor adds material goods to the stockpile, produce wages—not necessarily for the actual laborer—but *for the owner* of the labor used.

The wages of hired labor and self-employed labor, under natural conditions, are equal. The wages of either can be no greater, on an average, than labor can earn on the least productive land in use.

Unusual skills and knowledge only temporarily command more than average wages. For the lure of better wages invites others to develop these money-making qualities in themselves. Consequently, what had been unusual qualities become quite common and eventually earn but common wages, i.e., the average wage that labor can earn at the margin.

Such is the nature of wages.

62

THE PARTS AND THE WHOLE

*All are but parts of one stupendous
whole. . . .*

—Alexander Pope

MANY PAGES back we started out to discover why, in many parts of the world today, man—the builder of teeming cities, the designer of wonderful machinery, the dropper of atom bombs, in short, man the genius—is still living in caves, is still eating whatever scraps of food he can find on a garbage dump, and is still wearing only the clothing he can beg or steal.

Another answer we hoped to find was one to explain who, or what, is in favor of poverty. That someone, or something, is in favor of poverty seemed evident, because anything as widespread and thoroughly disliked as poverty couldn't exist today if it weren't wanted. It would have been stamped out long ago, as smallpox and bubonic plague were. If poverty weren't of some benefit to someone, it seemed only reasonable to expect that research organizations backed by millions of dollars, like those that investigate the causes of cancer, tuberculosis, and infantile paralysis, would have been set up to discover the cause of poverty and, by this time, would have done away with it.

When we began our investigation, we hoped to ferret out

the real cause of unemployment in a world where there is so much work that needs doing. At the same time, we expected to discover the cause of periodic business depressions during which rich and poor alike suffer.

We hoped, too, to discover what manner of ferocious monster so frightened the inquisitive professors of old who came, saw the causes of poverty, and then fled in terror, never stopping until they were safely back in their schoolrooms teaching the same high-taxes-and-high-tariff philosophy that they know has eventually ruined every nation that has lived under it, and has always brought the most horrible suffering and bloodshed to the citizens of those nations.

So far, after many pages and thousands of words, we have nothing more to show for all our hard work than several pieces of a jigsaw puzzle. They hardly seem worth the trouble and eyestrain we've spent gathering them.

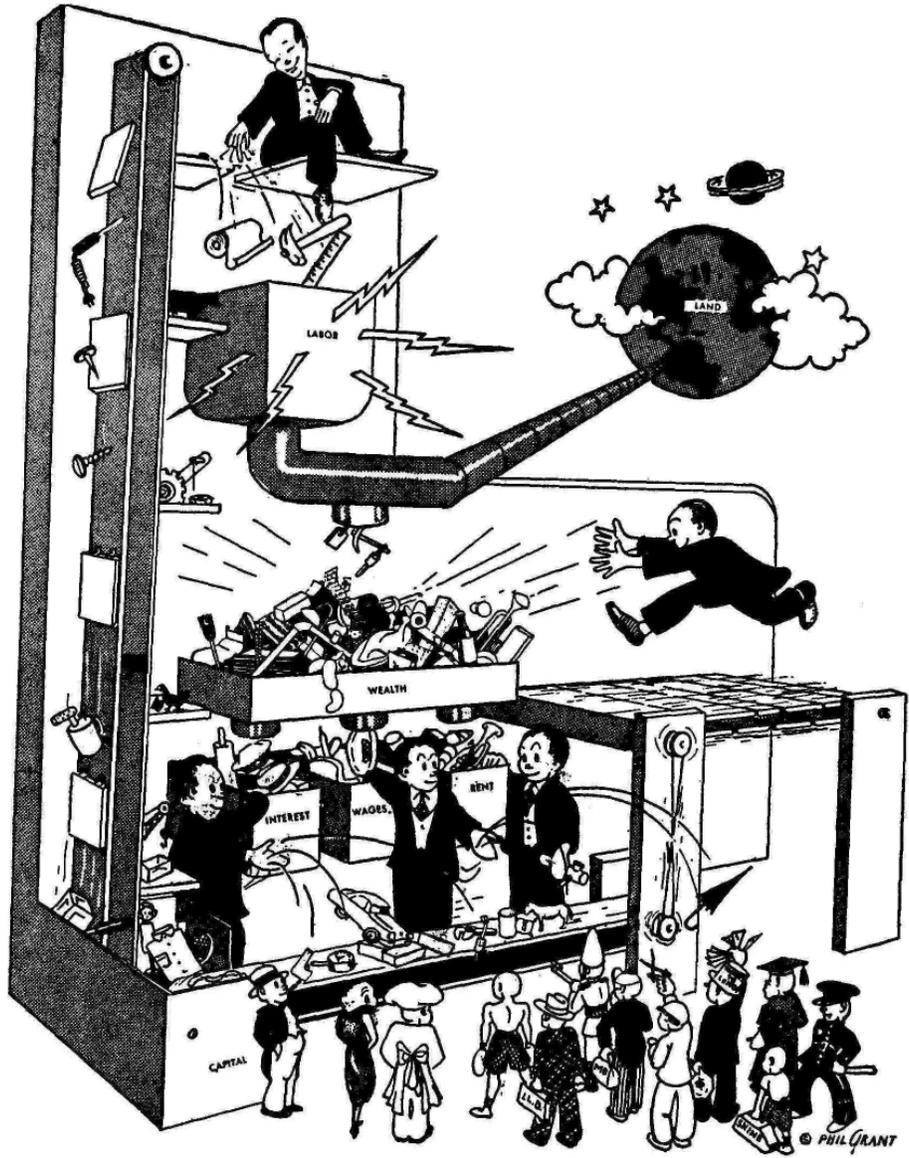
Examined separately, no one of the pieces means very much. For what difference does it make, so far as the poverty of the world is concerned, whether land is just the dry surface of the earth or is, as our jigsaw-puzzle piece tells us, the entire universe, including the skies, the seas, the planets, and all the wild life that runs, swims, crawls, flies, or hops? What good will it do the college graduate who can't find a job to know that the bonds, mortgages, and stocks in Buckmaster's safe aren't wealth? What's gained by understanding that only productive labor adds wages to the stockpile, if those whose labor produces those wages can't get their hands on it? Do we need a piece of a jigsaw puzzle to tell us that our desires are unlimited? Or that we try to satisfy them in the easiest way we know? Let's face it. There's nothing new or startling in any of the pieces we've gathered after so much work.

But if we should put the pieces together, we shall see something quite important, something chock-full of answers—the answers we are seeking as well as many others we didn't expect to find. For, by putting the pieces together and observing each

part in relation to all the others, we are able to see them all as parts of one whole.

Many things are too big for man's field of vision. For example, we cannot *see* that the earth is indeed a big ball so long as we stand on a small section of it; but its roundness becomes more and more obvious as we fly higher and higher above the earth's surface. A visitor walking through the streets of our nation's capital might wonder why Washington is said to be the most perfectly planned city in the United States. The streets and buildings are quite ordinary. But when he flies over the city and looks down, he sees that the broad avenues and circular intersections have been laid out most carefully in order to form one geometrically beautiful pattern.

If we stand too close, we find "seeing" abstract ideas just as difficult as seeing material things like cities. If we are laborers we see only wages; if we are employers we see only profits; if we are landlords we see only rent, and if we are economists we are inclined to forget the purpose of our study and see only our graphs and statistics. But Poleco, as we tried to demonstrate in our preceding pages, must concern itself with several parts other than rent, wages, and interest. There are also wealth, land, labor, and capital. And let's not overlook human nature, the thing that makes our economy tick. We've examined and analyzed each of these parts with a thoroughness bordering on the boring and are at last ready to assemble all of them to form one complete unit. If we should do that, and then step back far enough to see the whole thing at one time, we should be able to understand how our economic system works. Then, if we have as much intelligence as our primitive friend who puzzled over the pie-baited mantrap, we should be able to discover quite easily the probable causes of many of our social maladjustments.



33

THE WONDERFUL WEALTH MACHINE

THE WONDERFUL WEALTH MACHINE

*They [the Physiocrats] were the authors of the motto that in the English use of the phrase Laissez faire! ("Let things alone!") has been so emasculated and perverted, but - which on their lips "was, Laissez faire, laissez aller (Clear the ways and let things alone). This is said to come from the cry that in medieval tournaments gave the signal for combat. The English motto which I take to come closest to the spirit of the French phrase is, "A fair field and no favor!"— Henry George, *The Science of Political Economy**

EACH JIGSAW-PUZZLE PIECE has been placed according to its true relationship to the other pieces. Although we've ended up with something that resembles a madman's invention, it is nevertheless an accurate, smooth-running model of our economic system.

In some respects, the machine may not seem to operate exactly the way our economic system does. For example, that part of our drawing that shows wages and interest falling conveniently into separate, clearly labeled boxes, and then waiting only for the laborer and the capitalist leisurely and peaceably to help themselves to whatever wealth they find in their bins is certainly hard to take seriously. For we need only pick up a newspaper any day, or turn on our radios, to see quite clearly that the laborer and capitalist are constantly at each other's throat, each positive

he is being robbed by the other, both satisfied that it is the greediness and nastiness of the other that is responsible for all the world's troubles.

And that section of our drawing which illustrates how easy it is for man to help himself to the steady stream of capital that is carried up to him by the trayful in endless abundance is certainly more than most of us can believe. For anyone who has ever needed capital in order to go into business knows far too well how hard it actually is to get his hands on enough of it without being compelled to leave a mortgage on the pound of flesh nearest his mother's heart as security. The reader knows he must pay for the use of capital—that he can't simply help himself to as much capital as he needs, in spite of our machine's suggesting that he can.

Another thing that doesn't seem to resemble the facts of life at all is the idea of wealth tumbling into the wealth box in unlimited quantities. For we all learn after a very short time on this planet that most humans find wealth far from plentiful. Most of the world's people are hardly able to find wealth enough to keep themselves alive. Even those we refer to as "well-to-do" live in constant fear of losing the wealth they do have, of being thrown upon the charity of their relatives or children or, what frightens them even more, of becoming dependent upon the charity of the government. It has been said that most men save throughout their lives in order to accumulate enough to pay for their funerals.

The reason our machine doesn't seem to reflect our economic experiences as we actually live them is that our machine is a model of an absolutely free economic system—one that hasn't been tampered with by the politicians, lawmakers, and special-privilege groups. It is the same economic system under which the world now lives, but it is hard to recognize because it has become battered out of shape by many stupid laws written by obedient though clumsy politicians.

We might call this strange contraption the *economic system* and be done with it. But if we did, we would surely confuse our

readers, since the term *economic system* is used today to mean the bloody, boom-or-bust madness under which the world has lived so long. Our machine, as we have explained, is a model of our economic system *before* man fouled it up with his socialistic, man-made laws, rules, and regulations. It represents the "free-enterprise" system which is so much discussed and so little understood by our editors, radio commentators, and politicians.* Our machine represents a system of the *laissez faire* which the Physiocrats, originators of the term, had in mind; not the devil-take-the-hindmost *laissez faire* the communists, socialists, Democrats, and Republicans, *et al.* mean when they use the term.

For the sake of convenience and clarity, let's call the strange contraption we've put together a Wealth Machine. The name is apt, since the machine does nothing but produce wealth and distribute it. The Wealth Machine and the economic system it is supposed to represent will not be familiar to many who have studied economics during the last twenty years in our secondary schools and colleges. That is to be expected, since our machine is a politico-economic concept which is entirely different from that which today forms the basis of economics. There are vast differences between economics and political economy (or Poleco, as we have chosen to call it here). Because these differences aren't commonly marked, it might be well to compare the two subjects, side by side, before we search our newly assembled Wealth Machine for answers.

* J. S. Flink, of Rutgers University, in his *American Economy*, defines capitalism as "essentially a system of economic institutions—primarily private property, freedom of enterprise, freedom of competition—governed by the desire for profit." According to this typical definition, we cannot say that capitalism prevails in our country today. For freedom and government control, as terms, deny each other.

64

DIFFERENCES BETWEEN ECONOMICS AND POLECO

We assert—and we have no doubt whatever that this view will ultimately obtain the suffrages of all—that the welfare of man is the end of political economy.—Edward Patrick Dove, The Theory of Human Progression

REGARDLESS of whether a student enrolls for a course in economics or in political economy, he'll usually find himself studying the same thing: dull, drab, and dismal economics. For no distinction is made today between the two subjects. In fact, most dictionaries list both words as synonyms. The Poleco-ist, however, insists that there is as much difference between economics and political economy as there is between psychology and psychiatry, astronomy and astrology, medical research and medicine. For, he explains, like psychology, astronomy, and medical research, political economy is a science; while economics, like psychiatry, astrology, and medicine, is an art.

He says the psychologist is a scientist* because he studies the behavior of many minds, tries to figure out a general pattern of their behavior under different conditions, and then tries to formulate a general law which will foretell the behavior of any mind under certain conditions.

The psychiatrist, on the other hand, uses the knowledge gathered by the psychologist in order to correct individual minds

* science: Knowledge gained and verified by exact observation and correct thinking, especially as methodically formulated and arranged in a rational system.

that don't seem to follow the typical pattern. That, by definition, makes him an artist.*

Or, for the sake of clarity: the fellow who tries to find out exactly what cancer is and under which conditions it most often develops is a scientist; but the practicing physician, who uses the knowledge gathered by the scientist in an effort to cure a particular person suffering from cancer, is practicing an art—the art of medicine. In each instance, the scientist tracked down the natural laws while the artist skillfully used the natural laws discovered by the scientist in order to accomplish some practical purpose.

It's the same sort of thing with economics and political economy (or Poleco, as it is referred to in this book.) Poleco is the science that tries to find out exactly what wealth is and why everyone doesn't have enough of it; why, unlike all other animals, man bothers to produce it, and how the world's stockpile of wealth continually distributes itself. Economics, on the other hand, is an art—the art of applying the knowledge gathered for him by the Poleco-ist toward explaining to his particular client why he, the client, made or lost money during the last fiscal year. Such is the general difference between the two subjects; but there are particular differences too. For example:

Poleco tries to find scientific methods which are in harmony with natural laws and by which the general welfare of all men of all nations might be improved.

Economics is used to help an individual, an individual corporation, industry, or nation make a profit.

Poleco deals only with abstract ideas (see Chap. 41) which, like all ideas, cannot be measured or weighed or counted.

Economics deals not with ideas but with actual laborers, actual amounts of money, actual quantities of shoes, ships, and doughnuts produced in an actual industry in a certain number of man-hours. In that sense, economics becomes the art of statistics and accounting.

* art: Skill in applying knowledge or ability to the accomplishment of a concrete purpose.

Poleco doesn't concern itself with money, which by its very nature is a financial term and not an economic one. Since the value of money changes almost daily and never has universal value, and since all sciences must deal in universals only, then dollars and cents, like an elastic tape measure, are useless for scientific measuring.

Economics, dealing for the most part with the financial condition of particular men, industries, and nations, must of necessity use money as its measure of values; although aware that money isn't wealth and therefore cannot be capital, the economist nevertheless usually speaks of capital in terms of money and often refers to money as capital.

Poleco doesn't accept conditions as they are. Just as the medical researcher assumes that cancer isn't a natural condition and therefore can be done away with, the Poleco-ist believes that poverty, crime, corruption, and war are not the natural condition, and that by removing their cause they can be made to disappear. Also he believes that the fact that absolutely free competition and absolutely free enterprise do not exist anywhere doesn't rule out the possibility of their existence once all obstacles to their freedom are removed.

Economics accepts conditions as they are. Just as a physician must accept the patient's condition as he finds it and then treat to the best of his ability the trouble he finds, the economist must do the best he can with the economic conditions he finds, no matter how corrupt or absurd those conditions might be.

Poleco, in its idea of labor, includes all human energy: that of the hired laborer as well as that of the self-employed; that of the employer as well as that of the employee; that of the producer of goods as well as that of the performer of services.

Economics, for the most part, thinks principally of the energies of hired manual workers and, too often, seems to restrict the idea of labor to union members.

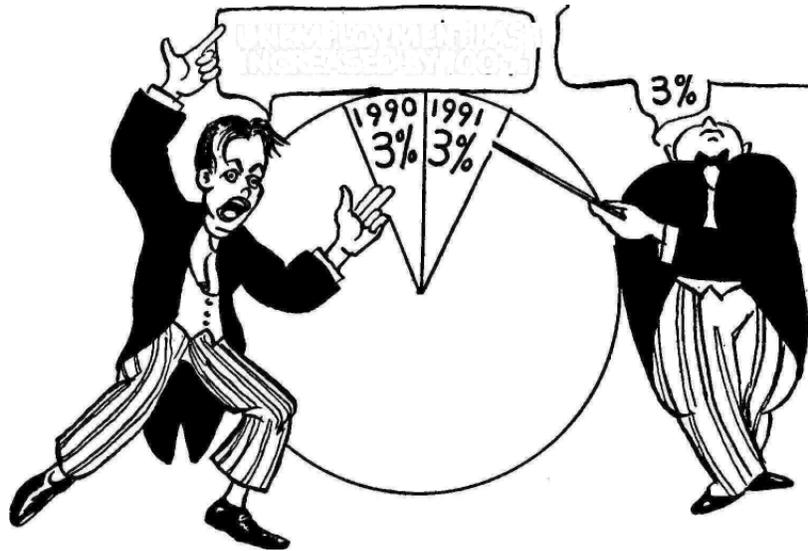
Poleco, in its idea of capital, includes only that wealth which is used to produce more wealth, and regards interest as an actual increase in the world's stockpile of wealth.

Economics generally speaks of capital as money which is invested in stocks, bonds, or a business. By borrowed capital he means borrowed money. By interest he means that which the borrower pays the lender for the use of his money or goods.

Poleco, in its concept of rent, includes that which the land will give (beyond wages and interest) to man.

Economics speaks of rent as an amount of money or share of his production which a businessman or farmer will pay for the right to occupy a particular piece of land.

Poleco, in its concept of wages, includes that part of the world's stockpile of wealth which has resulted from the human energies spent in producing that stockpile.



Economics speaks of wages as the amount of money which is paid to a hired employee in return for hours of labor.

Poleco doesn't permit the use of the percentage sign, since it is an arithmetical symbol and therefore can't be used to measure abstract ideas.

Economics, being very much concerned with statistics and arithmetical calculations, employs the percentage sign most effectively. With it and a batch of statistics, the economist can come up with any answer he chooses; invariably, he can come up with the answer most likely to please his client. For example, if 3% of a nation's population is unemployed one year and an additional 3% is out of work the next, the economist employed by the politician-in-office can truthfully show that, thanks to brilliant management, employ-

ment has fallen off only 3%. But with the same figures the economist employed by the politician-seeking-office can show with equal accuracy that, as a result of muddleheaded mismanagement, unemployment has increased by a scandalous 100%.

Poleco, like all sciences, relies entirely on natural laws—not legal ones—to bring about an equitable economic system based on absolutely free enterprise. The Poleco-ist insists that trying to control natural economic phenomena with man-written laws is as absurd as trying to do away with all neuroses and cancer by passing laws forbidding anyone to dare be neurotic or develop a cancerous growth. *Economics* doesn't question treating economic ills with man-written laws. Most economists whose opinions reach the public through publications and radio seem to endorse laws to stem unemployment, increase wages, and so on. Also, they seem to see nothing strange in laws which permit taxing those who still have an income to support those who cannot provide themselves with subsistence. Even though this thinking has gone beyond the stage of taxing Americans to provide for Americans and now includes taxing Americans to provide for Europeans, Africans, and Asiatics, few economists seem to be concerned. Since supporting the world is now written into law, economists are content to keep records of how much is taxed, how much is spent, and how much must be borrowed to make up the difference between our national income and outgo. In other words, no matter what happens to our economic system, the economist is ready and able to keep records.

There are many other differences between economics as taught today and Poleco as originally developed by the classical political economists quoted in earlier pages. But even if these differences were all, they should certainly warrant giving each subject its own name and then studying each separately.

But before we continue pursuing the villain we're after, one more slight digression is necessary. Since the economist is unscientific because he places his faith in anything that's written into law, and since the Poleco-ist claims to be scientific because he works only with natural or universal law, our next logical step

must be—even if it means wandering somewhat off our path—to compare the man-made and the natural law side by side.

65

NATURAL LAWS AND MAN-MADE LAWS COMPARED

God makes all things good; man meddles with them and they become evil.—Rousseau, *Emile*

JUST ABOUT two hundred years ago one of Italy's many profound scholars, Giovanni Vico, wrote: "Dull-witted people think that whatever is expressed in legal formulas of a fixed character is just law." If that is true, most of us are certainly dull-witted, since we have learned to believe that everything that appears in law books is just. Our faith in man-written laws is remarkable, especially since they have accomplished very little, if anything, that is good. Although there are strict laws against murder, theft, perjury, gambling, and so on, we go right on killing, stealing, perjuring, and gambling at an even greater rate than before, taking care only not to be caught. There are laws forbidding almost every conceivable act, yet not one of the laws does what it is intended to do, because normal human beings don't like being forbidden to obey their natural instincts. If there is anything of which the world has plenty, it is undoubtedly man-written laws. So many have been written, no lawyer can possibly hope to keep track of even a small percentage of them. And yet the first thing we think of when anything displeases us is, "There ought to be a law passed to stop that sort of thing."

We need only compare man-made laws with natural laws to see how foolish it is for legislators to waste so much of their

time and the taxpayers' money in writing rules and regulations that can't help but violate man's natural rights.

Anyone who can read fairly well can discover a man-made law. But natural laws can be discerned only through human reason. A college degree or a special license to practice a particular profession gives no human the exclusive ability to understand natural laws, for even the least educated peasant, without realizing it, understands many of them well.

Natural laws *must* be obeyed whether or not a policeman is watching. For if we violate a natural law, the law of self-preserva-



tion for example, by stepping out of a fifty-story window into space, we are punished immediately by another natural law—in this instance the law of gravity—which pulls us down and splashes us all over the sidewalk. Or if a farmer disregards the natural laws of fertility and plants his seed in worn-out soil (while no one is looking) he's punished with a loss of time and seed.

Man-made laws punish only; but natural laws both punish and reward. If we obey the natural laws controlling electricity, we are rewarded with power, light, radio music, X-rays, and a thousand other useful services. But if we disobey those laws we are immediately punished—sometimes with nothing more serious than

a short circuit or a blown-out fuse, but other times with a burned-down house or sudden death by electrocution.

Everybody, regardless of race, color, sex, religion, politics, or social position, gets exactly the same treatment under natural law. Everyone must obey. Bribery gets us nowhere. If an airplane is stalled in midair as a result of the pilot's disobeying the natural laws governing mechanics or aerodynamics, the plane must come plunging down at a certain speed because the natural law of falling bodies says it must. All the money in the world, paid as a bribe to the most influential person on earth, can't keep the natural law of gravitation from plunging that plane and its natural-law-breaking pilot to the ground.

And yet our world leaders—Democrats, Republicans, socialists, and communists alike—go on trying to cure economic ills by writing silly little laws on expensive paper. Things like depressions, low wages, financial panics, high cost of living, strikes, wars, and poverty can't be cured that way. These brilliant statesmen can't seem to understand that wars, hard times, and economic troubles result from violating certain natural economic laws; and to write legal phrases in order to stop natural economic laws from punishing a society that dares violate them is like trying to clean fingernails with a lead pencil. It just can't be done!

For example, Congress has from time to time passed laws to keep wages from falling below a certain level. Under those laws, written in all seriousness, nobody in a certain group is supposed to receive less than so many cents per hour. The laws are debated in the halls of Congress. Newspapers run headlines and radio commentators talk themselves hoarse announcing the good times to come as a result of this new "minimum wage law." But after the laws are passed, nothing happens. The same number of people as before earn less than the "minimum wage." * Many people earn nothing at all. The only ones who do get above the "minimum wage" are those who got it before the "minimum wage law" was written. It should be obvious that if wages could be * We are speaking of course of *real* wages: foorcloshes; what wages will buy.

increased by man-made law, all Congress would have to do to make everyone prosperous would be to pass a law making \$10,000 a year the minimum wage for everyone. That, of course, cannot be done, since minimum wages, as we have seen, is fixed at the margin. As poorer land is put into use, wages *must* fall, just as surely as the sun *must* rise in the east. Natural law insists that it be so, and there's nothing lawmakers and their "minimum-wage laws" can do to change the natural order.

Laws have been written to "freeze" rents at a certain figure. After the laws were passed, the tenant's rent, so long as he didn't try to move, seemed to be fixed. But when he tried to find another apartment he had to pay his new landlord the difference between the price fixed by government and the natural price. True, he had to pay it secretly as a bribe, "under the table," in cash and in advance; but secret or not he did have to pay an increase in rent in spite of the written law freezing his rent at a certain figure. If he chose to move into a house built after the law had been passed, he found that he had to pay the natural rent, which was always much higher than the rent set down for a comparable dwelling by the lawmakers. Moreover, even if he chose to stay where he was, and had to pay only as much rent as the written law said, he found that his landlord cut down on the services formerly given. That is, the landlord didn't repaint the apartment every year as he had done in the past, janitor service became poorer, repairs were held down to a minimum, and generally the tenant received much less service for the same amount of rent, which is the same as saying rent, for service given, had gone up. Again man-written law couldn't work. Rent, as we have seen, is determined by natural law; by the movement of the margin. As poorer land is forced into use, rent *must* go up on all better land. It would be easier to control the tides, as King Canute tried to do, than to stop rent from reaching its natural level.

Various governments during the recent war wrote laws in an effort to fix prices. But, as usual, the result was always the same. That is, either food and clothing simply disappeared from the

stores, compelling anyone who wanted to eat or to wear nylon stockings or men's shirts to go to the "black market" for them, where they willingly paid the natural, though much higher, price; or the prices had to be freed by law to reach their natural level. In other words, laws written to hold prices down simply had the opposite effect: they made food and clothing extremely scarce and therefore priceless! Laws have been written to stop unemployment, to end inflation and deflation, and to prevent wars; but always to accomplish nothing more than to intensify the evil they were intended to control. For things like wars, inflation, and unemployment are the natural results of a short-circuited economic system; and nothing but removing the economic cause of such things can possibly eradicate them. Since natural laws control the economic system, it is necessary to work *with* and not *against* the natural laws if we are to cure society's headaches. But to say that man-made laws are useless in dealing with economic problems is not to say that man-made laws are entirely useless. For without any man-made laws whatever, there could be no such thing as government. And without government to enforce certain laws—particularly those that *protect the natural rights of all persons*—the strong would certainly rule. They'd rob and bully the weak to the point at which nobody would be foolish enough to produce willingly more food than he could eat or hide; or more clothes than he could wear on his back. He certainly wouldn't build himself a house if he couldn't be sure that some big muscular moron wouldn't come along to take it for his own use. Without the protection of the law, no merchant could *sell* goods, since anyone stronger than he could walk in and help himself to whatever he chose. It becomes apparent, then, that certain laws are necessary, but only those that *protect the natural rights of all persons*. Those laws that interfere with the natural rights of any of its citizens or with the economic system are not only unnecessary and useless, but are unjust as well. Jefferson summed up his idea of the sort of laws government should enforce this way:

A wise and frugal government which shall restrain men from injuring each other, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities.

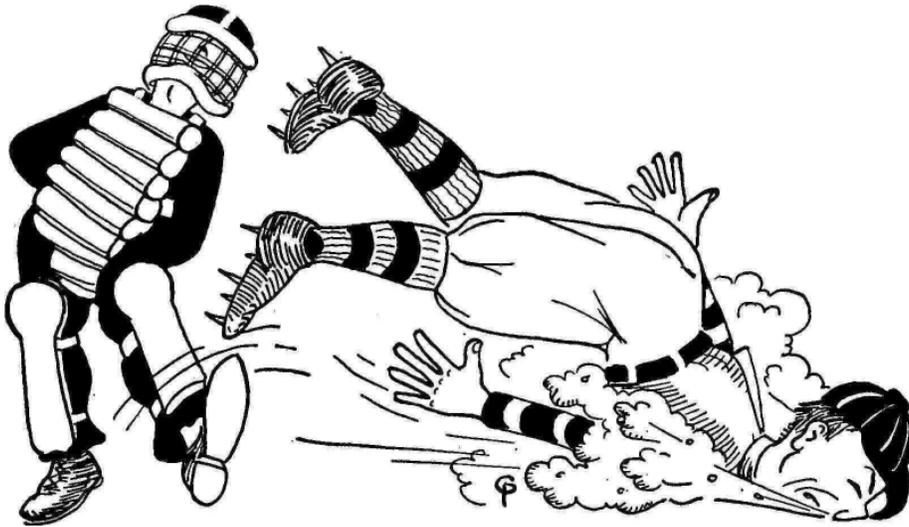
The job government is supposed to do, according to Jefferson's words, is to stop one person from injuring another *and nothing else*. Jefferson quite clearly said, in the language of his day, that government should not interfere with the business of industry, that is, should not try to regulate prices by placing ceilings on goods, by erecting tariffs, or by handing out subsidies. He also insisted that government had no right to "take from the mouth of labor the bread it has earned/" which is his poetic way of saying government shall not collect incomes taxes or any other tax that will eventually fall upon the shoulders of the laborer. Jefferson was talking about the sort of government we fought the Revolution to win. It's the kind of government the writers of our constitution tried to set up. But unfortunately we do not have that sort of government today, here or anywhere else in the world.

In some countries, like Russia, Spain, or Argentina, government has become absolute boss, leaving no natural rights whatever to its citizens. In other countries, England for example, the government has left at least a few freedoms, or natural rights, for the people. In our own country, the citizens enjoy a greater number of natural rights than people anywhere else in the world; but little by little even our government has been taking more and more authority for itself, which has resulted—quite naturally— in leaving fewer rights to the individual citizen. It would seem that government begins as the people's servant and ends up as its ruler, which is contrary to Spinoza's idea of good government as he expressed it almost 300 years ago:

It follows plainly . . . that the ultimate aim of government is not to rule, or restrain by fear, nor to exact obedience, but contrariwise to free every man from fear that he may live in all possible security; In

other words to strengthen his natural right to exist and work without injury to himself or others.

According to Spinoza, then, government is to be an umpire and is not supposed to interfere with the game. Just as the umpire in a baseball game has no right to help one team beat the other or to give any player a special advantage or to trip a base runner rounding third, government has no rights beyond guaranteeing all equal rights and permitting none a special privilege. If



that is true, it must follow that government has no right to pass laws that interfere with our free enjoyment of a free economic system. For any such law must, naturally, give one group of citizens an unfair advantage over another. And that, of course, is to fail in its duty to leave the citizens "free," as Jefferson put it, "to regulate their own pursuits of industry and improvement." That is not to say that the economic system under which we live is to be left to operate without laws or regulation *of any kind*; for there will always be very dependable *natural* laws, to keep our economic system running smoothly and with complete justice to all—if we allow them the freedom to do so.

66

THE NATURE OF NATURAL LAWS

*... /or nothing that exists by nature can form a habit contrary to its nature. For instance, the stone which by nature moves downwards cannot be habituated to move upwards, not even if one tries to train it by throwing it up ten thousand times . . . nor can anything else that by nature behaves in one way be trained to behave in another.—Aristotle, *Ethica Nicomachea**

PERHAPS at this point we should explain precisely what the Poleco-ist means by *natural law*. We might just as well begin with Aristotle's explanation in his *Rhetorica*, in which he refers to it as *universal law* and says:

Universal law is the law of nature. For there is, as everyone to some extent divines, a natural justice and injustice that is binding on all men, even on those who have no association or covenant with each other.

As we shall see, the sort of law that governs our economic system is a "law of nature" that is "binding on all men," regardless of race, color, or sex, and that operates among all men, in all parts of the world, and at all times.

Many natural laws are in operation all around us. For example, there are no laws written into the law books of any nation to command the sun to rise at a certain time every day, to appear to travel across the sky at a certain speed, and to fall behind the western horizon at a precise time; yet the sun does always behave

in the same, right-on-schedule way. Why it does so nobody really knows; but that it does indeed behave in that way is known by even the most primitive savage. To describe this invisible, unknown force that keeps the planets and stars moving so orderly, scientists use the term *natural law*.

In spite of the marvelous way the sun behaves, it isn't easy to prove that there is such a thing as a natural law. We know that a man exists, because we can see him; that a flower exists, because we can see and smell it; that there is a thing like music, because we can hear it; that smoothness is real, because we can feel it; and that some things are sweet, because we can taste them. But natural laws can't be seen, smelled, felt, heard, or tasted. They can be known to exist only because our reason tells us they do. Just as color couldn't exist in a world of darkness, so natural laws couldn't exist among animals or among men who are unable to reason. With our five senses we can "see" the material things that have come into being as a result of natural laws; but the natural laws themselves can be discerned only by our reason.

For example, nobody knows what electricity is, or can even prove to everyone's satisfaction that there is such a thing. All we know is that electricity is something that behaves in a certain way. Scientists, then, say there are a number of *natural laws* that make electricity behave as it does. One of the laws, for instance, is called the *Law of Electrical Forces*, which sees to it that "like charges *always* repel each other and unlike charges *always* attract each other." And there is Faraday's *Law of Electrolysis*, which commands that "the mass of the element deposited or liberated *always* depends both on the strength of the current and on the time during which the current flows." Newton's *Law of Gravitation*, Einstein's *Theory of Relativity*, and many other natural laws have been formulated and are being used every day by science and industry; yet there are many people who just can't believe that there are such things.

We can only guess why this should be true. Perhaps those who cannot believe in the reality of natural laws have confused them with miracles, and look upon them as being the same thing. But

as Spinoza reveals in his *Ethics*, nothing could be farther from the fact. Natural law insists upon things happening the same way always and everywhere—under identical conditions; while a miracle is an event that doesn't happen in the usual way. For example, walloping a rock twice with a staff to cause water to flow abundantly from it, as recorded of Moses (Num. 20:11), is contrary to natural law. Causing the sun to stand still or to move from west to east may be a miracle, but such obedience on the part of the sun isn't in accordance with natural law. And it wasn't natural for the walls of Jericho, or any other walls, to collapse under a blast of Joshua's trumpets. That would be natural only if walls crumbled every time somebody blew a trumpet; and that, as we know, just doesn't happen.

Unlike miracles, natural laws keep things happening in one way. We can demonstrate this by imagining a man standing on a street corner in New York City and holding a stone between his fingers. If he should release the stone it will fall down. No matter how often he repeats the experiment, the stone will never rise skyward when he lets it go, it will never float sideways or hang suspended in the air; it will *always* fall straight down and *always* at exactly the same rate of speed.

If any man or woman, regardless of his color, politics, or church, should drop any stone—in China, Chile, or Chicago—it will always fall straight down. Saint, sinner, fool, and philosopher—all will get exactly the same result. The fact that a certain thing happens always in the same way, anywhere on earth, qualifies it as a natural law. If it fails to happen in the same way—that is, if the stone should float upward, even once in a hundred million tries, we can say that the natural laws of gravitation and of falling bodies aren't sound, or that the floating stone is a miracle.

Neither Congress, Parliament, nor any other law-making body can prevent a thing from happening according to the commands of natural law. All the king's horses and all the king's men, aided by the most brilliant lawyers, can't make a pumpkin grow out of a planted bean. The natural laws governing agriculture insist

that anyone wanting a pumpkin to grow must plant a pumpkin seed and nothing else. This might seem so obvious to the reader, he may wonder that we bother to put it in writing. But the truth is that world-famous statesmen, since earliest times, have not only written laws to change the natural behavior of natural phenomena, but have foolishly spent millions of billions of the taxpayers' dollars to try to make those laws work, always without success. Laws intended to make peace under conditions that naturally cause wars is typical of the lawmakers' absurd behavior. Laws attempting to forbid trade between people are especially



stupid, because trading, or exchanging goods for goods, is not only the very beginning and essence of civilization but is also an essential part of man's nature. Almost as soon as he learns to play with other children, the human being begins to trade his property for that of another.

The irresistible tendency for man to trade, stems from his *natural* desire to satisfy his wants with the least possible effort, and his reason tells him that it's far easier to exchange his surplus doughnuts for a pair of shoes than it is for him to make his own footwear. Because man must obey his nature, no matter what the lawmaker writes into the law books, he must trade. That is why the result of every law restricting trade is an epidemic of smug-

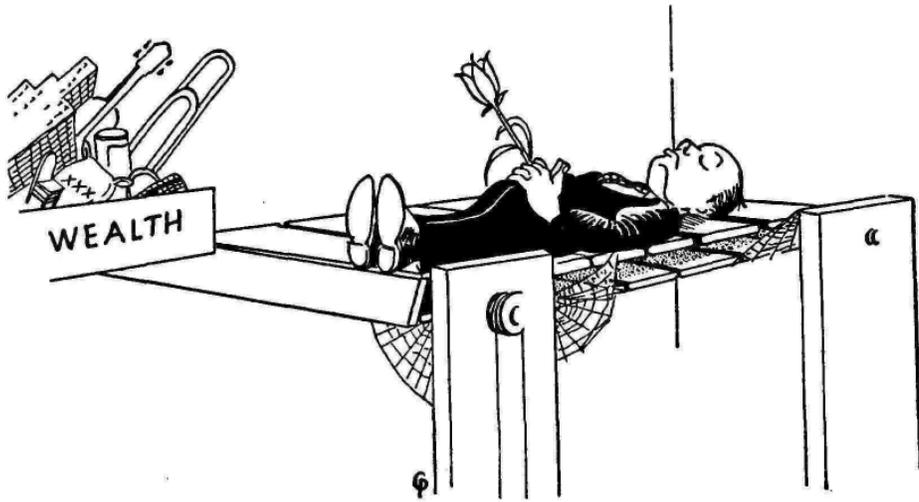
glers, bootleggers, black marketeers and gunrunners—men who spring into existence almost overnight to open up trade between peoples, in spite of the coast guard and tariff laws. What is worse, every tariff law ever written has in some measure brought hard times to the people whose leaders enforced such laws, and a bit later it has led to war. It is almost impossible to study any war fought during historical times without finding that the underlying cause, though often obscured, was a law restricting man's natural desire to trade. It would seem that the penalty for violating the natural laws governing trade between people is *always* hard times or war. It always has been so and always must be. But statesmen, it would seem, never learn.

It becomes quite apparent then that natural laws are not only irresistible but invariable as well. Most school children understand that without the mysterious force called gravity our entire universe would hurtle through space in dangerous disorder, that there would be nothing to keep us from flying off the earth like so many grains of sand in a cyclone. The natural laws that state the behavior of gravity make weighing goods, flying airplanes, and building bridges possible. If the natural laws governing fertility were not so dependable, no farmer would waste his time planting a seed. If there were no fixed natural laws of heredity, cows might give birth to goats, lions might have litters of lambs, apes might bring human babies into the world, and the human father pacing the corridor in a maternity hospital wouldn't be concerned as to whether his heir-to-be is to be a boy or girl but rather with wondering whether the stork plans to bless his home this time with a baby elephant or an alligator. The natural laws that control our economic system are equally invariable. And yet many economists ignore them completely in dealing with the world's economic problems.

That *man's desires are unlimited* is a natural law governing human nature (see Chap. 33). Moreover, as we can see in our drawing of the Wealth Machine, it is man's unlimited desires that keep the machine in motion. If it is true that man's unlimited desires *keep* our whole economic system going, we should

be able to prove it by comparing man with no desires, man with some desires, and man with unlimited desires. If we find that man's production of wealth and other satisfactions increases when his desires are most numerous; if we find it grows less as his desires are lessened, and if we find that his production stops completely when his desires are entirely eliminated, we will have proved that the little man in our drawing, with his hands hungrily outstretched, does indeed keep our economic system in motion.

Even to imagine a condition under which man has no desires



whatever is difficult, because all living things—plants and animals alike—have some desires. True, only humans have *unlimited* desires; but the fact that all animals and plants devote almost all of their lives searching for enough to eat is evidence that even they have desires, at least for food. And so, to imagine the wealth-chasing little man in our drawing to be without any desires is to imagine him literally dead. It must follow, then, that if he were dead no wealth whatsoever would be produced, since wealth is a product of man's labor. To say the same thing in another way, if all men were without desires, all would be dead, and the economic system would not only stop working but wouldn't even exist.

It is somewhat easier to imagine a situation under which man has at least a few desires. In a very primitive society, for example, man would have few. Man can't desire what he has never heard of. Since he has never heard of automobiles, kiddie cars, telephones, filet mignon, apple pie, or ice cubes, it's hardly likely he could desire them. We might agree then that primitive man's desires, as compared with our own, are very limited. A few animal skins, woven grass mats, simple weapons, rude huts, and whatever food he might find or kill, constitute almost all the wealth he desires and, similarly, all the wealth he produces.

It isn't only among the savages that desires are few. People living under socialism, communism, or under any dictatorship soon learn to desire only as much food, clothing, and shelter as the law or their income allows. To avoid punishment, they are compelled to limit their desires. And, as we might expect, production of wealth in socialistic countries is extremely low. Under such conditions of limited desires, we might imagine the little man in our drawing moping along rather than running.

In countries where food, clothing, and shelter are scarce *at any price*, people have few desires because they know it is pointless to desire that which doesn't exist. Under such conditions, production of wealth stops almost completely. Events in post-war Germany provided an excellent example of that. Immediately after the war, there was very little of anything the Germans could buy. Food, clothing, and shelter could be had only at exorbitant black-market prices. It became almost impossible to get the famous-for-their-industry Germans to go to work. For they knew that any wages they might earn wouldn't buy anything, because there wasn't much offered for sale in the open market. Since wages that wouldn't buy anything were no better than no wages at all, German men, women, and children preferred working for themselves, shamelessly collecting dirty and rotting food from garbage dumps. Such labor paid better than working in factories and mines for wages that would buy no food at all, since even putrid garbage, they found, was more nutritious than nothing whatever to eat. Later, fortunately, our govern-

ment made food and clothing available in Germany. Wages, as a result, *would* buy something! Immediately the Germans deserted the garbage dumps and went back to the factories and mines to produce the goods so badly needed in war-ruined Germany. And so we saw that when their desires for food were no longer curbed by scarcity, they desired more and consequently produced more. As a result of trying to satisfy their increased individual desires, the entire nation's production increased—the economic system began to operate again; or, we might say, the little man with outstretched arms, seeing a possibility of getting the things that could satisfy his desires, got back up on his feet and sprinted after them.

A convincing example of what happens when man is completely free to satisfy his desires is the condition that existed during World War II in our own country. At that time, there were more high-pay jobs than people to fill them. Everyone who wanted a job had one. Even the very young, the very old, the feeble, and the crippled were earning wages and spending them. To earn those wages, almost everybody worked to produce goods. And the result was enough food, ships, planes, munitions, and other war goods to supply the entire world at war. And, as if that weren't remarkable enough, they built and equipped a two-billion-dollar project in which the world's first atom bombs were built.

Russia, during the same period, was run along socialistic lines. Russian desires were strictly limited by law. Not the Russian people but their government decided what food, clothing, and shelter should be desired. Limiting their desires, naturally, limited their production. Russians produced no more goods than were necessary to escape punishment, because no human will exert more effort to satisfy his desires than he has to. Consequently, the Soviet Union, after preparing for war for more than twenty years, was unable to produce enough food, clothing, and weapons to keep the German army, one-third the size of her own, from chasing the courageous Russian troops halfway to China. Nor did she stop her "strategic retreat" until made-in-

America supplies were delivered to her in American-built ships. Since human beings of all nationalities are equally capable, we should expect the Russians to have been able at least to supply themselves with food, clothing, and weapons. For Russia had all the advantages over us: more labor power, more natural resources, and more time to prepare her war industries. Moreover, she had large industrial areas designed and engineered by experts who, shortly after World War I, brought their "know-how" to Russia from every nation in Europe and America. The only advantage we had was that our people were free to satisfy their unlimited desires each according to his own nature, while the Russians' desires were limited by man-written laws. To limit desires, by any means whatever, is to limit production—that's a natural law!

Another natural law—*man -will seek to satisfy his desires with the least possible effort*—adds power and efficiency to our Wealth Machine. That law is represented by the lazy little fellow perched alongside the Labor Bin. Just so long, and only so long, as he finds that capital will help him satisfy his desires with less effort, he'll continue to add capital to his labor.

The three little men below are controlled by the same law. A bill written by Parliament or Congress compelling man to toss his surplus wealth onto the moving belt so that it might be carried to the Capital Bin would be useless. Man's nature alone, his desire to gain wealth with a minimum of effort, is all that's needed to keep the three little men filling the Capital Bin, provided of course that government doesn't interfere by taxing the earnings of their capital away from them. They don't invest their surplus wealth as capital because they love their fellow man or their country, but because doing so offers them a chance to earn more satisfactions for themselves with a minimum of effort.

It is quite different in socialistic countries, where government tries to control the amount and kind of capital to be produced and used by its citizens. Under government control, important officials write out strict orders commanding that so many trucks, so many cows, so many tons of coal, and so on be produced by a

certain date. In fact, one of the Marxists' bitterest criticisms of our capitalistic system is aimed at our tendency to produce *too much* capital. Consequently, they insist, the free-enterprise system is too wasteful; under their system of *controlling* the economy with their laws and punishments, they say, there'd never be too much. And that cannot be disputed; for in socialistic countries there not only is never too much, but in spite of their scientific planning and diligent police force, those governments rarely manage to get even *enough* of the right kind of capital to the right place at the right time. Why? Simply because government-controlled economists overlook one important factor—the inexorable operation of natural economic laws.

These, then, are the two natural laws governing all phases of production: (1) *man will seek to satisfy his desires with the least possible effort*, and (2) *man's desires are without limit*. One or the other of these natural human qualities compels men to work when they'd rather loaf; compels them to exchange their goods peaceably rather than steal from one another; compels them to consume only part of their wealth so that they might use what's left as capital to produce more easily the food, clothing, shelter, and other satisfactions they desire; compels some men to choose to be doctors—others, dock hands. Wherever we do not see these laws operating we are sure to find some sort of man-made law forbidding humans the opportunity to follow their nature.

There are three natural laws governing the distribution of wealth after it has been produced. They have been explained in earlier chapters which dealt with rent, wages, and interest. It might be well here to formulate them:

The Law of Rent. The rent which any land will yield is the excess of its produce beyond what would be returned to the same capital and labor if employed on the worst land in use.

The Law of Wages. Wages is governed by the margin. It falls as rent as a proportion increases, and rises as rent as a proportion falls.

The Law of Interest. Interest, like wages, is governed by the margin. It too rises as rent falls as a proportion, and falls as rent rises. The *rate* of interest equals the average rate of increase of all *live* capital, plus insurance against risk.

Like the two natural laws governing *production*, these three natural laws governing *distribution* may be seen operating everywhere, at all times, and always in exactly the same way. Again, if at times they do not appear to be working naturally, we may be certain that, somewhere along the line, man in his limitless conceit has attempted to restrict free enterprise with his man-made laws.

That's all there is to the economic system. We have deliberately made no mention of taxation, because it is a political device rather than economic. Nor have we spent much time on foreign loans, international banking, monetary reforms, or stock-market investment, since such matters are by nature political, financial, or a mixture of the two but not at all economic. That is not to say such things do not affect the economic condition of men. They have just as much effect as an invading army, a dropped atom bomb, or a hurricane and are just as totally unrelated to the natural economic system. Finance and politics are man-made institutions which can change as fast as Congress can write and pass a new law. The economic system, contrariwise is not subject to change.

The reader who has had the patience to follow this author step by step through all his ramblings should have far less trouble from now on in finding reasonable answers to the problems we originally set out to discover. If he should examine the Wealth Machine closely, always bearing in mind the *exact* nature of each of its parts, he will discover solutions to many problems he believed beyond solution, and answers to questions he once believed to be completely unrelated to our economic system.

67**THE LAND-TO-LABOR PIPE**

If the Prince and the Proprietor of Land close their Estates and will not suffer them to be cultivated it is clear that there would be neither Food nor Rayment for any of the inhabitants. . . . —Sir William Petty, Economic Writings

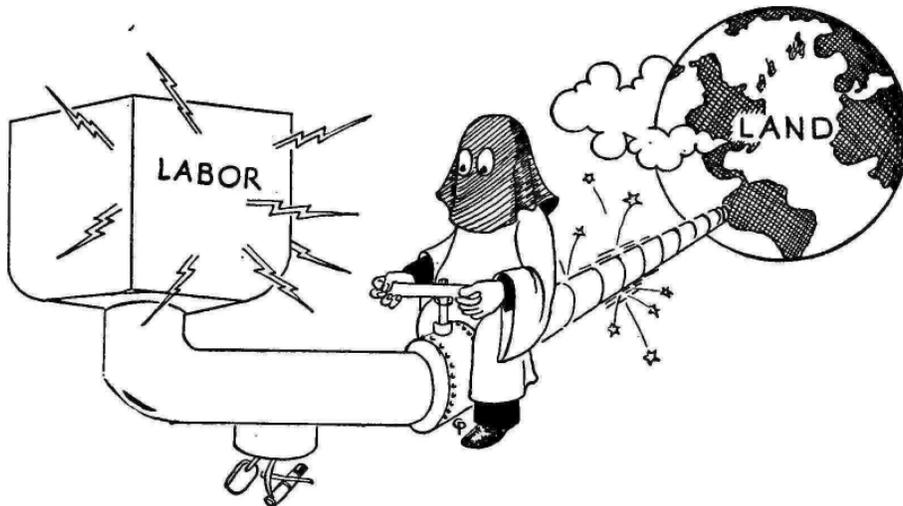
TO BEGIN WITH, let's examine the long pipe that joins land to labor. We already know that wealth is nothing more than labor joined to land. Therefore, it must follow that so long as land and labor keep flowing to each other, wealth must result. To say the same thing another way, so long as man can add his energy to land in some form— or to a land product—food, clothing, shelter, and gadgets must result.

On the other hand, if the land-to-labor pipe is clogged—if labor cannot get at land or if land is held beyond labor's reach—we must expect the stockpile of wealth—the stockpile of food, clothing, shelter, and gadgets—to shrink, or, what is the same thing, we should expect to increase poverty. And, conversely, wherever we find poverty we may be sure that we'll find land and labor being shut off from each other in one way or another.

Since that is so obviously true, let's try by the process of elimination to discover who or what can *possibly* clog our land-to-labor pipe; who or what can keep labor and land from getting together. Those who hate labor unions would naturally suspect them of keeping the land-to-labor pipe clogged—for unions do have the power to keep their members from adding their labor to land or to land products. But it is hardly likely that unions are clogging

the pipe very much, if at all, because a very small percentage of the world's laborers are union members. More significant, poverty existed long before labor unions were organized. Therefore, we may be sure that something much older and far more powerful than labor unions is clogging our land-to-labor pipe.

A government backed by a sufficiently large army might be able to keep man from adding his labor to land—to keep him from producing the food, clothing, shelter, and gadgets he needs. But that would be the height of stupidity, a height to which even governments can't hope to aspire. For it is evident that a



government can't collect taxes from citizens who have no wealth to tax, and its citizens can't have wealth unless they produce it. Since they can't produce wealth from which taxes may be taken unless they, the citizens, are permitted to add their labor to the land, a government's advantage lies not in clogging the pipe but in keeping it clear at all times. All governments, since earliest times, have known this to be true. That is why, in every way they can think of, governments encourage men to labor on as much of the nation's land and produce as much wealth as possible. They encourage their industrialists and farmers to produce more wealth by offering them subsidies, tariff protection, and other privileges. Builders are encouraged to add their labor to

The land with government financing and with special tax exemptions. And even tramps and other loafers are encouraged to produce wealth by threats of arrest backed up by the anti-vagrancy laws common to most civilized countries. Only the common laborers who work in factories and offices don't have to be encouraged. Their hunger and other desires, their wives' unhappiness, and their children's bony bodies and uncertain futures are all the encouragement they need. Communistic governments in Europe and in Asia, upon taking over a neighboring country, split up its large estates into small farms and then distribute them among the peasants. Neither they nor any government gives land to its people because it loves them, but because all governments know that the natural thing for any human to do with land he "owns" is to work it for all he can get out of it, and that the more wealth he does get out of it, the more wealth the government can take from him in the form of taxes. The same thing goes on, and always has, in every civilized nation. Our own Homestead Act, which allowed our grandfathers to take up large tracts of western wilderness, was passed only to attract men (they poured in from every part of the world) to use the millions of idle acres we had. The government gave away millions of acres to the railroads in order to get men to build roads through the wilderness and thus induce settlers to battle their way out to the frontiers and add their labor to idle territory. We may safely say that governments—all governments—encourage the joining of labor to land, and certainly do not intentionally keep land and labor apart.

The landowner has a legal right to allow his land to be used or not, as he chooses. But it is hardly likely that he'd be foolish enough to keep his land away from the laborer. Since landlords love to collect rents and can't do so unless someone is using their land, we may be sure that landlords rarely, if ever, choose to withhold their land from labor, even though they do have the legal right to do so.

If it isn't government that causes poverty by keeping labor away from land, and if it isn't labor unions or the mean old

landowners, who or what is left to blame? In spite of the venomous hissing of the Marxists, it isn't the capitalists either. We know, from past pages, that capital is useless until it is used by labor, and that labor can't produce wealth without land upon which to use the capital. Any capitalist, therefore, who would keep labor and land apart, even if he could (he can't), would at the same time be keeping his capital from earning interest for him. So long as capital must be used on land—by labor—the idea that capitalists deliberately keep labor from getting at the land is fantastic. Only a Marxist could seriously consider anything so absurd, for who ever heard of a capitalist who did not want to earn more, and more, and more?

Only one suspect, the laborer, is left. And yet we cannot believe that he would refuse to labor upon land if it meant wages in his pocket. He can't live without food, clothing, and shelter. He can't earn wages with which to get such things unless he produces wealth. He can't produce wealth if he shuts himself off from land. Therefore, the laborer would be the craziest of all if he chose to clog the pipe that carries his labor to land.

Nobody seems to be guilty! And yet we do know that someone or something must be keeping some land away from labor, because poverty does exist in every civilized land; and we do see huge areas of unused land everywhere—even in the most crowded cities. Perhaps it isn't a someone who is doing the dirty

work. It may be a condition that's clogging up the Wealth Machine. That is to say, just as a cancer is not caused by a somebody but by an unnatural condition in the body's cells, the pipe may also be choked off by a growth that results from an unnatural condition in our economic system.

The only condition that can possibly keep man from using land must be the same one that keeps him from doing so many of the things he wants to do. Many humans live in broken-down shacks and squeeze themselves into tiny apartments, although they'd prefer one of the many vacant apartments and mansions that are for sale or for rent. Many families live on cabbage soup, beans, and bread, although markets are full of capon, filet

mignon, beefsteaks, lobster and other palate-tickling foods. Many people wear patched, poorly tailored, ill-fitting, and ugly clothes, although the shops are willing, even anxious, to get rid of their racks of new, beautifully styled, and gloriously ornamented garments. It isn't because people don't want fine clothes, food, and shelter that they don't use them, but because they can't afford to buy them. That's elementary. Similarly, when we find millions of unemployed men, including those who have lost their farms and businesses, who are not adding their labor to land to produce wealth for themselves—to produce their wages—it cannot be because they don't want wealth, but it might be because they just can't afford to use the land in order to produce it.

68

LAND SPECULATION

And -fields shall be bought in this land, whereof ye say, it is desolate without man or beast.—Jer. 32:43

IF ALL of the better land were overcrowded and fully used, poorer land, naturally, would be forced into use. For a natural law forbids two objects occupying the same space at the same time. It must follow, then, that it is also natural, as poorer land is forced into use, for rent to increase and wages to fall when the better land becomes overcrowded. We may not like it, but there's nothing we can do about it, since the operation of natural laws can't be stopped by any power on earth.

But the better land is not overcrowded. We need only examine our home town—wherever on earth it may be—to see that all the best land in it isn't being used! Even our most populous cities have large areas of land in the most crowded and valuable

sections which are only partly used or left completely idle. Densely populated as it is, we can hardly consider even Manhattan Island crowded to the point at which people are actually unable to find space and are left no choice but to use poorer land. For this wonder city of towering skyscrapers, usually thought of as being overcrowded, is in fact hardly half used. We can still find many empty lots in the very busiest parts of Manhattan, and hundreds of partially improved parcels of land used only as automobile-parking lots. Many hundreds of tiny one- and two-story buildings may be found occupying land throughout Manhattan, including areas like Times Square, Columbus Circle, and even older Union Square. The Greenwich Village section consists of many acres almost entirely covered with a hodgepodge and clutter of hundreds of broken-down hovels and stores, all of which might be easily replaced with a few modern apartment houses and one or two decent shopping areas. And yet, with all this idle or partly used land right in the heart of Manhattan, an amazing number of merchants try to squeeze a living out of stores hidden away on out-of-the-way—marginal—side streets. And if Manhattan isn't overcrowded, we may be sure no other part of the world is.

Only one explanation for this unnatural condition is possible: *land speculation*. That is, much of our better land is being held out of use by the owner, in hopes that it will become so desperately needed in the future, he might easily demand and get many times the price he originally paid. Here, then, is our first clue to the mystery of the clogged land-to-labor pipe. Land speculators hoping for a future profit are holding large areas of better land out of use, away from laborers and capitalists who, if the price asked weren't too high, might use them profitably.

Land speculation is much more dangerous than it sounds. It isn't just "gambling," as most of us have learned to believe. If it were, the Poleco-ist wouldn't be concerned. For gambling, as we have seen in earlier chapters, doesn't affect the economy. What one gambler loses another gambler wins, and the community at large suffers no loss of wealth. But land speculation is

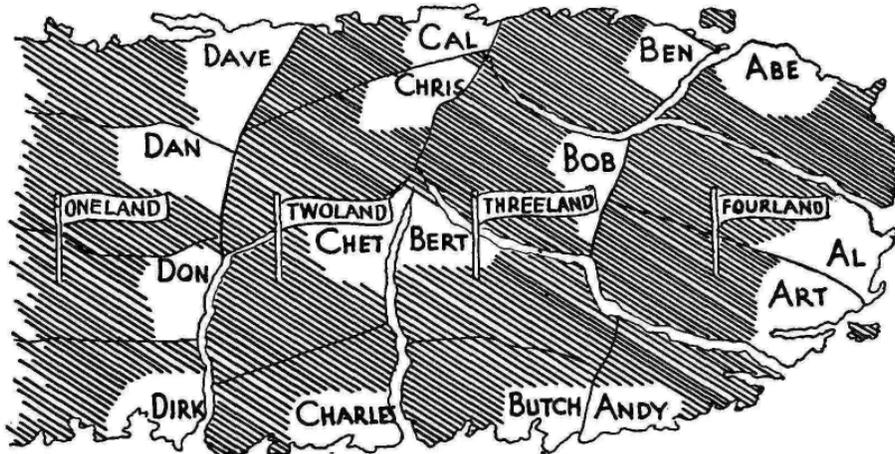
different from ordinary gambling. As we shall see, it lowers production of wealth, increases the cost of living, lowers wages, pushes rent up far beyond its natural level and, worst of all, it is directly responsible for industrial depressions—or hard times, as they are more commonly known. Consequently, land speculation, although rarely discussed in economics textbooks, is extremely interesting to the Poleco-ist.

69

HOW LAND SPECULATION AFFECTS OUR ECONOMIC SYSTEM

*For now the Lord hath made room
for us, and we shall be fruitful in the
land.—Gen. 26-22*

THAT LAND SPECULATION—not land speculators—is as great a villain as we have painted it will be more fully appreciated if we should return to see how our old friend Al, the Fourlander, and his contented though less fortunate neighbors are making out. It will be recalled that when we



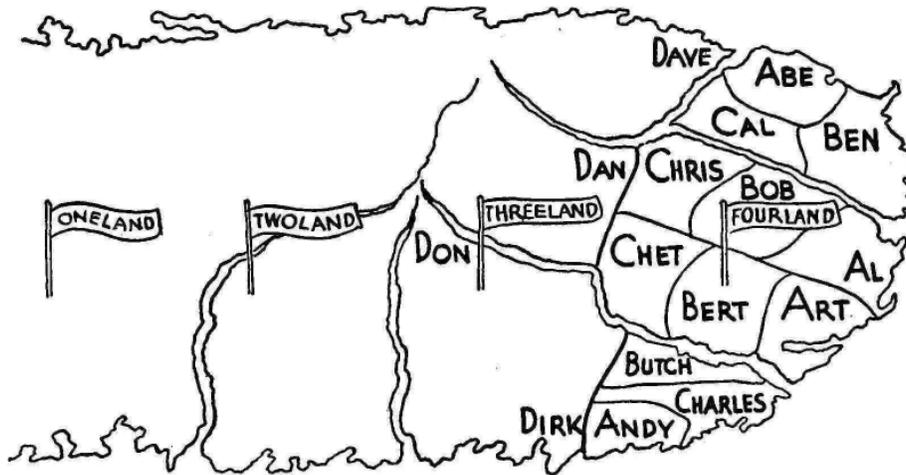
left our friends some pages back, wages on all the land—Al's as well as Dave's—was one thousand bushels, which was the wages a certain amount of labor and capital employed on Oneland would produce. With the same amount of labor and capital, Dave could have increased his production four times if he were allowed to use his labor on Fourland. The only reason he didn't use Fourland—or even Threeland and Twoland—was that he arrived too late. By the time he reached the area and got around to grabbing some land for himself, nothing better than Oneland was left.

Now, we must remember that not all of the better lands at that time were *in use*; they were simply owned. Al didn't fence in only the amount of Fourland he intended to use but, acting like a human being, he sought to satisfy his unlimited desires

by taking as much land as he could fence in. And when the Threelanders, Twoland, and Onelanders arrived, they too acted like humans and did the same thing. All early settlers, including our Pilgrim Fathers, Daniel Boone, and even George Washington, laid claim to thousands of acres more than they intended to use, because they knew that there is only so much land, that eventually all land in the vicinity would be fenced in, and that those who came later would need some land badly enough to pay handsomely for the privilege of occupying or scratching a living out of it.

Abe, Ben, and the rest of the boys don't know they're land speculators. They think they're capitalists. They don't think they are doing anything wrong; nor are they. They're simply following their human nature. They're providing for their old age, for their children and grandchildren. They came upon a wilderness that belonged to nobody, and took it. They knew that if they didn't grab it someone else would. They meant no harm, and so far as they can see they're hurting nobody. The trouble is, they can't see far enough.

For, if we suppose that the boys had originally fenced in only as much land as they needed, that situation would have worked out this way:



One more harmful effect of land speculation: the cost of living is increased beyond its natural level. We have learned from earlier chapters that as poorer land is forced into use, rent on all better land must increase. That means that the cost

of using land on which we produce goods or build our homes must go up, which in turn must naturally leave us less of our earnings with which to buy food and clothing. At the same time, because all food and clothing are land products, the cost of producing them on poorer land becomes higher. For it is obvious that if we use poorer land to produce the raw materials from which all food and clothing are made, we require more labor and capital—which is the same as saying that our cost of production goes up. These two self-evident facts, combined, add up to a third: whenever poor land is forced into use by land speculation or otherwise, we are not only faced with a higher cost of living but are compelled to meet it with a reduced income. Therefore, land speculation, which unnecessarily pushes the margin out to poorer land, must make all who need food and clothing (and that means all of us) so much poorer and must force a lower standard of living on us.

Therefore, if we could eliminate land speculation, we could enable man to use his labor and capital on the best *unused* land. As shown in the tabulation on page 258, the natural result would be higher wages, lower rents, higher production, and lower cost of living.

Even if what we have seen so far were the *only* effects of holding land out of use, the subject is certainly worth *thinking* about. And yet land speculation is rarely discussed by economists or professors of economics; very few modern economics textbooks so much as list the words in the index. To avoid a discussion of a matter so much a part of our economic lives is, at the very least, suspicious. It is even possible that land speculation, the clogger of our land-to-labor pipe, might well be the ogre that frightened our professors of old.

70

DEPRESSIONS

And there shall arise after them seven years of famine; and all the plenty shall be forgotten in the land of Egypt; and the famine shall consume the land;—Gen. 41:30 . . . it is because the thing is established by God, and God will shortly bring it to pass.—Gen. 41:32

AN ECONOMIST, or economics professor, who can't understand abstract ideas such as wealth, wages, interest, or integrity might be forgiven. Abstract ideas can't be seen or felt, and they are, therefore, difficult to grasp. Unfortunately neither a title nor a university degree can make the understanding of abstractions easier. But hard times, or business depressions, are easy to understand! Their effects can certainly be felt, and they themselves can be seen to grow, beginning as tiny sparks developing slowly until they reach full blaze, which finally smolders and dies. As far back as history can take us, we read about depressions exactly like the last one we had, and we may be sure that the next one will follow the same general stages of development. We have plenty of specimens to study, for a new depression, with all its horrors, has come along to plague the people at least twice every generation. The subject also offers invariables, for the development of each depression follows with startling precision that of the one that happened before. It must be so, because depressions are the natural consequence of certain *natural* conditions. And they are not, as modern economists would have us believe, complicated, complex, or necessary. Perhaps Turgot knew what he was talking

about when he wrote of the tendency of modern political economists toward darkening "things that are clear to the open mind"; for few subjects are as clear to the open mind as depressions and at the same time seem so baffling to the modern economist.

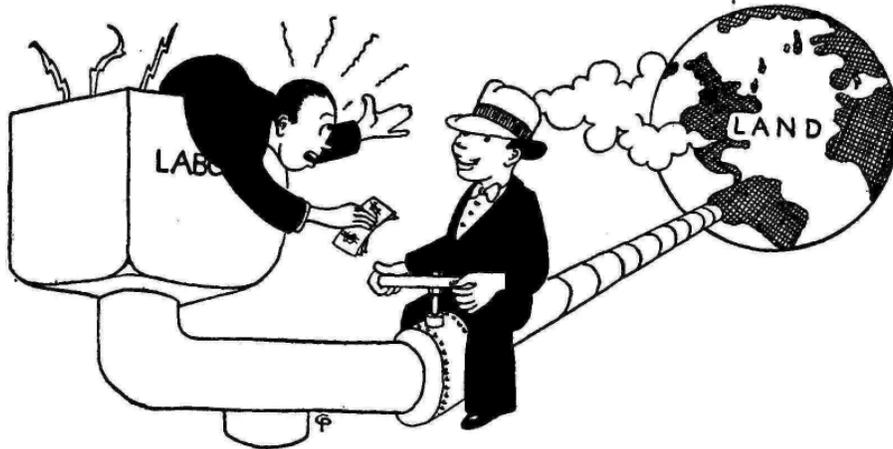
The Poleco-ist, on the other hand, might be suspected of oversimplifying the problem of industrial depressions when he says that industrial depressions are caused by land speculation. We should demand more than the Poleco-ist's opinion to back up his charge that depressions are *natural* results of land speculators unwittingly keeping man from joining his labor to land. So let's look into the nature of industrial depressions and see, if we can, what makes them tick. Once we understand their nature and satisfy ourselves as to their true cause, we can eliminate them and the fear of them forever by simply removing the cause. But in removing the cause we must be careful not to interfere with any person's natural rights. For to eliminate hard times by denying even one man the freedom to enjoy *all* of his natural rights is to substitute tyranny for poverty. And that would be no better than removing the mote from a child's eye with a hammer and a chisel.

It's hard to believe, but depressions really begin during prosperous times, when production is high and everybody is earning and spending unusually high wages. Depressions begin during those rare periods when the factories and farms are working overtime to supply the unlimited desires of consumers who have plenty of foorcloshes to spend, foorcloshes that got into their hands as wages and interest earned while producing goods for war on farms, in factories, and shops, and in other productive fields.

Since depressions begin during "boom" periods, let's start an examination of the depression cycle there. Unfortunately, prosperous times are usually war times. Sometimes an important new industry, such as railroading or the automobile industry, may bring a short wave of prosperity; but as a rule nothing makes the general public quite so prosperous as war. It is ironic that pros-

perity and all its blessings grow most luxuriantly in soil soaked with the blood of boys and littered with their mangled bodies and ideals. It doesn't seem to matter, so far as prosperity is concerned, whether war goods made for killing or consumer goods made for living are produced. It would appear that the production of battleships as well as bungalows, guns as well as butter, bombs as well as bread, add to the stockpile of wealth—wealth from which man may draw wages, interest, and rent.

Mankind, as we know, simply collects from the stockpile what mankind's labor adds to it. During prosperous times, almost everybody is producing more food, clothing, and building ma-



terials and almost everybody is taking a greater quantity from the stockpile, either in goods or in foorcloshes which may be exchanged for goods later. Most of the unredeemed foorcloshes are spent for services. That is why doctors, dentists, beauticians, night-club owners, entertainers, and other unproductive laborers do so well during boom times. But there is one thing that mankind can't remove from the stockpile, because he doesn't add it— and that thing is land. And since every article of wealth he does add is a land product, he must spend some of his foorcloshes to buy or rent more land just as fast as he increases his production.

It becomes self-evident, therefore, that while increased production means increased prosperity for all, it also means an increased

demand for land. For land is the only source from which to draw the raw materials from which all food, clothing, and shelter are made. Since prosperity means a greater demand for such articles of wealth, and since more of such things are consumed, the greater must be the number of acres of land needed to produce them. The desire for factory sites and retail locations, as well as for farmland and residential land, becomes intense. It follows then, beyond a doubt, that with the demand for land increased, the selling price of land must shoot skyward. And when land values promise to rise, land speculation breaks loose in all its madness.

The wave of land speculation that followed the Korean outbreak and World War II is still vivid in our memories. Old-timers will remember a similar period of wild buying and selling of land during World War I, and our histories tell us that the periods during which all previous wars were fought were no different. High rents and inflated sales prices for land are the general rule during high-production periods. During such periods, many of those who don't have land go out to buy some at the lowest price they can manage, even though the price they do pay is far above the land's actual value. The result is, of course, a wave of reckless buying and selling of land. Some plots, during such periods, have been known to have been sold and resold many times within a year. With each new sale, since everyone involved expects to make a profit, the price of all land inches up a little higher.

Before long, the price that results from such speculation becomes much higher than the economic rent the land in question can yield to the user. Consequently, if a man wants to use land to produce goods on it, he will have to pay more for it than it can possibly earn for him. He must make up the difference some way, and there are only two ways to do so: he can bribe a government official, and in return get special privileges eventually paid for out of the taxpayers' pockets; or, if he is a little businessman of little influence, he must be satisfied to take the difference out of his wages and interest, which his capital and labor have

produced. That means he can't take quite so much from the stockpile as his labor and capital added to it, while the land speculator, the bribing industrialist, and the bribed government official can take considerably more from the stockpile than they added to it.

All of the extra foorclothes that fall into the hands of those who collect inflated rents, those who bribe, and those who accept bribes can't be redeemed at the stockpile. For there's a limit to how much even the richest man can spend. Most of their foorclothes, therefore, are put away in bonds and savings. At the same time the average consumer, after paying his rent and taxes, doesn't have enough left to buy back as much as his labor added to the stockpile. Since those who can afford to buy don't need more food/clothing, and shelter, and those who do need it can't afford to buy, the unavoidable result must be a surplus of food, clothing, shelter, and gadgets left, uncalled for, on the stockpile. Put more simply, more goods have been produced than are wanted or can be paid for. Some economists call this condition *underconsumption*; others call it *overproduction*. The Poleco-ist calls it *maldistribution of wages, interest, and rent*.

It is at this point that the bloom fades from the boom—the economy passes from the speculation stage to the hard-times phase of the depression cycle. For, as we must expect whenever more goods exist than people can afford to buy, prices fall. That in itself isn't too bad, because it allows those who have some foorclothes to spend to get more for them. But there is also a bad side to low prices. Those who are working marginal land—the merchants who are using out-of-the-way locations as well as farmers who are using poor-quality land—were just getting by before the selling price of their goods fell. But now, due to lower prices, even though the marginal merchant and farmer may make the same number of sales, they take in less money. The rent the merchant and farmer pay out, however, doesn't fall! For to get at the land in the first place, they had to agree to pay a certain yearly sum which was based on the very best of times. The very natural result of falling prices is

that it costs the marginal merchant or farmer more to produce wealth on the particular land location he is occupying than he can get for it. The merchant working the margin has no choice then but to quit his business. The marginal farmer must either sell his farm at a loss or hang on until the bank or insurance company holding a mortgage on his land forecloses and takes his property from him. Regardless of which choice our marginal producers make, they are out of work—they must go out and look for a job. And even while they're unemployed and earning nothing, they must continue to pay so much each month for a place for their families to live. Few humans will allow anyone who won't or can't pay rent to live on their land—and landowners are humans.

But putting men out of work isn't all the damage a fall in prices does. Much worse is the fact that those who are out of work can't buy goods. As a result, the income of the grocer, clothier, barber, department-store owner, and countless others who sell either goods or services must decrease just as fast as the number of employed decreases. Many of these merchants, squeezed between lower prices and fewer customers, must close up shop. And farmers on somewhat better land who, because of their greater production, might have gotten by even at the lower prices, find they are unable to sell *all* of their crop at even the market price. As a natural result, they, too, lose their farms and join the steadily growing army of unemployed. But even that isn't quite the worst. With the general increase in unemployment, those retailers who are still in business can't sell so much as they formerly did and therefore can't order so much from the wholesalers who supply them. And the wholesaler, naturally, soon finds his warehouse becoming overloaded and is left with no choice but to stop buying from the manufacturer. And the manufacturer, finding it impossible to sell his goods to an overstocked wholesaler, must cut down on his output—must allow part of his plant to lie idle. For only an idiot would produce goods he can't sell; and idiots don't remain in the manufacturing business very long.

If that were all there was to falling prices, the slump in manufactures would be enduring. Unfortunately, the full details are far more disturbing. For manufacturers who are forced to cut down on their output don't need so much labor or capital as they formerly did, and the obvious happens. In spite of all that the unions try to do to stop it, millions of factory workers are thrown out of work. Millions of dollars' worth of accumulated capital is also made idle. Not only that, but factories working only at half capacity need fewer raw materials, a fact which again cuts down the income of the farmers, miners, cattlemen, and sheep raisers. While all of this is going on, larger and larger amounts of surplus wealth which few people can afford to buy accumulate on our stockpile, and prices naturally hit a still lower level, at which only the most productive land and busiest city locations can produce at a profit. At this point, any farmer working anything poorer than land of the very best quality just can't get by. Many of these farmers find it necessary to destroy their crops, although millions in the cities have hardly enough to eat. Only the retail stores owning the very best locations can stay in business, and then only if they pay their employees far lower than *natural*—or marginal—wages. Factories also pay less for more labor, because millions of unemployed farm and city workers compete desperately for the comparatively few jobs available. Minimum-wage laws written by brilliant lawmakers become absolutely useless, since a hungry man believes that a little is better than nothing. He therefore sells his labor for almost nothing if such wages will enable him to buy a loaf of bread for his family, a bit of milk, an occasional piece of candy, or a toy for his homeful of children—children conceived in more prosperous and carefree years.

Just about this time, the newspaper writers suspect that a depression (that had begun several years before) is about to start. Bright young reporters rush to interview economists and other "experts."

"Would you say, sir," the reporters usually begin, "that in view of the large number of unemployed men now unable to

find jobs, a tendency toward a period of depression is indicated?"

"Not at all," the "expert" is sure to answer. "There are always a certain number of unemployables, people who are too old (past forty), too inexperienced, too neurotic, or in other ways unsuited to useful production." And then, with the smile of condescension behind which so many experts hide, he adds, "We could hardly call that a depression, now, could we?"

"I suppose not, sir. Would you tell our readers how many men must be unemployed before we know that the depression has arrived?"

Regardless of the number of unemployed at the time, the wise one's answer is always the same. If one million, three million, or even five million people are out of work at the time of his interview with the press, such unemployment, according to the "best minds," is "a normal condition," "seasonable readjustment to the changing times," "a settling of an overinflated economy."

On the other hand, if the same reporters should ask any man who has been out of work for even a few weeks, how many men must be out of work before we are in a depression, he'll get this more intelligent answer: "One man out of work makes a depression, mister, if that one happens to be me."

Finally, the depression that began years before is felt by those who really "matter." Farms are being foreclosed so fast the banks become overloaded with properties, and being the new owners of the foreclosed properties, the banks must take over the distasteful duty of paying the taxes. Finally, the hardship of paying out money in taxes for properties that aren't producing anything becomes so great, the moneylenders pass their burden on to the government which, in turn, passes the costs on to the good old taxpayer.* At the same time, manufacturers who had overequipped their plants during boom times are now unable to cut their overhead enough, and are either folding up or are being bought up by stronger competitors. And, of course, with business at a standstill, the selling price of stocks and bonds falls

* This is done legally under the Farm Mortgage Refinancing Act, Farm Mortgage Foreclosure Act, Frazier-Lemke Bankruptcy Act, and others.

and thousands of people who had gambled on winning are so astonished to learn that gamblers sometimes lose, they curse the government, jump out of windows, slash their wrists.

By this time the entire nation has hit bottom. Jobs are scarce. Young men who were trained to become doctors, engineers, teachers, and entertainers are glad to get low-pay, unskilled and menial jobs. Most of those who formerly held the menial jobs can find no work at all, and apply for charity. The highways are jammed with wandering men and boys picking up a living any way they can. Hungry girls leave home to beg for jobs, any kind of jobs. Stenographers and waitresses can't earn enough to support themselves, much less a husband, and must live as normally as they can without a legal mate. Those girls who are university graduates compete with each other for jobs as department-store salesgirls. If they're pretty and attractive, those holding special degrees from better colleges—Smith, Wellesley, Bryn Mawr, Bennington—have the best chance of being placed behind a counter on the store's main floor. Those who aren't quite so well educated or so pretty become factory hands, bar-and-grill hostesses, full- or part-time prostitutes, or gun molls. But even these fields become so overcrowded by outside competition for their jobs, their earnings are soon driven down to "coffee and cake."

Then the depression goes into the leveling-off stage. Poverty is still in the saddle in spite of the many political speeches, relief laws, reformers' rantings, economists' promises of "prosperity just around the corner," and financiers' rosy forecasts. Slowly, however, the people get used to their poverty. Consumers buy only what they absolutely need to keep themselves alive. They do with less dental care, fewer haircuts, and less frequent visits to the beauty parlor. They wear their clothes for a longer time, look for more entertainment in their own homes, and generally do without most of the services they formerly bought. Two and three families double up to share the expense of keeping an apartment. Young married people move in with

their in-laws, if their in-laws aren't still living with their parents. Man willingly accepts less for the use of his labor and capital goods than he formerly demanded. Most landowners are willing to accept less rent—just enough to pay the taxes on their properties. At this point the depression comes to a halt; but it isn't over. It simply doesn't get worse, but only because the economy has hit bottom and there's nothing lower than that.

Most significant, the speculative rent of a few years back has steadily fallen under its own weight until it now meets the natural rent line. In other words, the amount of foorcloshes a landowner can get for the use of his land falls until it becomes equal to what the store location or farm will give to the user in foorcloshes above the wages and interest his labor and capital might earn on the margin. During such times a man who wants to rent a store can get one by agreeing to pay a percentage of his earnings to the landlord. If business is good he pays more; if it's bad he pays less. He doesn't have to obligate himself to pay rents for a location that might not earn an equal amount of foorcloshes for him. Similarly, farmers can no longer gamble on good times by leasing land of doubtful quality. They become tenant farmers and pay a percentage—often as much as half of their crop—as rent. Conditions are far from good, but the people have become accustomed to their poverty and before long consider the conditions that surround them to be normal.

Only those are working who can afford to get at marginal land or better. Politicians and thieves manage to squeeze a living out of the swag they can grab. The rest of the people are living on charity taxed away from those who are working and from those who have saved a little money during the prosperous war years. But the government can't collect enough in taxes to support this great number of idle families on relief. It becomes necessary for the government to increase the national debt by borrowing funds from the banks and insurance companies, thus obligating future generations—children not yet born—to pay for the support of the unemployed of this generation.

For some strange reason, certainly beyond the understanding

of most reasonable people, this period of low production, widespread unemployment, and generally low standard of living is referred to as being normal. On the other hand, prosperous periods during which there are more jobs than people to fill them, when almost everybody is earning and spending money, when goods are passing over the retailer's counters faster than his wholesaler can ship to him, when factories and farms are working overtime, when the theaters, concert halls, cabarets, and opera houses are "packing them in," when young people can afford not only to marry but even go so far as actually to have children—such times are called *abnormal!* The modern economist refers to such periods of widespread prosperity as *inflationary*, a very dangerous and evil condition, something to be avoided. In fact, during prosperous periods governments increase taxes and actually tell the people they are doing so because there is *too much money* in the hands of the people! It sounds crazy, but it's true.

Later, with only a million or so men out of work, with manufacturers finding it increasingly difficult to sell all the goods they make, and with producers of raw materials being unable to sell manufacturers as much as they formerly did, the natural thing for the nation's citizens to do is to look around for someone to blame. No one seems to think it possible that the falling off of production is due to his own stupidity, or that land speculation has boosted the cost of land so high that production at a profit has become impossible, or that high taxes have cut so deeply into the buying power of the consumer he just doesn't have the necessary foorcloshes left with which to buy the goods he needs so badly. Humans don't like to blame themselves or to admit their own stupidity and shortsightedness. They'd rather look around for a more likely villain. So management blames labor unions and the unions blame the "bosses." Then both combine to blame the government.

Those running the government don't seem to know what to do about depressions. Yet they know they must do something to make the headlines, no matter how idiotic it may be. Knowing

how easy it is to get hungry people to distrust, suspect, and hate their fellow man—especially foreigners—the politicians pass a few tariff laws designed to keep those "lousy foreigners" from "dumping" their low-price goods over here, even though they know from past experience that setting up higher tariff walls to stop a depression is exactly like squirting benzene on a fire to put it out. Tariff laws have always been passed and enforced to fight every depression the world has ever had, and without exception the result has always been to fan the flames of depression higher.



And it is only natural that tariffs should intensify depressions, because they forbid trade—the exchange of goods—which is the same as forbidding production. For we must remember that the exchange of goods is part of production—perhaps the most important part. Forbidding the people of two nations the right to exchange goods is to forbid their producing goods, and this brings the same result as clogging the land-to-labor pipe. That this is true becomes apparent if we recall that when one nation goes to war with another, its first step is to cripple the enemy's economy, and it does this by blockading the enemy's ports, by stopping the enemy from receiving and selling goods.

A nation erecting a tariff wall against foreign goods accomplishes the same result as an enemy's wartime blockade of another nation's ports—it cripples the economy by cutting production. The reader might suppose, then, that instead of setting up tariff walls, it might be wiser to fight off depressions by doing away with their cause, which, as we have seen, is land speculation. But to do that, it would first be necessary to do away with land-ownership, and that would be a dangerous thing to do, as we shall see in later chapters.

71

THE FOUNDATION OF LAND SPECULATION

*As soon as the land of any country has all become private property, the landlords, like all other men, love to reap "where they never sowed. . . .—Adam Smith, *The Wealth of Nations**

ONE MORE THING

about land speculation that should be understood (before we go on to finding some just way to remove it) is so self-evident, only one as meticulous as the Poleco-ist would even bother to mention it: *land speculation is possible only where all land is owned, because nobody would pay any price at all for land if he could get some of equal quality for nothing.* If landownership is indeed the foundation upon which land speculation rests, we should know more about it. Studying the nature of landownership might also seem a waste of time to the reader, since everyone knows that landownership is nothing more than ownership of land. Actually, there's more to it.

Owners of apartment houses and private dwellings like to think of themselves as landlords, owners of land. It is a thrilling

word, *landlord*. It brings to the mind of the apartment-house owner visions of a day long past when the word really meant what today it only implies: *a lord over the land and over every animal and human on it*. And in his vision he sees his serfs, hats in hand, bowing respectfully as he passes, the wives and daughters trembling with devoted adoration. But times have changed! Landlords are no longer loved or feared by their tenants; they're simply detested. All that remains to the owner of the apartment house today is the misleading title *landlord*.

Such were the melancholy thoughts that occupied the mind of Horace Flatrenter, apartment-house owner, the day the Poleco-ist walked in on him.

"So you, Mr. Flatrenter, are a landlord." The smile of toleration wrinkling the Poleco-ist's face as he spoke didn't make Horace any happier.

"Yes, Mr. Poleco-ist, I am a landlord."

"You aren't really, you know. You're just a building owner. A landlord, properly, is one who owns land. And when you own land you're really a lord. But you just own a building, so you're just another guy trying to make a couple of bucks."

"Shows how little you know about it. It so happens I not only own an apartment house, but I also own the land it's resting on." Horace reached into a desk drawer, removed a paper, and waved it in front of the Poleco-ist's nose. "And here's the deed that proves it. It says I own the land and all improvements on it."

"Oh, I'm sorry. I had no idea I was speaking to a real, honest-to-goodness landowner. But tell me, Milord, would you say that I owned a television set if I told you that I'm buying it on credit and have already paid more than half?"

"Certainly not! You don't own it until you've paid up all you owe on it."

"How about this natty suit I'm wearing? I bought it on credit, too. Would you say it's mine, that I own it, even though I haven't made a final payment on it?"

"Of course not. It's yours when you pay for it, but not until you do."

"How about my car? I've got a bill of sale that says it's mine. I only owe a hundred dollars more on it."

"The same thing. Nothing is yours until you pay for it. What kind of a dead-beat are you, anyway? If you want to own something, you ought to know you've gotta pay for it."

"Don't I own even part of my suit? The pants, maybe? I've paid more than half."

"Of course not. Just refuse to pay the rest of what you owe on it and see how fast the store'll come down and rip the suit off



your back, including the vest and the pants too. Unless you're wearing heavy, warm underwear underneath, you better pay for the suit, Mr. Poleco-ist, if you don't want to have trouble."

"I guess you're right, Mr. Flatrenter. By the way, do you have a mortgage on the apartment house and land you own?"

"Well, yes. A small one. About 50% of the assessed value. That's not much, you know. Some buildings carry mortgages that are greater than the market value of the property."

"I suppose the bank holds the mortgage."

"Yeah."

"Then the bank owns part of your apartment house and land?"

"Oh, no. I own it. See? I've got a deed. It's right here. It's all mine. I can do anything I want with it."

"Can you tear the apartment house down if you want to?"

"I suppose so."

"Without the bank's permission?"

"Well, no. But I could get their permission if—but why should I want to tear the building down?"

"I can't imagine. Tell me, Mr. Flatrenter, could you alter the apartments, that is, could you break them up into smaller apartments without permission of the bank?"

Horace thought for a minute. "Well, maybe not."

"Can you sell the house without the bank's permission?"

"Of course not. After all, they want to know what kind of people I'm selling to. They gotta do business with them, so they'd want to be sure of the people I sell to."

"Can you stop keeping the house in repair if you want to? That is, could you let the house go to pot if you couldn't afford to replace the roof or broken window panes? Or could you stop paying the fire insurance on the building if you chose to?"

"No. The bank wouldn't like that. After all, they have some money tied up in the property. Say, Mr. Poleco-ist, what are you getting at anyway?"

"Nothing important. I'm trying to understand why you think you own either the apartment house or the land upon which it rests when you can't do anything with either without the bank's permission. If it's true that I can't own a suit, automobile, or television set until I've made the final payment, how can you own a house that's only half paid for? If the bank wants to sell its mortgage on your house, it can do so without your permission. The bank can command you to buy insurance, keep the property in good condition, restrain you from cutting up your apartments into smaller units, and forbid you to sell your property if it wishes. It seems to me that the bank owns the apartment house and land that you call yours, that you are nothing more than a

rent collector and maintenance man working for the bank, and that the only privilege you have is the right to pay all the expenses and taxes."

Just as Mr. Horace Flatrenter doesn't really own either the apartment house or the land upon which it rests, although he does hold a deed that clearly states that he does, the folks who live out in the suburbs of every large city aren't property owners either; not so long as they have a mortgage hanging over their heads. They may call themselves *homeowners*, they may belong to Such-and-Such Homeowner's Associations, they may read magazines ostensibly devoted to "homeowner problems"; but the fact remains that so long as they are still in debt, it is the bank, insurance company, or private moneylender who holds the mortgage on their land and home that is the real owner. That becomes very clear to the so-called homeowner when he cannot make his yearly mortgage payment. No matter how little he still owes, according to the terms of the mortgage he must pay on time or lose everything: the land, the home he built on it, and every other improvement he has made on the property. In a few words, the man who "owns" property that is mortgaged owns nothing, has no privileges other than the right to pay taxes, insurance, and other maintenance costs that one might think should rightfully be paid by the true owners of the property: by the bank, insurance company, or private moneylender.

Therefore, when the Poleco-ist uses the word *landowner*, he means an *owner* of land; not one who has a piece of paper, % sort of pawn ticket, that says he owns it. For, in the final analysis, a mortgage is only a pawn ticket. If it were possible to carry a house and lot on our shoulders to a pawn shop, the ticket the pawnbroker would give us with the money we borrow would carry the same privileges and penalties that are printed on a mortgage. It would say, in effect, "I have loaned you a certain amount of money. To guarantee you will pay back the money you borrowed, you have left your property with me. If you pay your debt plus interest before a certain date, I'll return your property; but if you miss one single payment, your property will be auc-

tioned off to satisfy the debt you owe me." The only important difference between our pawning our property and mortgaging it is that the pawnbroker won't allow us to use our property before we have repaid the borrowed money. On the other hand, the pawnbroker is compelled to take good care of "our" property, while the mortgage holder compels us to take care of his property for him.

72

LANDOWNERS NOT NECESSARILY PEOPLE

The Creator has made the earth for the living, not the dead. Rights and powers can only belong to persons, not to things.

—Thomas Jefferson

IT MUST BE UNDERSTOOD, however, that the Poleco-ist doesn't think of landowners as mean old bankers and rent-gouging presidents of insurance companies. Nor does he think of them as being dyspeptic old men like John Jacob Astor who, according to Gustavus Meyers, delighted in tossing weak widows and innocent children into the street. The true facts are otherwise. In many parts of Europe, landowners are usually noble families like the Esterhazys, whose estates once included 159 entire villages; or the Junkers in Eastern Germany, who held vast estates for centuries. And in many parts of the United States a few very respectable individuals own vast areas of our country. Before World War II, it was reported that 182 men owned half of the state of Florida; that each of sixteen men owned, on an average, about three million acres of the nation's best timber-land; that eleven percent of New York City's population owned all of the city's five boroughs; that one-fifteenth of Manhattan Island was owned by only thirteen families: the Astors, Vander-

bilts, Rhinelanders, Potters, Morgans, Van Ingens, Wendels, Goeletses, Ehretses, Gerrys, the Hoffman Estate, the William Martin Estate, and the Eugene Hoffman family. And of course every town and city in the nation has its "most influential family" which, invariably, is the big landowner of the community.*

But most often, the really large landowners are not people at all. Especially in this country, it is most often the decidedly worth-while institutions that own much of our land—universities, for example, like Columbia, which owns many valuable properties, among which is every foot of land upon which Radio City in New York is built. The Trinity Church Corporation, like most churches, owns a considerable amount of valuable land. Trust funds, such as Sailors' Snug Harbor, which was set up many years ago to take care of sailors grown too old to sail the seas, now owns many extremely valuable blocks of land in lower New York. In fact, one of the nation's oldest and largest department stores pays Sailors' Snug Harbor a tidy sum each year for the privilege of doing business on lower Broadway. Cooper Union, a very fine free school left to the people of New York in trust, also owns sizable areas, including the land upon which one of New York's tallest skyscrapers, the Chrysler Building, is built.

These institutions, like all landowners, collect all of the rent earned by the *land* they own, rent that is a result (as illustrated in Chap. 43) of New York City's large population. And of course all banks and insurance companies and many of our large labor* unions and railroad companies also own or control considerable parcels of land throughout the nation. According to a news clipping that appeared in *The New York Times* of July 17, 1949, insurance companies held 10.8 billion dollars' worth of mortgages on American properties (including land, houses, and buildings).

* It is interesting to note that the vast fortune of the late William Randolph Hearst is commonly believed to have grown out of his many newspapers and magazines. Actually, very little of his fortune came out of his publishing; his was a fortune that grew out of landholdings: ranches in California, Texas, and Mexico; oil fields and mines in Peru, Mexico, and the United States (including the Homestake, one of the richest gold producers in Lead, South Dakota).

The same companies held a billion dollars' worth of farm mortgages, all of which adds up to almost complete control of a considerable slice of *our* United States.

And then, of course, there are countries in which the government owns *all* of the land. The Soviet Union is typical. In other countries, government owns only some of the land; the British government, as this is being written, is in this class.

When the Poleco-ist uses the word *landowner* he means: *any* individual, institution, or government holding supreme power over any piece of land; holding the legal right to say, "Nobody shall use this piece of the planet Earth for any purpose whatsoever without my permission."

73

LANDOWNERSHIP RELATED TO POVERTY

The first man who, having enclosed a piece of ground, bethought himself of saying, This is mine, and found people simple enough to believe him, was the real founder of civil society. From how many crimes, wars, and murders, from how many honors and misfortunes, might not anyone have saved mankind, by pulling up the stakes, or filling up the ditch, and crying to his fellows, "Beware of listening to this imposter; you are undone if you once forget that the fruits of the earth belong to us all, and the earth itself to nobody."—
Rousseau, *Social Contract*

EXACT FIGURES on the number of people and institutions that, combined, own all of our planet Earth are impossible to compile. But various researchers have from time to time come up with some exceedingly interesting facts on the subject. Recently (1944) Margaret Bateman published her report *Whose World?* from which we learn:

In Great Britain 1/10th of 1% own 3/4 of all the land.
In Scotland 3-1/270 own all the land. In Ireland 1-2/5% own all 20 million acres. In Germany a little more than 1% own all Germany.
In Italy 4% own 2/3 of the country.

In the Soviet Union the government owns all the land of the Soviet States—95% of it in collective farms.*

In country after country, Miss Bateman's report shows the same pattern: a handful of landowners owning most of the nation's land. More than that, it clearly reveals that land *naturally* tends to fall into fewer and fewer hands in spite of any attempts on the part of land reformers to break up large landholdings and then distribute them in small parcels among the peasants.** After the French Revolution, for example, France was cut up into many small peasant farms; yet a hundred years later the peasants owned only one-eighth of *La Patrie*. More recently, the same tendency for land *naturally* to concentrate itself into large estates and holdings was observed in other nations after the estates were broken up and distributed among the peasantry: in Japan, Czechoslovakia, and Italy. The actual words of a citizen of Santa Severina in Italy in 1951 might best clarify this seldom-discussed phenomenon: "When we occupied land with the Communist Party, we felt we were winning it for ourselves. But some of us got in debt and had to hand it [the land] back if we wanted the baron's money, and no one else has any to loan." Of course, the baron eventually owned all of the land formerly bought from him and split up among the peasants.

Even in our own country, only twenty-five percent of our

* If we bear in mind that fewer than 3% of the population of the Soviet Union are members of the Communist Party and have any voice in that government, we might safely infer that fewer than 3% own, in even the vaguest sense, the vast area under Soviet Union control.

* * Even in the Soviet Union, where the power of the government to control the economic life is stronger and more ruthless than anywhere on earth, we learn from Lieut. Gen. Walter Bedell Smith's *My Three Years in Moscow*: "The peasants, who demanded land during the revolution, received it. The great farm estates were divided into small farm plots of a few acres each and given to those who had formerly worked them for landlords. . . . Gradually the inefficient and improvident among them began to sell or leave their land to more efficient neighbors, and there grew up again a new class of more prosperous farmers who began to employ labor . . . But as soon as the state was strong enough . . . small, independent farmers were destroyed as a class and the small farms "Were combined with large collectives and state farms."

farmers own their land, and if we consider as landowners only those farmers whose land is not mortgaged, the figure would be much less than 10 percent.*

We need only go back to earlier pages to see that it is the *law of rent* that causes large estates to grow larger at the expense of the small, marginal landowners. So long as prices of goods are high, the little fellow can hold his own; but just as soon as prices fall, the small landowner cannot produce enough on his poorer land to pay his mortgage and is dispossessed. Since nobody but the big landowner, whose land is usually the best, can afford to buy the foreclosed land at auction, he usually gets it for a song and then adds it to his own landholdings.

Jefferson, while traveling through France just before the French Revolution, wrote:

Of twenty millions of people supposed to be in France, I am of opinion there are more than nineteen millions more wretched, more accursed in every circumstance of human existence than the most conspicuously wretched individual of the whole United States.

This was during the period which Hayes, in his *Political and Social History of Modern Europe*, reported as follows:

It is estimated that the clergy and nobility each owned one-fifth of France; and that one-third of all the land in Europe, one-half of the revenue, and two-thirds of the capital, were in the hands of the Christian churches.

The oleco-ist doesn't object to all of the planet slowly falling into fewer and fewer hands. He is a scientist and knows that nothing can be done to stop Ricardo's law of rent, a natural law, from operating. He interests himself in landownership not because it is the foundation of land speculation, but because it is evident that as fewer men and institutions gain ownership of

* We need only examine the various reports issued by our Department of Agriculture to see that every generation finds a smaller and smaller percentage of Americans owning any part of their "own, their native land."

all the civilized world, the number of landless ones who must pay the landowners in wealth and homage for the privilege of occupying and working the planet Earth must grow, and must lead eventually to ever-increasing poverty. That's just simple arithmetic. And with his eye on history, the Poleco-ist worriedly looks back upon the collapse of Rome, when only 1,800 men owned all of the known world. He looks back upon the period preceding the French Revolution when one-third of the land of Europe, half of the revenue, and two-thirds of the capital were actually owned by the Christian Churches. He looks back upon ancient Greece and its high culture, and observes how it weakened as fewer and fewer citizens owned the land, and finally how, when a little better than two percent of the Greeks owned the entire empire, that highly developed civilization collapsed. He agrees with Arnold Toynbee, who in his *Study of History* wrote, "In all the [breakdowns of civilizations] we have reviewed, the most that an alien enemy has achieved has been to give an expiring suicide his *coup de grace*." The Poleco-ist observes that the "suicide" Toynbee refers to is land concentrated in the hands of a few families or institutions.

He is also interested in the fact that whenever in history land was still free to whoever chose to use it, the citizens lived on a very high scale, criminals were few, and beggars almost non-existent. To the Poleco-ist, then, the tendency of land to fall under the control of just a few men seems to have a great deal to do with poverty and, of course, with all of the social evils that spring from poverty. He, unlike the economists, therefore considers such historical facts to be significant in the study of wealth production and distribution.

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NATURAL RIGHTS

. . . That the sweat of a man's brows and the exudations of a man's brains, are as much a man's property as the breaches on his backside:—which said exudations, etc., being dropped upon the said apple by the labour of finding it, and picking it up; and being moreover indissolubly annexed, by the picker up, to the thing being < picked up, carried home, roasted, peeled, eaten, digested, and so on:—tis evident that the gatherer of the apple, in so doing, has mixed up something which was his own, with the apple which was not his own, by which means he has acquired a property; or in other words, the apple is John's apple.—
 Laurence Sterne, *Tristram Shandy*

IT MIGHT BE WELL here to review the ground we've covered since we first set out to learn who, or what, has been clogging the world's land-to-labor pipe—First we learned that it is land speculation that clogs the pipe, with an incidental assist from man-written tariff laws. Next we observed that land speculation is a natural outgrowth of land-ownership. If we are to remove the cause of business depressions and poverty, we seem to be left with no choice but to do away with landownership.

Unfortunately, that isn't easy to do. First of all, land, as we have seen, is owned by some rather important people and insti-

tutions, none of which are likely to sit by quietly while we take away their rights to own their main source of income. Secondly, the Poleco-ist would never stand for our violating their natural rights as individuals or groups of individuals. Even if doing so would eliminate depressions and poverty, to deny the landowner the natural right to own what is *rightfully* his would be unjust. But before we acknowledge the impossibility of finding a just solution to our problem, let's poke around a bit and try to find out exactly what these natural rights we've been discussing really are. It certainly can do no harm; and who knows what we may find?

It's quite common, especially in big cities, to see a policeman trying to order a citizen from a particular street-corner. Often the citizen will stubbornly refuse to move on as he's told.

"I'm a taxpayer," he will declare, "and I know my rights."

A few hours later, sitting in the local jail, he's not so sure that he does know his rights. But that isn't unusual. For only a few of us are aware of our legal rights—those given to us by the laws and regulations written by our lawyers and politicians. And because so many laws have been written, it is hardly likely that our incarcerated citizen really knows precisely what his legal rights are at any particular time. As for our natural rights, most of us have forgotten that all human beings have them. That is certainly true in Russia, England, Argentina, Spain, and other countries where the governments have actually proclaimed from time to time that the individual has no rights other than the legal ones given him by the state's lawmakers. It is to a great extent true here in our own United States, too.

Actually, man's natural rights are the only ones that really matter. His legal rights change according to the whims of the government under which he lives. In one country, the citizen may have the legal right to own another human being; in another country, he may be denied that right; in a third, he may not have even the legal right to own himself. Under one nation's laws a man may have the legal right to have many wives, and in another the law may forbid him to get rid of the one wife he has.

Change the wording written on a piece of paper and the legal rights of the individual are changed, too. But his natural rights are always the same, everywhere in the world, and at all times. Whether he be a plutocrat or a pauper, man is nevertheless born with "inherent and inalienable rights." * Governments can neither give him such rights nor take them away, because, as Jefferson wrote, they are "inalienable." True, a tyrannical government might deny a man the freedom to *exercise* his natural rights—in fact, doing so is what makes a tyrant a tyrant. But law or no law, tyrant-ruled or not, in jail or out, the individual always retains his natural rights, even though he isn't permitted to exercise them.

Fundamentally, man's natural rights are three. First, he has a natural right to live. Second, he has a natural right to own himself, his body, his labor, his intelligence. And his third natural right grows out of the second: the natural right to own everything that his body, labor, and intelligence produce—no more and no less. John Locke says the same thing so much better in his *Property*, it might be well to lean on him here:

Though the earth and all inferior creatures be common to all men, yet every man has a property in his own person. This nobody has any right to but himself. The "labour" of his body and the work of his hands we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he has mixed his labour with it, and joined to it something that is his own, and thereby makes it his property.

Having the right to own gives him also the right to do as he pleases with his own. He can consume it, gamble it away, save it, or use it as capital. That, too, is his natural right, because he produced his wealth, and no one but him, therefore—*not even*

* Jefferson's original draft included the word *inherent*, but the Congress struck it out and substituted the word *certain*. The substitution indicates that even at the time our Declaration of Independence was being written, many of the framers denied man had *inherent* rights, and believed he had only *certain* rights—rights granted him by man-made law.

his government—may tell him what he may or may not do with his property.

Such rights are called natural because we find them observed in all societies where humans are left to govern themselves. They are the only law until societies force written laws on the people. A. T. and G. M. Culwicks tell us, in their *Ubena of the River*, that in Ubena, Africa, where semisavages have a number of wives, the husband isn't permitted to use the things produced by one wife to support another. Everything she produces is hers to use for herself and for the support of *her* children. And if the husband should take some of one wife's produce to market and sell it, he is expected to bring her a valuable gift as acknowledgment that the goods she produced were hers by natural right.

Children, since they haven't lived long enough to have their thinking warped by laws their parents write, are very much aware of their natural rights and will instinctively fight to protect them. A child who builds sand castles will violently resent anyone—another child or an adult—who crushes the sand castle he, with his own labor, has built on the seashore. The boy who builds a wagon looks upon it as his own and will permit no one to use it without his permission. If he yields to temptation and steals a few marbles from a pal, the child knows he's done wrong even though there are no law books in his life to tell him so. If he's caught in the act, he usually returns his loot even if the boy from whom he's stolen is smaller than he. If he doesn't, the terrible justice of the gang is visited upon him, and he quickly learns that neither bullies nor violators of other men's natural rights will be tolerated. But boys do not have the same respect for landownership. Boys with even the strictest upbringing and most honorable character will completely ignore "No Trespassing" signs, will swim and fish where "No Fishing or Swimming Allowed" notices are posted, and won't hesitate to help themselves to wild fruit and berries, or to shoot wild rabbits on idle, fenced-in land. We might almost suspect that there is a difference between the right to own marbles and wagons and

the right to own swimming holes, forests, and other unimproved areas of land.

And there is a difference. At least the Poleco-ist thinks so. Articles of wealth are produced by man, and the individual man who produces a particular article of wealth has a natural right to own it simply because his labor brought it into being. An individual has a natural right to own everything his capital produced, because his capital, too, was a product of his labor, or was given to him in fair exchange for some thing or service his labor produced. But unimproved land is not a product of labor. It existed perhaps millions of years before man even came upon the earth. Man couldn't produce a grain of land if his life depended on it. And since no man or group of men produces land, no man or group can possibly have the natural right to own it. The right to own land, then, is only a legal right given by the lawyers and politicians of a nation, and is not a natural right with which man is born. Since it is government that gives him the legal right to own land, that right may be taken from him whenever his government chooses. The communists do such things, and the socialists in England are well on the way toward taking the Englishman's right to own land away from him. Those followers of Karl Marx, however, have no more right to own land than individual Russians or Englishmen, since no government has ever produced as much as one grain of land either. Therefore, since no man, no group of men, no institution, and no government has ever produced land, it cannot be owned by* anyone or any group of humans or any institution or government by natural right. To put it all more emphatically, since land isn't produced it cannot *justly* be owned!

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LANDOWNERSHIP VERSUS THE LEASE

Like a fair house built on another man's ground; so that I have lost my edifice by mistaking the place where I erected it.—William Shakespeare, *Merry Wives of Windsor*

IT MAY WELL BE ARGUED that the Dutch produce land that didn't exist before with their wonderful system of dikes, with which for centuries they have pushed back the sea. As other examples of man-made land, some may point to the large areas reclaimed from the sea by the city of Boston, the swamps filled in by New York City, the lakefront that Chicagoans reclaimed from Lake Michigan. But if we remember that the word *land*, as the Poleco-ist uses the word, includes the sea as well as the dry portion of the earth, it is easily seen that what is commonly called reclaiming land is actually pushing liquid land back to expose more solid and dry land for use. Since man's labor has been added to push the sea back, reclaimed territory is no longer land but wealth (land added to labor), and wealth, of course, *can* be rightfully owned by whoever owned the labor and capital that produced it. Whoever reclaims territory from the sea has a natural and exclusive right to use it, for it has become an improvement which is just as much a product of man's labor and capital as is a farm, a factory, or a house. But the land upon which the improvement rests is not a product of labor, and therefore man has no natural right to own it.

When people unexpectedly come face to face with the idea that man may own the improvement he builds on land, but not the land upon which it rests, they are, to say the least, somewhat startled. What man in his right senses, they ask themselves,

would even consider improving land he did not own? How is he to know that the landowner won't come along to command him to pick up and move his farm or skyscraper away from the parcel of land upon which he built? The truth is that even today very few people who build homes, factories, stores, skyscrapers, or farms actually own the land under their improvements. Very few farms are built upon land owned by the farmer. Most farms today are either mortgaged or rented; and legally a mortgaged farm belongs to the moneylender, and not to the farmer, until the debt is entirely paid up. Very little of the land into which mining companies sink their mines is owned by the operators. A lease guaranteeing the right to work the land for a certain number of years at a certain rent is all the mine owner and oil companies require. Hardly a skyscraper, hotel, or department store in New York City is built on land belonging to the owners of the buildings.

One of New York City's more glamorous hotels, the 54-story Waldorf-Astoria, was built at a cost of twenty-two million dollars on land that did not belong to the builder but was, and is, the property of a subsidiary of the New York Central Railroad and the New York, New Haven & Hartford Railroad. The owner of the hotel pays a rental of a million dollars a year, *plus* a percentage of its profits, to the landowners for nothing more than permission to rest his hotel on "their" land. It is interesting to recall that the land on which the Waldorf-Astoria Hotel rests was originally *given* to the present landowners by the notoriously* corrupt Boss Tweed-controlled legislature in 1869. In return for substantial bribes, history says, that plot of land, as well as all of Park Avenue from 42nd Street to 45th Street was "sold" to the New York Central. (There is no record of actual payment having been made by the railroad, since the records of that particular deal have mysteriously disappeared from the files of the New York City Comptroller's office.)

Evidently, then, it is not only possible to own an improvement without owning the land upon which it is built, but it is the usual thing. For, all the assurance any producer demands today before

he invests his capital and labor to improve a particular piece of land is a sufficiently long lease.

Another troublesome problem now rears its head. Since no person, group, government, nor community has ever produced any land, it must follow that anyone now owning land is unjustly holding something that isn't rightfully his. That doesn't seem quite fair to all of us hard-working, thrifty, law-abiding souls who have spent our hard-earned savings to build a small home on a fifty-by-a-hundred plot of land out in the suburbs. We



have every right to look upon the Poleco-ist's revelation with nervousness and fear. For it seems certain that if we are occupying land that isn't really ours by natural right, someone bearing an important-looking legal paper is apt to pop up at our door any day and command us to get off the land we always had believed to be ours. But our fears are without reason. For if, as the Poleco-ist insists, Mother Nature produced all of the land, only Mother Nature has a right to own it; and it is very unlikely that she will ever drop in on us to take the land from under our improvements. In fact, if there is any meaning whatever to Mother Nature's laws, instead of denying us the use of land she will more

likely increase our natural desires for wealth and in that way compel us to use her land even more extensively than we do.

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MAN'S NATURAL RIGHT TO THE USE OF LAND

Whenever there is in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right. The earth is given as a common stock for man to labor and live on.—Thomas Jefferson

IT ALL SEEMS to amount to this:

while no man, group, or institution can rightfully own land, *all* men have a natural right to *use* it, regardless of laws written to deny him that natural right. That doesn't mean that homeless people, therefore, have a natural right to move into our house, or that street peddlers discontented with the unpleasant selling conditions in the street may move their stands into another man's store. Nor does it mean that our farm crop, which we so painfully planted, might well be harvested by a horde of ne'er-^do-wells exercising their natural right to use land on equal terms with all other men. If the reader is really distressed by the threat of such anarchy, let him relax. For the equal right to use land does not mean an equal right to use the improvements built on the land. A home, a store, and a farm—like all improvements and other forms of wealth—rightfully belong to those individuals who produced them. It is only land, and not the improvements on it, that cannot be rightfully owned by anyone. Man's exclusive right to own everything his labor and capital produces, *but no more nor less*, cannot be overstressed, so let us repeat: *every*

individual has a natural right to own all the improvements he makes, all the capital he has produced, and every bit of -wealth, wages, and interest that result from his labor and capital.

The idea that land may not be owned by anyone may seem new to many readers. Actually, it is not only old stuff but has been expressed by almost every respected scholar, ancient and modern, who has in any measure seriously studied political economy. The following quotations are typical of what has been said on the question of landownership:

. . . there is no foundation in nature or in natural law why a set of words upon parchment should convey the dominion of land.—Black-stone, *Commentaries* The land in any country belongs in usufruct to the living.—Jefferson

An individual, or company, should never hold more land than they have in actual use.—Abraham Lincoln

The earth cannot be anyone's property.—Leo Tolstoy, *Resurrection*

Let it also be observed that the land is not essentially private property, and that naturally one man has as much right to the land as another. —Patrick Edward Dove, *The Theory of Human Progression*

When land is not intended to be cultivated, no good reason can in general be given for its being private property at all.—John Locke, *Principles of Political Economy*

Man did not make the earth, and though he had a natural right to occupy it he had no right to locate as his property in perpetuity any part of it.—Thomas Paine (Conway's *Paine*)

Equity, therefore, does not permit property in land.—Spencer, *Social Statics*

Properly speaking, the land belongs to these two—the Almighty God, and to *all* his children of men.—Thomas Carlyle, *Past and Present*

When the "sacredness of property" is talked of, it should be remembered that any such sacredness does not belong to land. No man

made the land. It is the original heritage of the whole people.
—John Stuart Mill, *Political Economy*

The idea that land can't be owned just because no mortal has in any way contributed to producing it is hard, in these days, to take. There is one line of argument against the idea that is so general among those who first hear this disturbing thought expressed that it deserves one or two of our pages. It goes something like this:

"Didn't we agree, in Chaps. 24 and 25, that exchange is part of production?" "Yes."

"When I give up money that I got for producing goods of some kind, and I give that money to someone for land, am I not making an exchange? And if exchanging is producing, am I not producing land when I exchange my hard-earned money for it?" "No. Not quite. For exchange means exchanging wealth for wealth or wealth for services. But exchanging the goods you made for a piece of land is exchanging wealth for something that is not yet wealth, and won't be until labor has been added to it. Land, it must be remembered, isn't wealth until it has been modified in some way by labor to fit it better for the satisfaction of human desires."

"Okay. Suppose I labor by chasing Indians off the land, and then by putting a fence around it. I *have* added labor and, according to your own argument, I can then own it."

"Not quite. Chasing Indians off land doesn't produce any wealth; it merely prevents the Indians from producing some. But building a fence around a piece of land, or any other place, *does* produce wealth, but only in the form of a fence. That fence is yours. You have every right to own it. But how can that give you a right to anything ringed by the fence? If just fencing in land gave a man title to it, he need only spend his life building fences to end up the world's richest landowner."

"But the whole idea still doesn't seem quite fair. A man buys a piece of land in good faith, gives up his hard-earned money,

his life's savings, for it; and then a Poleco-ist comes along and says, 'Nobody can rightfully own land.' That just doesn't seem fair."

"Perhaps not. But the same thing would happen if a man gave up his hard-earned money for a stolen car or for any other goods that was gained through force, theft, or fraud. If you should buy a car from a man who had bought it in good faith from another man; and if that man, with his honestly earned money, unknowingly had bought the car from a thief who had stolen it, would the police hesitate to take the car away from you just because you bought it in good faith with your honestly earned money? Of course not! 'Let the buyer beware' is the law in almost every civilized country. But let it be understood that the Poleco-ist doesn't argue that the land can't be owned by the present owner just because he is holding land that was originally stolen by the first titleholder. He doesn't say that those who now hold title to land shouldn't continue to stay on it and to use it as long as they like. He simply says they can't *rightfully* own it, because neither they nor anyone else produced it."

"I can't see the difference. You say he can't own it, but he can use it just as if he did own it. What's the difference?"

"There is actually no difference to the man who both owns and uses his land today. But there'd be a great difference to those who own land for no purpose other than to hold it out of use until, through sheer desperation, those who can't earn a living without having access to land are left with no choice but to pay the speculator an exorbitant price for the privilege of using idle land that neither he nor any other person has a right to own in the first place."

"Well, then, let's go back to the Poleco-ist's other statement. You compared buying land with buying stolen cars a while ago. Suppose I buy land that wasn't stolen?"

"That would be a good trick if you could do it. Since land cannot belong to anyone, whoever sells land to another must sell something that isn't rightfully his to sell. Moreover, according to history, there isn't an owned acre of land anywhere on

earth that wasn't originally gained through theft, force, or fraud. Most of the present titles under which British lands are held stem from the bloody conquests of William the Conqueror. Most Irish land titles stem from Cromwell's butchery and robberies during his invasion of Ireland. The land in the United States was stolen by the English from the Dutch, the French, and the Spanish nations, who earlier had stolen the same lands from the Indians. Texas and California lands were taken by force from Mexico, and that country had stolen the areas from the Indians. The Louisiana Territory was bought from Napoleon who, without even so much as having put his foot on any part of it, didn't hesitate to sell it to the United States government just as if it were his to sell. But the murders, thefts, corruptions, and double-dealing upon which present-day titles in that area are based form the most shameful part of our history: even more disgraceful than the downright dishonesty that lies under every title. The murder, fraud, and thievery underlying American titles to American land are wonderfully described—in minute detail—in *Land Title Origins* by Alfred N. Chandler."

"But all that was so long ago. Why punish me for something that happened a couple of hundred years ago? Why punish the English landowner of today for something that William the Conqueror did almost a thousand years ago?"

"No one is being punished. Nobody's being kicked off his land or being denied the right to use it. So far as time being the great forgiver of thefts committed long ago is concerned, Herbert Spencer answered that absurdity in his *Social Statics*:

"How long does it take for what was originally a *wrong* to grow into a right? At what rate per annum do invalid claims become valid? If a title gets perfect in a thousand years, how much more than perfect will it be in two thousand years?"

"So, just because all titles are based upon theft, killing, and fraud, the Poleco-ist thinks nobody has a right to own land."

"Not entirely. The Poleco-ist objects to landownership for

more fundamental reasons. First, as we saw in earlier paragraphs, land isn't produced and therefore cannot be owned. But, equally important, the Poleco-ist observes that land is essential to life, and to deny all men an equal right to get at the land is to deny all men the equal right to live. And to deny man the right to live is to deny him his most basic natural right."

77

MONOPOLY

The privilege of absurdity; to which no living creature is subject but man only . . .

—Thomas Hobbes

IT WILL BE no digression here to swing our attention to the relation of landownership to monopoly. And there is, perhaps, no more interesting way to approach the subject than to turn to old man Aristotle who, in his *Politics*, tells the following story about monopoly:

There is the anecdote of Thales the Milesian and his financial device, which involves a principle of universal application, but is attributed to him on account of his reputation for wisdom. He was reproached for his poverty, which was supposed to show that philosophy was of no use. According to the story, he knew by his skill in the stars while it was yet winter that there would be a great harvest of olives in the coming year; so, having a little money, he gave deposits for the use of all the olive presses in Chios and Miletus, which he hired at a low price because no one bid against him. When the harvest-time came, and many were wanted all at once and of a sudden, he let them out at any rate which he pleased, and made a quantity of money. Thus he showed the world that philosophers can easily be rich if they like, but that their ambition is of another sort. He is supposed to have given a striking proof of his wisdom,

but, as I was saying, his device for getting wealth is of universal application, and is nothing but the creation of a monopoly.

No doubt Aristotle knew his monopolies. But what he didn't say about them is far more important. He forgot to point out that Thales's monopoly had to break up after he made his one big killing, for the olive growers certainly wouldn't have allowed themselves to fall into the same trap a second season. Nor did Aristotle explain that the wise old Thales couldn't have charged any amount he pleased for the olive presses. The most he could



have gotten would have been a little less than what the finished olive oil would sell for at the market. If Thales had demanded more than that amount, the olive growers would have found it more profitable to allow their crop to rot on the ground and then to build new presses for the next year's harvest. As a natural result, Thales's monopoly destroyed itself.

That is what happens, even today, whenever someone corners the market in commodities like wheat, cotton, coal, oil, or any other thing produced by labor and capital. The man or group of men who succeed in monopolizing commodities might, as Thales did, make one killing; but within a short time their mo-

nopoly would destroy itself and the speculators would then have to scurry around to find another angle.

For example, if a group of American speculators manages to buy up all of the nation's wheat, every American who needs wheat will have to pay the exorbitant price asked by the speculator, or he will have to do without wheat. But the resulting high price of wheat, driven far above its natural level, encourages farmers from all over the world to raise as much wheat as their land will grow, and then to rush it to the American market. They do so not because they love Americans but because, being human, they want to cash in on the unusually high price offered by Americans made desperate for wheat as a result of the speculators' cornering the market. Consequently, so much wheat arrives that there is soon more than enough to supply the demand, and as is usual when there is more of anything than is wanted, the price drops even below what would have been its natural level if speculators hadn't tried to gain a monopoly. The natural result of the speculators' "cornering the market" is to tempt so much wheat into the market as to destroy the abnormally high price that makes a monopoly worth having.

The only time a monopoly doesn't destroy itself is when it is protected with a high tariff wall, or other exclusive privilege, set up by government officials. For high tariffs prevent foreign goods from coming in to relieve the monopoly-created shortage, and as a result the industry protected by the tariff can enjoy its monopoly as long as government permits the tariff to remain in force. At the same time the high tariff enables the privileged manufacturer to make his own countrymen pay him much higher prices than they would have to do if no tariff wall had been set up by the government. The wool monopoly, the leather monopoly, and the photographic-film monopoly are typical of government-supported rackets. Every year citizens are compelled to pay millions of dollars out of their earnings to these monopolists in higher-than-natural prices, only because tariff-protected monopolies are granted and supported by an obedient government. If the government didn't support these industries with high

tariffs in order to keep foreign competition out, prices would of course be driven down by foreign competition, and more shivering American children might be able to afford warm wool coats, and some of our barefooted ones might own real leather shoes.

But there is still another type of government-supported monopoly that is little different from the others: the patent monopoly. Most of us have been taught to believe that a patent is given to an inventor to encourage him to invent, and that without patent protection for the inventor, invention would stop. Only recently, Lawrence C. Kingsland, U.S. Commissioner of Patents, said almost exactly that at a seminar sponsored by the Associated Industries of Rhode Island:

One of the major reasons that we of the United States enjoy the material advantages that we do is the fact that our patent laws provide for the protection of inventors, affording the incentive to create new instrumentalities and methods which contribute to our high standard of living.

What Mr. Kingsland implies is not altogether true, for if "the fact that our patent laws provide for the protection of inventors," as he says, really helped make us the wonderfully high-standard-of-living nation we are, we should imagine that where standards of living are lower than ours the inventors aren't given patent protection. The fact is that all civilized nations have patent laws, and, as we know, the standards of living of the masses in all nations is far from good, much less *high*.

The truth is, man couldn't stop inventing if he wanted to, since it is his nature, as we have seen (Chap. 9), to invent. He invents things not for money but simply because he is always looking for an easier way to do something. We know, as a matter of historical fact, that man was inventing things thousands of years before there were patent laws to "afford him an incentive." Men like Jefferson, Franklin, and many other colonial gentlemen invented many things, some of which we still use, without a thought of patenting them. In fact, the inventions from which

all modern inventions stem—the wheel, the lever, the gear, and even the original steam engine—weren't patented.

Moreover, very few inventors have made very much out of the patents they received from their government. Most basement-and-attic inventors end up by selling their inventions and patents to large corporations for a fraction of their true value. And, as often as not, the large corporations buy the inventions from the inventor not for the purpose of producing the invented item but to keep it off the market deliberately, and to forbid others who may think of the same idea from producing a similar item. A large oil company might buy up patented formulas for cheaper-than-gasoline fuels only to protect its own interests. A printing-equipment manufacturer might buy up and hide away inventions that, if produced, might make its printing presses or processes obsolete and worthless. To argue, then, that the purpose of our patent laws is to protect the inventor is sheer nonsense. We don't have to think too hard to see that many cartels and monopoly corporations would immediately collapse if all patent laws were repealed. For it must be obvious that the very essence of most cartels is the legal power, given by our patent laws, to say, "We can fix prices on our goods as high as we please, divide the world market between us, and keep competition from coming in to spoil our racket, because our governments have given us the exclusive right to produce this particular thing." It is interesting to note that two of our most famous inventors, Thomas A. Edison and Henry Ford, agreed that all patent laws should be repealed, since they benefit the manufacturer and not the inventor.

Originally, patents were special privileges given not to inventors but to court favorites by grateful kings and queens. For example, Sir Jerome Bowes was given a patent right—the exclusive right—to make drinking glasses in England. Jerry didn't even pretend to have invented the drinking glass. Nevertheless, no free Englishman thereafter was allowed to make and sell a drinking glass without paying Sir Jerome a royalty. He received the patent from Queen Elizabeth only because she was fond of

him and wanted to see him get ahead and, incidentally, because Sir Jerome agreed to hand over a percentage of his swag to Good Queen Bess every year. Elizabeth gave similar patents to many of her favorites, always with a "kick-back" understanding. To some she gave patents on goods, and to others she gave land patents. In 1578, for example, she gave Sir Humphrey Gilbert a patent right to all the land he could discover in America, and royal permission to collect rents from anyone who wanted to settle on "his" land. In return, he agreed to turn over "one-fifth



of all gold and silver discovered" to the Queen. James I, who followed Queen Elizabeth as England's ruler, gave the first Duke of Buckingham a much better patent; the exclusive right to make silver and gold thread in England. That paid off very well, for it enabled Buckingham to become one of the wealthiest men in the kingdom—wealthy enough to woo and to win the heart of the Queen of France.

But all patents aren't intended to give a political favorite an exclusive right to make things like drinking glasses and metallic thread. In *Webster's Collegiate Dictionary* we find that a patent is "an official document conferring a right or privilege . . . an

instrument making a conveyance or grant of public lands. . . ." The land patent—giving a "grant of public lands"—is by far more valuable. Buckingham's patent, allowing him to collect tribute from all Englishmen desiring to make gold or silver thread, couldn't prevent Englishmen from using substitutes rather than pay tribute to the patent-holding monopolist. Nor is a patent on an invention a very powerful privilege—as special privileges go—because it lasts only a limited time. But a land patent gives exclusive rights to collect rents *forever*, for generation after generation, and unlike things like drinking glasses and gold thread, it can't be replaced with a substitute. The land monopoly continues to live and grow stronger without the help of tariffs set up by government officials. When sugar or cotton is "cornered" by speculators, foreign cotton or sugar, even in spite of high tariffs, soon overstocks the market and breaks the monopoly. But it is impossible to import more land. That just can't be done. Consequently, the land monopoly is the strongest of all.

The fact that there is no substitute for land is more important than it seems. When the price of butter is too high, people switch to oleomargarine, lard, or doing without. When wool prices shoot up beyond the reach of the consumers' pocketbooks, less expensive rayons and other substitutes may be used instead; and when leather prices climb too high, imitation shoe leather and cloth can be substituted—in fact we can even go barefoot. It is because man can develop substitutes when prices climb too high that even the manufacturers of tariff-protected monopoly goods are unable to boost their prices beyond a certain point. For if they allow their prices to climb too high they'll lose their market to the manufacturers of cheaper substitutes. Their monopoly, consequently, is at least held in check, despite its tariff protection. But when land prices and rents rise as a result of all land being held in a few hands, the people must pay; for they can't live without land, and there is no substitute.

Most civilized nations have laws forbidding monopolies. But these laws are always directed against businesses where no actual

monopoly exists—or against relatively unimportant monopolies that exist only because they are supported by special privileges of one kind or another, granted to a favored few by the same government that pretends to try to fight monopoly. But no nation, not even a socialistic one, has ever dared enforce laws against land monopoly. The nearest thing to that would be the Russian system of taking the land monopoly away from one group of citizens (the Russian nobility) and putting it into the hands of the government. In effect, land monopoly hasn't been destroyed in Russia but has simply been transferred from the control of Czarist monopolists to that of Soviet monopolists. And as we might expect, the result is that every Russian man, woman, and child—exactly as under the Czars—must pay his present masters with their labor, from birth until death, for the privilege of occupying that part of the planet Earth that happens to be controlled by the Russian government.

It is no different in the rest of the world. It doesn't matter whether a nation is a monarchy like England, a dictatorship like Russia, Spain, or Argentina, or a republic like our United States—the citizens must pay a large portion of their earnings in rent to a land monopolist for the privilege of occupying and improving the earth. And, just as the people of Russia must pay with their labor for permission to live on the Russian part of the planet, we, too, pay with the products of our labor for permission to occupy "the land of the free."

To put it all in a few words, monopoly in things produced by labor and capital lasts a very short time—a few months or a year at most. With the aid of government tariffs and patents, a monopoly in manufactured goods may continue to bleed the public for a few years until it is broken by the consumer's turning to cheaper substitutes. But a land monopoly lasts forever.

One word of caution: let's not confuse the word *monopoly* with *big business*; or the term *big business* with *privileged business*. Although our newspaper writers, radio commentators, and authors often use the words interchangeably, three entirely dif-

ferent ideas are involved. The difference can be best defined if we consider the so-called chain-store monopoly which some of our congressmen have been trying to outlaw. No matter how many cleverly worded laws the congressmen pass, they can't possibly destroy chain-store monopoly—simply because there is no such thing!

If the government gave the chain stores subsidies like those it gives the miners and farmers; or tariff protection like that which it gives our manufacturers, chain stores would be *privileged business*. For they'd be given privileges not given to their competitors, the independent merchants. But the chain stores do not receive government subsidies or tariff protection or patent rights and therefore are not *privileged business*. They are simply small business grown up to become *big business*.

Chain-store operators could hold a monopoly only if they owned most of the land along the nation's Main Streets, since such ownership would give them the power to exact rent-tribute from all merchants who wished to compete with them. The chains, in that instance, would be holding a monopoly on retail sites without which the independent merchants couldn't compete on equal terms.

But since chain stores, even the biggest ones like the Great Atlantic & Pacific Tea Company, and Woolworth's, receive no special privileges from government and own almost no land at all, they can't be considered monopolists in any sense of the word. That the chains don't enjoy a monopoly should be clear even to our congressmen; for they certainly must know that the function of a monopoly is to enable the monopolist to get *more* than the market price for his goods. A monopoly that didn't do that wouldn't be worth owning. But chain stores charge the consumer *less*—not more—than the market price, which is hardly the sort of results we'd expect from monopolies.

Actually, chain stores are nothing more than *big business*. And big business, as the Poleco-ist uses the term, is simply a small business that served the public better, operated more efficiently, and as a natural result has grown big. But until we discover at

what figure small business ends and where big business begins, neither term means anything. Big or small, so long as it does not enjoy special privileges from the government or the privilege of landownership, business is business.

If congressmen would think, they would recognize the fact that chain stores are a natural development of the free competition which the communists and socialists have been trying to do away with ever since the days of Karl Marx. Chain stores are working examples of the free-enterprise system that congressmen in their Fourth of July speeches credit with having made the American people the freest and most prosperous in the world. For congressmen to shackle the chain stores simply because they don't see the difference between *big business*, *privileged business*, and *monopoly* is to work hand in glove with socialistic theory and to destroy the free-enterprise system they pretend to love. If chain stores seem to be driving small independents out of business, and if congressmen really care about the welfare of the small businessman, it might be well for both the congressmen and small businessmen to look for the solution in the natural laws governing rent and the man-made laws which grant special privileges to the few at the expense of the many. For, as we shall see, it is the corporation enjoying *special privileges* granted and supported by governments that are commonly though erroneously referred to as "big business." If the congressmen and small businessmen are the least bit aware of the facts of life, it should be as obvious as an atom-bomb explosion in New York City that so-called "big business"—the "big business" that is known to swallow up or ruin "small business"—consists, *without exception*, of corporations which are based on special privileges in the form of either land monopoly, patent monopoly, tariff protection, or a combination of all three. For the most part, however, it is land monopoly—the exclusive ownership or control of land bearing oil, iron, copper, gold, bauxite, timber, or other nature-produced natural resources—that gives so-called "big business" the power to destroy, swallow, or dictate to the underprivileged small businessman trying to compete. In other

words, it is "privileged business" and not "big business" we have to fear; it is land monopoly and not chain-store bigness that a sincere Congress would investigate.

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UNDERPRIVILEGE A REFLECTION OF SPECIAL PRIVILEGE

*[The history of civilized communities shows us] that one man can have a privilege only by depriving another man, or many other men, of a portion of their rights, consequently, a reign of justice will consist in the destruction of every privilege, of every right.—Patrick Edward Dove, *The Theory of Human Progression**

IT ISN'T NECESSARY to be a brilliant scholar to see that any special privilege given to one person, or to one group of persons, must be unjust to all the others. For example, a special privilege in the form of an exclusive patent gives the man holding it an advantage over all other men, for only he is permitted to manufacture and sell a particular item of wealth. Patents, then, place the patent holder's competitor at a disadvantage. But since a patent remains in force for only a limited time, after which anyone who wishes may use the patented idea, and since patented articles are never essential goods (food, clothing, and shelter), the patent monopoly isn't a very important privilege so far as its effect on society is concerned.

The special privileges given to farmers, manufacturers, and other industrialists in the form of subsidies and tariff protection

are by far more harmful to society at large. For all consumers of goods must pay out of their pocket the unearned money that goes into the pockets of the tariff-and-subsidy-protected few. If a pair of shoes made by an American manufacturer costs five dollars, an American citizen can buy four pairs for twenty dollars. But if a pair of shoes made by a foreign manufacturer costs only four dollars, an American citizen can still get four pairs of shoes for his twenty dollars, and also have four dollars left over with which to buy food and other things. In other words, his twenty-dollar bill becomes worth four dollars more—he is just as well off as if he had received a four-dollar raise in salary! However, when the government charges the foreign shoe manufacturer one dollar for every pair of shoes he sends to America, the American can't buy shoes for less than five dollars because the extra dollar that the foreigner must pay to get his shoes into our country must be added to the retail price of the shoes; as a result, the American must pay an extra dollar out of his wages, which the government gets. If he buys American-made shoes instead, he must still pay a dollar more than he formerly did; but this time it is the tariff-protected manufacturer who gets the extra dollar. Either way, the consumer is robbed of one dollar.

The manufacturer puts up a loud though not too reasonable argument in favor of tariffs, which is believed by an amazing number of people. He says that the tariffs protect the workers' jobs and increase their wages. The facts are otherwise. Tariffs are known to be one of the major causes of unemployment. Moreover, wages in tariff-protected industries are at least as low as, but usually lower than, wages in unprotected industries. If we remember that tariffs must, by their very nature, increase the cost of goods, it follows logically that they must reduce the buying power—the wages—of all who buy the tariff-protected goods. And the higher we build the tariff walls the lower our national buying power—wages—must fall. That's so obvious it's hardly worth the space we've devoted to discussing it.

The subsidies paid to farmers and to other producers are other special privileges that are typically unjust. For the pur-

pose of subsidies (as our politicians admit without shame) is to keep prices up above their natural level—to increase deliberately the cost of living—during periods when most consumers are complaining that the cost of living is already too high! Here, again, the only effect subsidies can have on our standard of living is to lower it, since to increase prices by subsidy is to lower the buying power of our earnings. But what is worse, any subsidies the government pays must be taxed away from the citizens in one way or another, because the government has no money of its own. As we know, increasing taxes also reduces the buying power of the consumer's wages. One might almost think the government hated its citizens, judging by the many and elaborate plans congressmen work out to rob citizens of the wealth they, the citizens, produce.

Clearly, to tax one group of people to pay subsidies to another is horribly unfair. Not so clear, however, is the fact that subsidies aren't intended to benefit the working farmer, as he has learned to believe, but are designed to help a smaller, though far more articulate, group of our citizens. Who, and how, becomes quite apparent if we try to imagine what would happen if the government stopped handing out subsidies to the farmers. If the reader recalls the earlier chapters of this book, he will clearly see that with subsidies removed, only farmland that would produce a thousand-dollar crop at a cost of a thousand dollars in labor and capital could be used. And that, of course, would mean that any farmland less productive would have to be abandoned. Since it is necessary for our government to pay out subsidies to so many of our farmers, it is evident that many farms now in use would be among those abandoned if subsidies were discontinued. In other words, all of the submarginal land now in use would become an unwanted drug on the market. That, of course, would be a great hardship on submarginal farmers, since they would lose their farms. But a far greater hardship would be suffered by the banks, insurance companies, and other mortgage holders. For they would find themselves suddenly loaded with thousands of farms that could not be worked profitably and

could not, therefore, be sold or rented. To make matters worse, after the moneylenders foreclosed and owned all these properties—properties bringing no income—they would have to pay the taxes their tenants formerly paid for them. Being human, they hate the idea of paying out taxes for land that brings in no rent or other income.

Before subsidies were introduced, the moneylenders very often lost their shirts when prices fell. But today, by having the government keep prices up with subsidies sneaked out of the tax-



payers' pockets, the mortgage holders—the actual landowners—can't lose. That is why the little farmers throughout the country will confess that the subsidies they do receive from the government rest in their hands only a short time before they must pay them over to the real owner of their land in the form of higher rent, or in a higher cost of living, and in higher usury rates. Some of what they have left, Uncle Sam taxes back from them.

But there is one other way that farm subsidies benefit the big landowners, and that is by creating higher economic rents on better-than-marginal land. For it will be recalled that superior land produced a rent in the form of bigger crops with the same

investment of labor and capital. One needn't be too bright to see that when government boosts the price of wheat high enough to give the man on the poorest land a bare living, the higher price per bushel gives the owner of better lands an even greater rent. Since the best land is in the possession of the big landowners—not the working farmers—we may be sure they favor subsidies, too. And why shouldn't they? It means so much more wealth, in rents, transferred by our government to their pockets from those of the nation's taxpayers.

That these special privileges—tariff protection and subsidies—are as dishonest as any other form of robbery, can't be disputed. Yet they aren't quite so harmful to society as the special privilege to own land. For the horror and misery that arise as a result of landownership are, unless examined, beyond belief. Volumes have been written on the subject, and many more should be written. But for our purpose here, the following few pages will have to do.

79

LANDOWNERSHIP AND SLAVERY

Look -within. Let not the peculiar quality of anything, nor its value, escape thee.—Marcus Aurelius

THE CORD that binds landownership to slavery isn't easily seen until we search for it. But once it *is* seen, it assumes the proportions of an anchor chain and leaves us wondering why we never noticed it before. For, as we shall try to demonstrate, those who must occupy another man's land must be enslaved by him. That goes for every man who hires out his labor for wages and very often it goes for the man who hires him! This statement, offered as it is without evidence at this time, may seem somewhat too strong to the reader. But as we go

on, examining our history, reams of evidence will appear to support the charge. All the Poleco-ist asks is that the reader weigh! the evidence and then judge for himself whether freedom *is* possible where land is privately *or even publicly* owned. It goes without saying that if we are to recognize slavery when we see it^ and if we are to see the cord that binds it to landownership, we must first understand the nature of slavery.

For not all slaves were Negroes, although many of us as Americans have learned to believe otherwise. Only a very small percentage were. Men of all colors and races at one time or another have been enslaved. Almost every civilization of which we have a record has recognized the idea of one man having the legal right to own another. The Egyptians, as recorded in the Old Testament, had multitudes of slaves of many nationalities, as did the Babylonians, the Hebrews, and others of the same period. In the Roman empire at the time of its fall, there were twice as many slaves as free men; according to ancient Greek philosophers, slavery was not only legal in Greece but was considered necessary to allow the slaveholders the leisure time they required to advance the Greek culture to the heights to which it eventually soared. Less than fifty years ago chattel slavery was still legal in Greece and in Turkey, too. For that matter, even today there are many countries in Asia and in Africa where one man may own another. It seems only sensible, then, if we are to understand the nature of the crime, that we should think of slavery generally and not of the slavery of the *Uncle Tom's Cabin* variety in particular.

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HOW SLAVES ARE MADE

The law may make a slave, but it is beyond the power of the law to make a freeman.—Patrick Edward Dove, The Theory of Human Progression

PERHAPS the finest demonstration of slave making and the influence of landownership on slavery is found in the familiar Bible story of Joseph and his Brethren. It will be recalled that Joseph was given a "coat of many colors," by his father, which caused Joe's brothers such envy that, with murder in their hearts, they lured little Joe to a desolate spot. But, luckily for Joe, they thought better of their plan and sold him instead to some Egypt-bound Ishmaelite "for twenty pieces of silver." The Ishmaelites, on reaching Egypt, sold Joe, at a profit of course, to Potiphar, captain of the Pharaoh's guards. Little Joe was a slave.

But he must have been a bright lad. For, within a few years, he became Egypt's most powerful citizen, outranked only by the Pharaoh himself. It seems that Joe knew a thing or two about political economy—Poleco—for it was he who taught Pharaoh the value of holding a monopoly. It all began while Joe, who happened to have been in jail at the time, was called on to explain a dream the Pharaoh had had. He interpreted it to his master as meaning that there'd be "seven years of great plenty throughout all the land of Egypt . . . and after them seven years of famine." Therefore, Joe went on to explain, the thing for the Pharaoh to do was to send his officers through the country to "take up the fifth part of the land" (undoubtedly the most productive land) and to store its produce away until hard times came along. The Pharaoh must have had a great deal of confi-

dence in Joe, for he gave him the job of going through the country to "gather up all the food of the seven years [of Plenty]" and then to load it into the royal warehouses. Joe did as he was told, and by the time the seven years of prosperity passed, Pharaoh had his monopoly—one of the very best types of monopoly—a monopoly in food. The Bible says it this way: "And when all the land of Egypt was famished, the people Cried to Pharaoh for bread . . . and all the countries came into Egypt to buy corn; because that the famine was so sore in all lands."

Joe was also in charge of selling the food he had had stored away in the huge royal granaries. We may be sure he charged plenty for the bread and farm products he sold. For, since he held a monopoly, those who hungered had either to pay the price he asked or starve. Consequently, it wasn't long before all the money—the gold and silver—throughout the lands was safely tucked away in the Pharaoh's royal treasury. The next time the people came to buy food, they of course had no money left with which to buy it. So they "brought their cattle unto Joseph," the Bible says, "and Joseph gave them bread in exchange for horses, and for the flocks, and for the cattle of the herds, and for the asses." And, a few months later, when they came again for food, they had neither money, goods, nor animals left to give in exchange. They had nothing but their land and their bodies. It was then that the people offered to sell themselves *willingly* into slavery. "Wherefore shall we die before thine eyes we and our land? *Buy us and our land for bread, and we and our land will be servants unto Pharaoh*" So says the Bible.

Joe of course agreed. He gave the people food and they became the "servants" of Pharaoh. He didn't chain the people he had bought to Pharaoh's land. He didn't have them beaten or whipped into producing wealth for Pharaoh. Joe simply "said unto the people, Behold, I have bought you this day and your land for Pharaoh: lo, here is seed for you, and ye shall sow the land." And of everything they produced they were to "give the fifth part [twenty percent] to Pharaoh." Since Pharaoh now

owned all of the land, he held a more powerful monopoly than the one he had held before. Now he owned not only all the food that existed but all the better land, the source of all future food, as well. His "servants" couldn't live without food. So, all the Pharaoh had to do to hold his "servants" captive was to rent them his land in return for twenty percent of all the wealth they produced. No chains! No whips! Just rent!

When next we come upon the children of Israel in the pages of the Old Testament, they are no longer called *servants of the Pharaoh* but *slaves in the land of Egypt*. It is important, here, to remark that the enslaved Jews had not been rounded up and captured by the Pharaoh's soldiers but had come of their own free choice to offer themselves, their labor, and their talents *willingly* to the Pharaoh in exchange for his permission to use his more productive land in order to make a living for themselves and to provide him with a luxurious income.

After being slaves in the land of Egypt for about two hundred years, the children of Israel were led by Moses to freedom—to land they might use without payment of rent to anyone. When, after forty years of wandering, they reached the Promised Land, they divided all of it among all of the tribes. Because no two pieces of land are equally productive, some of the Israelites happened to get somewhat better land than the others received—land upon which the same amount and quality of labor and capital would produce more. Be that as it may, Moses laid down certain laws for the people—the Mosaic laws—in which he warned the Hebrews, "thou shalt not remove thy neighbor's landmark which they of old time set in thine inheritance,"

The Hebrews were further cautioned, "Woe unto them who join house to house, that lay field to field, till there be no place, that they may be placed alone in the midst of the earth." Moses was apparently trying to impress on the newly freed slaves that if they should sell their land—"lay field to field"—they would soon find themselves enslaved paupers again. The people promised, "All that the Lord hast spoken we will do." But as soon as the lean years came around again, as they always do, the people

ignored the advice they had received from Moses and went about enslaving themselves all over again.

Those tribes that had been given the least productive areas were caught short when the lean years came around. Their land wasn't productive enough to bring them a living plus the taxes and other tribute they were compelled to pay to their high priests. Consequently, before very long, heads of families had to sell what household goods they had to more fortunate neighbors in order to get food. Later they had to sell their animals and then



their land and finally, having nothing else, they sold themselves. Then, as now, slavery was more attractive than starvation. The landless Hebrews found it better to sell their sons into a master's services and their daughters as handmaidens and concubines than to die of starvation. They were humans acting according to their human nature. The Promised Land to which Moses had led them still flowed "with milk and honey," but it now belonged to a few rich families who were luxuriously served and supported by their bondsmen, fellow Jews who had sold their land, permitted their landmarks to be removed, and allowed their

fields to be joined to those of more fortunate neighbors—Jews who made the mistake of allowing land, the product of God, to be owned by man. "I am the Lord, your God. . . . The land shall not be sold forever; for the land is mine . . ." (Lev. 25:23). True, the disinherited ones didn't call themselves slaves, but *bondsmen*. Like slaves, however, they did call their owners *masters*. If they themselves accepted their freedom when it was offered to them, as often happened, they couldn't take their children with them. In other words, whether the bondsmen called themselves slaves or not, their children were born into slavery, and slaves they remained forever! Here again let's pause to remark that the Hebrews sold themselves willingly to other Hebrews, that they weren't chained down; that they weren't captured in battle, and that they weren't dragged unhappily from their homes. They offered themselves, their children, their labor, and all that their labor might produce to fellow countrymen, in exchange for enough food, clothing, and shelter to keep themselves alive. In practice, their condition was no different from nor better than what it had been in the days when Joseph's monopoly had made their ancestors the slaves of the Egyptian Pharaohs. An almost identical pattern might have been seen developing in Asia around 75 B.C. The following, taken from Plutarch's *Lucullus*, demonstrates again that under certain conditions man necessarily and naturally enslaves himself:

Lucullus . . . having no war to divert his time, spent it in the administration of law and justice, the want of which had for a long time left the province a prey to unspeakable and incredible miseries; so plundered and enslaved by tax-farmers and usurers, that private people were compelled to sell their sons in the flower of their youth, and their daughters in their virginity. . . . In the end, their lot was to yield themselves up [as] slaves to their creditors . . . inasmuch as slavery was no less than a redemption and a joy to them.

From what has gone before, it would seem that it isn't people who enslave other people but that it is poverty that leaves man no choice but to offer himself and his children to a master;

that it is being cut off from productive land that makes man so poor that the security offered by slavery appears to him more attractive than freedom.

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HOW FREE LAND FREES SLAVES

Again, it is noble not to practice any sordid craft, since it is the mark of a free man not to live at another's beck and call.

—Aristotle, *Rhetorica*

IF IT IS TRUE that slavery results when man can't get at the land without selling himself for the privilege, it should follow logically that there can be no slavery where he can get at free land. Fortunately, our histories do report periods when free land was available and—of course—periods when it was not. If we examine conditions during those periods, and find that voluntary slavery always exists when all land is owned, and that it can't exist when some land is free, we shall have proved, beyond doubt, that free land means free men.

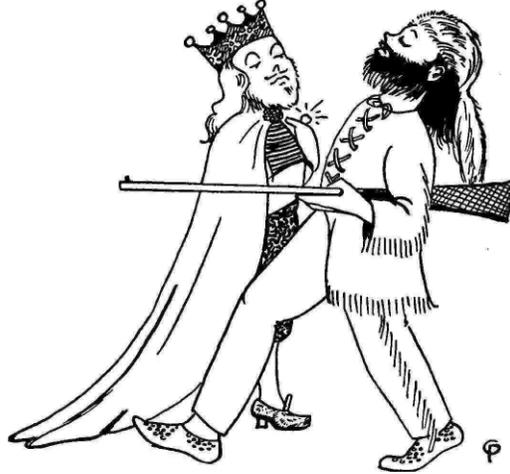
Up until the time the Americas were being settled, most of the people in Europe were *serfs* who, without question, served their landowning masters—the nobility—as any good slave might be expected to serve. Like slaves, the serfs produced every bit of food, clothing, shelter, and other forms of wealth that existed throughout the realm. Like slaves, they were permitted to keep only as much of the wealth they produced as was necessary to keep themselves alive and fit to do another day's work. Because the nobleman owned the land upon which his serfs worked, he had the power and the legal right to own them as well as everything their labor and talent produced. It is axiomatic that who-

ever owns the land owns every improvement, animal, and human being on it.

The serfs never thought of escaping to freedom. It is doubtful whether they even suspected that they weren't free. But even if they did, there was no place to which they might have run—at least no place where they might expect to be as safe or where they might expect to be as well fed, clothed, and sheltered as they were in their master's huts. All of the land in Europe was owned by someone and, therefore, to escape from one master was merely to become the property of the particular landowner on whose land the slave happened to find himself when he finally stopped running.

But in America things were different. Many of the millions of paupers and prisoners with which the British Isles, as usual, were loaded, had been shipped to America, where there was a shortage of labor. In exchange for their passage and a master's food, clothing, and shelter, the paupers and prisoners agreed to sell themselves as *indentured servants* to an American master for a set length of time—anywhere from three to ten years—after which they were to be set free. The trouble with this arrangement was that almost the very moment the indentured servant landed on American soil, he began to thirst for freedom—something he had never thought about before. And so, at the first opportunity, he ran off to the frontier and became free. He was able to run off, as the European serf wasn't, only because almost the entire continent was a wilderness of wonderfully rich land that belonged to nobody. The soil was excellent. The forests were loaded with fur-bearing and edible animals and with berries and nuts and timber with which strong, weathertight houses and barns might be built—timber from which barrel staves could be made. (There was a big demand for barrel staves in those days, and our escaped slave often became prosperous selling them to ship captains.) The rivers teemed with fish. And all this was free. All of this land he could turn into wealth by simply adding his labor and capital to it. All of it became wages for the former slave.

Consequently, so long as there was free land to run off to, slaves in America could be held *only by force*. Unlike the children of Israel, the early settlers didn't offer themselves willingly to a master in exchange for a few loaves of bread, a few pieces of clothing, and a roof. They didn't have to because, unlike the land



of Egypt, land was free in America, and to it a slave might go to gain his freedom and self respect, and there, incidentally, he might gather wealth. As Beard wrote of this period:

Nearly everywhere independent pioneers and indentured servants made trouble by running off to the frontier, building homes of their own in the wilderness fringes of the colonies, and demanding . . . equal rights in colonial government.

Because so many enslaved whites ran away, the shipping of paupers and prisoners to America failed to provide the labor so desperately needed here at the time. It simply added to the number of rebellious American landowners—escaped slaves who dared believe that no man—not even the king—had the right to tell them what to do. Americans began to realize that every

man is born with certain natural rights: the right to own himself, his labor, and all the wealth his labor produces.

These radical ideas, literally born of free land, eventually spread to Europe; and people there, too, began to doubt that kings and idle aristocrats had any right to the taxes and rents they had been taking from the people. They began to see that the tithes being collected by the church were being pocketed by the church,* were making idle aristocrats of the clergy, and were not being used for "God's work." The Bishop of Strasbourg had an annual income of approximately half a million francs. Cardinal de Rohan collected 2,500,000 livres per year, for which he discharged few spiritual duties, while some small country curates, on the other hand, earned no more than 750 livres a year. For the first time the little people of Europe were becoming aware that they had rights as individuals . . . that they were the property neither of the state nor of landowners. Celebrated scholars took up the fight for freedom: Godwin, More, Locke, Rousseau, Voltaire, Quesnay, Adam Smith, James and John Stuart Mill, Dove, Hume, and others. Our American Revolution and that of France were natural results of the realization that the only difference between a free gentleman and a groveling slave is, as Dove expressed it, as follows:

A serf is a man who, *by the arrangements of mankind* [by man-made laws], is deprived of the object [land] on which he might expend his labor or of the natural profit that results from his labor; and consequently he is under the necessity of supporting himself and his family by his labor alone. And a lord or an aristocrat is a man who, by the arrangements of mankind, is made to possess the object [land]; and who consequently can support himself and his family without labor, on the profits created by the labor of others.

* The church paid approximately one percent to the King for the tithe-collecting privileges.

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SLAVERY IN AMERICA

My paramount object in this struggle is to save the Union, and is not either to save or destroy slavery, . . .

—Abraham Lincoln, letter to Horace Greeley, August 22, 1862

WE BEGIN TO SEE a conspicuous connection between free land and freedom. It would seem that wherever there was still free productive land to which man might go to work for himself, he didn't willingly offer himself as a slave; but wherever the only free land open to him was too poor to give him a living, he invariably ended up by giving himself to a master in return for a bare existence. The slaveowner, we also observe, was always a landowner. There seems to be no exception to this rule anywhere in history. One other thing about slaves seems to be generally true: for the most part they were not held in chains, nor even against their will. The exception is the Negro slaves who were captured and brought to this country to serve the plantation owners of the South. The question that arises and must be answered if our investigation is to be complete is: why was it necessary to hold Negro slaves against their will if, as we have seen, slaves usually gave up their freedom—gladly—to a rich master?

Because Americans in those days were able to work for themselves as their own bosses whenever they chose to take up a piece of free land for themselves, hired labor was always scarce. White laborers didn't have to compete with each other for jobs, because there were always more jobs than there were men willing to hire themselves out. Consequently, a laborer couldn't be hired for less than he could earn for himself on marginal land. His

employer, therefore, couldn't make a profit on the labor he hired and, since he couldn't possibly work his plantation alone, he was left with no choice but to use only as much land as he and his family could cultivate—or to manage somehow to buy labor on which he could make a profit. Being a human seeking to satisfy his unlimited desires as easily and inexpensively as possible, he chose to buy some of the kidnapped Negroes that were being offered for sale by the slave traders whose ships were anchored in American harbors.

But let's make sure we don't misunderstand. It wasn't just human beings that the colonists wanted. If it were, the slave traders, most of whom were loyal Englishmen, could have saved themselves the long trip to Africa. They could have filled their ships right at home with the millions of white paupers with which England was overrun. Nor was it cheap labor the slave traders bought for a few trinkets from African chieftains. For if cheap labor were to be "had in Africa, we may be sure that British manufacturers, landowners, and mine owners would have bought some to work their machines and land. We know they didn't buy Africans, although the law permitted them to, because they had millions of hungry men, women, and children who gladly hired themselves out for far less than it would have cost to feed, clothe, and shelter an African slave. It is interesting to note, in passing, that American lecturers visiting England before the Civil War, intending to horrify the people with reports of the terrible life the Negro slave suffered in the colonies, had a difficult time. For the "free" Englishmen saw nothing horrible in the slave's condition. So far as they could see, the American slave enjoyed a higher standard of living than they.

No, it wasn't cheap labor, but any labor that could be hired *profitably* in America without fear that the laborer might run off to be his own boss. To get such labor, it was necessary for the plantation owner to buy human bodies he didn't want—just as the housewife today must buy a pound of unwanted feathers, bones, intestines, feet, and head in order to get a pound of chicken meat. The colonist just couldn't buy profitable labor

that wasn't wrapped up in a human body. He chose a black human body that could be easily identified as a slave if it should try to run off to the frontier for freedom.

There was another way an American farmer could get the labor he needed so badly. For example, he could use the labor of his children and wife; but even they, in effect, became his partners rather than his employees. This fact, too, gave rise to an interesting condition. A widow who had been left with six children in those days could find a husband much more easily than could a widow with only two children, or a maiden with none, because each extra child meant additional labor which the stepfather could use immediately to work his land. Today, to the young man thinking of marriage, a widow with children merely represents so many extra mouths to feed. In fact, even a wife who bears a child or two today is often looked on as being inconsiderate by her husband, who realizes that every extra child means a lower standard of living for the whole family.

But to get back to the labor-seeking plantation owner: he couldn't hope to work his lands with his children alone. Plantations are very much larger than farms and require many times more labor than any normal man and wife could possibly dream of bringing into the world. It was still a matter of either buying human bodies in order to get the labor locked up in them, or of giving up the idea of being a plantation owner. Being human, the plantation owner bought slaves.

It shouldn't be assumed that the slaveowner liked the idea of having to buy human bodies in order to get labor. To see that he didn't like it at all becomes quite easy if we bother to read the many letters written by plantation owners of those early days. Like most humans, they wanted material wealth, riches, leisure, comfort, position; and if they could gain those things only by enslaving other men, they very humanly became parties to the crime of holding another man, against his will, in bondage. In the North, businessmen and farmers working small areas could grow wealthy without the aid of slaves and, accordingly, used the Negro mostly for nonproductive domestic service.

Most people today will agree that every man is born with the absolute right to own himself, all his energies, and all that those energies produce. It can't be denied, then, except by socialists, communists, and other dictators, that it is indeed a violation of a man's rights for another man or a government to own him. On the other hand, few of us seem to see anything wrong in one man buying and owning the labor of another. We see it done every day. We buy other men's labor by the hour, day, week, year—as much or as little as we choose: and we own as much of the labor as we pay for and all the wealth it produces. It may not be immediately apparent to the reader, but there is something contradictory here. For what difference can it make if we buy a man's labor alone, or if we buy it wrapped up in a human body? If we put emotion aside and approach the question with cold reason, we must concede that there isn't any real difference. For the slave's body is useless.

When we buy a slave we don't buy him for the same reason we buy a horse or cow. A slave's body, unlike the cow's, can't be milked, nor can it be sold as meat and hide after it's slaughtered. The slave's body as such has no economic value. Only the slave's energy—his labor—and not his body makes him valuable to his master. And the slave's labor is valuable only because of the wealth or services it produces for the owner. True, the slave, like the horse, can be used to "tote that barge and lift that bale"; but he can also be used to plant the cotton, pick it, put it through the gin, and tie it up in bales before he "totes" it. Unlike lower animals, he can cook, serve at table, keep books, and do everything a free white man can do. Obviously, then, the slaveowner bought humans only for the *intelligent* labor wrapped up in their bodies, and not for the bodies themselves. If he could have bought labor on which he could make a profit without buying bodies, we may be sure he would have preferred to do so.

Even fifty years before the Civil War, in some parts of the South, Virginia especially, supporting a slave was often more expensive than hiring free white labor. Consequently, many slaveowners of Jefferson's day tried to get rid of the human beings

they owned. Some, having little feeling, sold their slaves down the river to New Orleans, where working conditions were so bad, few unemployed whites could be induced to work down there. Other plantation owners set their slaves free to shift for them selves. But since the freed slaves had to compete with unemployed whites for jobs, they rarely were able to support them selves. Other slaveowners went into debt rather than turn their slaves out into a world in which the cards were so completely stacked against them. By the time Lincoln signed the Emancipation Proclamation, the plantation owners in the South weren't so unwilling to give the slaves freedom as we might gather from our Lincoln's Birthday orators. They were able to replace their slaves with free white labor at a much lower cost; and if the government would have consented to buy their slaves and then set them free, as they asked, we might have saved the ten billion dollars that the Civil War cost us, and Lincoln wouldn't have had to sign the Emancipation Proclamation.*

During the period that slaves were being brought here against their will, boatloads of white foreigners, attracted by stories of free land and fabulously high wages in America, poured into this country as fast as they were able to borrow, beg, or steal enough money to pay their passage. The Beards, in their *Basic History of the United States*, tell it this way:

In some of the English towns at the opening of the seventeenth century as high as one-third of all the inhabitants were paupers dependent for a living on the charity of their neighbors. . . . *Since most of the land was monopolized by great landlords*, it was difficult for anyone to buy a farm; and the oversupply of labor in the cities made competition for jobs an agonizing struggle. When the cry that cheap land, even free land, was offered to immigrants in America rang through the streets of English towns and cities, and through the byways of the English countryside, it awakened in the imagination of multitudes of nameless men and women a dream of

* The cost of the Civil War was more than ten billion dollars. Freedom for the four million slaves before the war could have been bought for less than a third of that amount.

liberty, security, and advancement such as never before had come to toiling masses in the Old World. Even the homeless and property-less were stirred by news from some of the colonies that, if they would bind themselves to service for a term of five years, they would receive at the end of their indenture at least fifty acres of land for their own.



As more and more Europeans poured into America, more and more land was fenced in—some to be worked and some to be held in speculation. And of course, after the best land was taken, the next best was put into use and then the next best and so on, until finally only land that couldn't possibly produce a living was left—and even that had to be paid for. Soon after we won our independence from England, the "magic margin" had been pushed out so far, the wages a free man could earn on the least productive land in use was less than the cost of keeping a slave. And since wages on all land, the best as well as the worst, is no more than can be earned at the margin, it became cheaper to hire a free man for wages than to own and support a Negro slave. Shortly before the Civil War, it was common for one master to rent out his slaves to another for \$150 a year, with the understanding that the new master would feed, clothe, and shelter the hired slave. After the war, the most a free Negro

could get for his labor on the open market was \$120 a year, out of which he had to provide his own food, clothing, and shelter—indisputable evidence that the cost of labor without a body—white or black—had fallen far below the cost of owning and supporting a human being. We might say that land speculation, by driving wages down to a level below the cost of keeping a slave, was the actual liberator of the chattel slave—and the creator of the economic slave.

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THE CORD THAT BINDS SLAVERY TO PRIVATE OWNERSHIP OF LAND

*Let the political arrangements be what they may, let there be universal or any other suffrage, so long as the aristocracy have all the land, and derive the rent of it, the laborer is only a serf, and a serf he will remain until he has uprooted the rights of private landed property. The land is for the nation, and not for the aristocracy.—Patrick Edward Dove, *The Theory of Human Progression**

So FAR we have tried to show that wherever we found land privately owned we found voluntary slavery—men selling their labor and the fruits of it for a bare subsistence; and wherever we found productive land not completely owned, only chattel slavery was seen to exist. Now we shall show that the landowner's legal right to collect rent from those who must use or occupy his land is the cord that binds slavery to private ownership of land.

In olden days, under the feudal system, the land of all nations was owned by kings, churchmen, dukes, barons, and lesser noblemen. The serfs—every man, woman, and child—literally belonged to the landowning nobleman. Being the owner of the land, the landlord had as much right to do as he pleased with any person on his property as he had with the cows, sheep, and dogs he owned. In return for giving his serfs the privilege of occupying and working a small section of our planet Earth, he demanded and got any services he wanted from them. For about three days out of every seven, he'd have them farm his land, care for his sheep, build and decorate his castle, cook his dinners, serve his noble guests, and keep his roads in good condition. In return, the landowner gave his serfs his protection, and allowed them to use the rest of their time to work for themselves on a piece of land their master generously permitted them to use.

Sometimes a serf would find that his little patch of land, if worked six days instead of three, might produce more food or other wealth than he needed to keep himself and his family alive. At such times he would respectfully approach his lord—head humbly bowed, to beg to be excused from doing his master's work around the castle. The lord, we may be sure, wasn't going to allow his serf to go into business for himself. Like the human being he was, the lord didn't like the idea of losing the free labor he had been getting. And yet, quite often, he would agree to excuse his serf from castle service, but with certain conditions attached. His serf could have his permission to devote all of his time to working his own little patch of land if he would agree to pay his master a *quitrent*—a certain part of everything he, the serf, produced working as his own boss.

There was no sensible reason why the serf should have agreed to give up any of the wealth he produced with his own labor and capital, since it was rightfully his; but sensible or not, there were two very good reasons for his agreeing. First, there was nothing to prevent the lord's having this upstart serf slaughtered or tortured by other serfs who served their lord as strong-arm men and policemen; Second, the serf had been carefully trained since

early childhood, by the church of the area, to believe that it was God's will that the lord of the manor should rule over him; that he could expect to remain in God's good graces only by obeying the laws made by his master, no matter how silly or unjust they might seem. And so, to avoid being slapped around and to assure himself a place in heaven, the serf who wanted to be free to work for himself had to agree to pay his master a quitrent every year; and the amount, by the strangest coincidence, was usually equal to everything the serf produced over the amount he needed to keep himself and family alive.



With the passing of years, the word *quitrent* was shortened to *rent*. And the rent we pay today for the right to work or live on a piece of land—in a city or out of town—is exactly the same as the quitrent our serf ancestors paid to their masters. But the method of payment is slightly different today. Instead of paying the landowner in goods and service, we sell the wealth we produce, or our labor, for a certain sum out of which we pay our quitrent. And instead of paying all of the quitrent to one person for protection plus the privilege of using part of the Earth, we pay the landowner for the use of the land and the government (in taxes) for protection. But the result is the same: the small businessman and the hired laborer are left with a bare living. With the taxes it collects, government provides certain public

services and civic improvements, and maintains a police force to guard the citizens' legal—*not natural*—rights. Since all of these improvements provided by government tend to increase the value of the land—to increase rents—and since they are paid for in taxes taken out of the earnings of those who occupy land, the landowner of today, in effect, gets all of the benefits of the rent and taxes paid!—just as he did in feudal days.

Before the colonists who first settled this country came here, they had been carefully taught from early childhood that it was proper for one man to pay another for the use of the Earth, which neither had produced. And yet, after reaching America, they objected to paying rent and taxes. However, the habit of paying was so strong, many of them did surrender a small quitrent to the Crown each year. In Pennsylvania they paid about twenty cents a year for the use of a hundred acres; in Carolina they paid a halfpenny for each acre; in Maryland, ten pounds of wheat for every fifty acres. But even at such ridiculously low quitrents, by the time the Revolution broke out, the British crown was collecting around 120 thousand dollars a year—a lot of money in those days. After we won our independence, we stopped paying rent to the British Crown; instead, those who arrived here too late to grab land for themselves paid quitrents to fellow Americans who got here earlier, when the land-grabbing was good. And today, more than eighty-five Americans out of every hundred must pay those who actually own all of the land in the United States the same sort of quitrent—or *rent** as we call it today—for the privilege of working and living on land nobody rightfully owns.

* The rent, or quitrent, of which we are speaking must not be confused with the money we pay for the use of an apartment, a house, or a store. We are speaking only of the payment for the use of the land upon which those improvements rest. It may come as a surprise to many tenants to learn that the owner of the apartment house and store for which they pay "rent" rarely owns the land upon which he has invested his capital. The men we commonly call landlords are, more correctly, improvement owners, and are themselves, more often than not, tenants of the real landowner. Sometimes these improvement owners pay quitrent to an individual, sometimes to a bank or insurance company, and sometimes to a church, college, or other worthy institution; but always, they must pay.

The amount of the rent paid for the use of land varies so much, it is impossible to set down a general figure. But the approximate proportion of man's earnings that is usually paid out in rents has been figured out. It will be recalled that the ancient Hebrews paid twenty percent to the Pharaoh. According to political economists of the eighteenth and nineteenth centuries, English men of that period paid as much as one-third of everything they produced; in France, just across the Channel, the free citizen paid half of his production; and today, tenant farmers in America are accustomed to paying half of everything they produce to the landowner. When housing wasn't quite so scarce as it is today, most city dwellers believed that one-quarter of their earnings—a week's wages for a month's rent including the use of an apartment—was fair; but today, in spite of laws that are supposed to be controlling rents, half of the free American's earnings, and more, must be paid for a place in which one might live almost decently. If the reader has been following the Poleco-ist's arguments carefully, it must be apparent to him that the word *rent* we use in everyday conversation is not the same rent of which Ricardo spoke. The former is really a *quitrent*, a tribute paid by one man to another for the right to use land neither has a natural right to own; a something we learned to pay as serfs serving an ancient landowner. Ricardo's rent, on the other hand, can't be paid by one man to another but is collected as a free gift from nature by the user of superior land.

Another thing: the right to take the product of another man's labor without being obligated to give him goods or services of *equal value* in return is, it would seem, the very essence of slavery. For the slaveowner, it will be recalled, owned slaves only so that he might take part of another human's production without giving him anything *of equal value* in return. Similarly, the landowner of today owns land only because owning it gives him the legal right to take part of the farmers' and merchants' production without giving *them* anything *of equal value* in return. Landownership, then, gives the power to enslave, while *quitrent*

and taxes provide the whip with which the "free" citizen is kept loyal, productive, and obedient.

84

FREEDOM IMPOSSIBLE WHERE LAND IS PRIVATELY OWNED

Man is born free; and everywhere he is in chains. One thinks himself the master of others, and still remains a greater slave than they. —Rousseau, The Social Contract

WHETHER a man is black or white or is called slave or freeman, he isn't any more or any less a slave. Giving a man the right to vote, to work where he pleases, or to work or not as he chooses doesn't necessarily give him freedom. So long as a man can't own every bit of what his labor and capital produces, he isn't free, regardless of his color or position.

Nor does the fact that an employer hires the labor of others make him more free than they. For with each additional tax on the earnings of his labor or capital, he is being denied his natural right to own all that his labor and capital produces. And with each increase in monopoly rent which the employer and employee are compelled to pay out of their production, they are that much closer to being serfs no different from those who served their feudal lords a few hundred years ago. In Russia, where everything above a bare living is taken from the citizens by the government (which under communism is both landowner and tax collector), the "free" comrades are completely enslaved and live on a lower scale than most of our Negro slaves did before

the Civil War. In the United States, where men still enjoy the greatest freedom found anywhere, we might say that our citizens are only three-quarters enslaved, since only three-quarters of the wealth they and their capital produce is taken from them in rent and taxes.

Nor should we suppose that we give up our rent and taxes today any more willingly than the slave gave up the production of his labor to his master. If we refuse to pay a landowner for the tiny part of the earth's surface we absolutely need to remain alive, the sheriff (who is paid out of our taxes) is duty-bound to throw us off that particular patch of land. Moreover, if we refuse to surrender to the tax collector part of the wealth our labor and capital produced, we may expect the police department and judge (whose salaries we pay) to toss us into a jail (a building for which we also pay). Today, we, the freest humans on earth, must either pay tribute to our masters in taxes and rent or be punished. If the Negro slave, or the feudal serf, or the Hebrew bondsman didn't mind being punished, he was just as free to refuse to pay tribute as we are. But, like us, they were human; and like us, they preferred paying tribute to being slapped around.

True, we Americans serve no master to whom we must bow and scrape. That is, we call no man "Milord," "Your Highness," or "Fuhrer." Nevertheless, we do support masters with the produce of our labor and capital; and we do obey, and we do overlook their many injustices. So far as slavery is concerned, it doesn't matter at all whether the rent-collecting landowner is an individual, an institution, or a government. The fact remains, in any case, those who must occupy land must pay tribute in wealth and homage to whoever owns or controls it. In some respects, as Pollock & Maitland* wrote, it is much worse for the tenant when the landowner is an institution:

. . . there is plenty of evidence that of all the landlords the religious houses were the most severe—not the most oppressive but the most

* Maitland, Frederic William, and Sir Frederick Pollock, *History of English Law*, and ed., Vol. I, pp. 378, 379.

tenacious of their rights; they were bent on the maintenance of pure villein tenure and personal villeinage. The immortal but soulless corporation with her wealth of accurate records would yield no inch, would enfranchise no serf, would enfranchise no tenant. In practice the secular lord (individual owner) was more humane because he was more human, because he was careless, because he wanted ready money, because he would die.

To whoever owns the land, the tenant must expect to surrender all of his earnings above what he needs to keep alive. Everything above simple food, clothing, and shelter cannot help but fall into the hands of the individual, government, or institution that owns the land. Under such conditions, how many of our free citizens, employer and employee alike, can intelligently call themselves *free*, just because they are less enslaved than citizens of other "free" nations?

85

FREE LAND**FREE LAND**

In the West there developed a democratic society different from that of the Eastern communities. The frontiersmen were substantially equal in wealth, and equal opportunity was open to all. Land was inexpensive, easy to obtain, and quickly brought under cultivation. Thus, even the poorest immigrant, who had the necessary energy, within a short time could become independent.—Webster's New International Dictionary (National Histories section)

IN MOST PARTS of the world, the idea of free land has been long forgotten. For countless centuries, land in Europe and in Asia has been owned by someone: either by noblemen, churchmen, or war lords. Little wonder, then, that the European and the Asiatic can't even imagine land that is free. Little wonder that they can't understand fully how important free land is to them and to their welfare. They can't suspect, any more than most of us can, that their constant warring, everlasting poverty, and never-waning hatreds toward each other are closely tied up with the fact that there is no free land in their countries; that wars, hatreds, and poverty must continue despite the laws they write, until free land does become available to them.

We in America are more fortunate. And so are the Australians and the New Zealanders, for they, like us, are citizens of new countries. Consequently, they can still remember when some very good land was still free, and how much higher wages and

interest were in their countries then than they were during the same period in Great Britain, their much wealthier mother country. Moreover, they saw their wages and interest fall as their countries became settled and the supply of free land diminished. Our own history books are full of references to our remarkably high standard of living, the complete absence of involuntary unemployment, and the rapid advances of our science, literature, arts, and invention, during the time when free land was still available in the United States. For example:

I think our government will remain virtuous for many centuries; as long as they are chiefly agricultural; *and this will be as long as there shall be vacant lands in any part of America*. When they get piled upon one another in large cities, as in Europe, they will become corrupt as in Europe.—Jefferson, *Letters*

From the point of view of labor and its prospects, therefore, a striking feature of the Industrial Revolution was the immense increase in the proportion of workers dependent wholly upon wages for their subsistence and upon the fluctuations in the market for employment. *In former days, on account of the abundance of land* open for settlement on easy terms, industrious farm workers including indentured servants had good prospects of acquiring farms of their own. Labor was arduous on the land but families that tilled it could usually count on having some food, clothing, and shelter in the worst of times.—Beard, *Basic History of the United States*

... in new American settlements, where a passion for owning land prevents the existence of a class of laborers for hire in the Northern States of the American Union, it may be doubted whether so many as a tenth of the people would fall under the description of hired laborers. ... In England . . . the laboring class compose the bulk of the people. . . . Where land is very cheap and all men are free, where one who so pleases can easily obtain a piece of land for himself, not only is labour very dear, as respects the labourer's share of the produce, but the difficulty is to obtain combined labour at any price. It does not seem difficult to find out the reasons why people multiply faster here than in Europe. As soon as a person is old enough he may marry without fear of poverty. *There is such an*

amount of good ground yet uncultivated. . . . —Peter Kalm, *Travels in North America* (1750)

The reader might object to our trying to prove the importance of free land by pointing to a period long past when free land referred only to free farmland. Today, he will argue, we are not an agricultural people. The millions of us who are city bred wouldn't know what to do with free farmland or timberland even if we had it. In answer to these quite valid arguments, the Poleco-ist holds that city land—just a plain ordinary empty lot—is even more productive than the richest farmland!—that a city-bred man could earn as much on a city lot thrown open to him without charge as his country cousin could on agricultural or pasture land or timberland.

Many businesses, even today, are flourishing on unimproved patches of Manhattan land. Operators of parking lots, for which they pay unbelievably high rents, do rather well on the unimproved pieces of land upon which nothing grows and from which nothing more marketable than a few discarded tin cans can be dug. In busy Manhattan, many fruit and vegetable merchants, gardening-supply merchants, and florists do an amazing amount of business on ordinary empty city lots on which a rude shack or no store at all has been built. On other patches of unused and unimproved Manhattan property, other merchants sell a wide variety of goods, hair restorers and beautifiers, Indian snake medicines, health-giving herbs, muscle-building gadgets, knife sharpeners, razor blades, kitchen utensils, fresh flowers, toys, balloons, giant pretzels, neckties, pocketbooks, hosiery, and used cars.

During the most recent of our periodic depressions, an enterprising young man who suddenly found himself out of work built a miniature golf course on an empty lot. He did so well that almost overnight the nation became dotted with these tiny golf courses, on which anyone who had a quarter to spend might amuse himself. By the end of the first year, miniature golf became a twenty-five-million-dollar industry. Some capital, to be

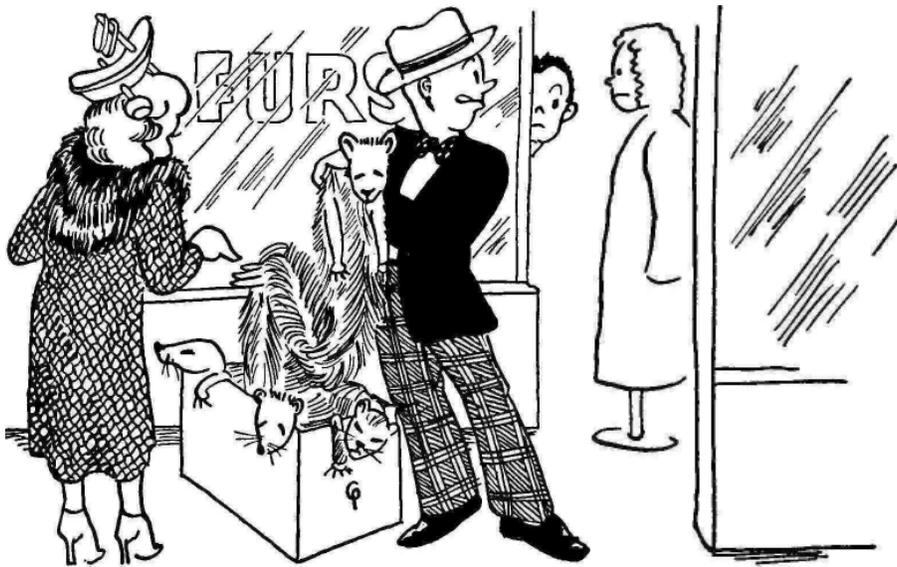
sure, was required to transform rubbish-filled empty lots into attractive miniature golf courses, but for the most part it was self-employed labor—physical and mental—that did the job. Most of the operators made rather good livings, and many survived throughout the ten years of depression. Unfortunately, the sudden demand for empty lots on which to build miniature golf courses soon tended to boost the rent so high on these garbage-garnished pieces of land that little was left for the laborer-capitalist after he had paid his "rent" to a landowner—a landowner who had done nothing more to earn the rent than to allow his tenant to clean it up and use it! During that same period, many empty lots were turned into beer gardens, some into drive-in lunch counters, others into tennis courts. Most of these enterprises, without any help or "charity" whatever from the government, enabled men who had been thrown out of work by the depression to earn rather high wages and interest.

The pushcart peddlers who lined the streets of the lower East Side of Manhattan some years ago (many still do) sold every conceivable type of merchandise out in the gutter, which is free land. Almost all of the uneducated and illiterate foreigners who operated them earned good wages and interest. Some of those men, by hiring help, operated several pushcarts spotted throughout the area—a sort of a chain-store system on wheels. Except for a small license fee paid to the city, a little graft to the cop on the beat, and a small weekly payment for "protection" to the gang of hoodlums in the neighborhood, everything these gutter merchants produced was theirs—all of it! They paid nobody for the privilege of using a patch of the earth—the gutters—to make a living. Some of our swank Fifth Avenue shops of today began a generation or two ago as pushcarts operated on free city land.

A multitude of other New Yorkers today use the sidewalks of the city to earn their livelihoods as sidewalk peddlers. They pay no rent for the right to do so, since the streets are still public property. True, when caught peddling by the law, they are dragged to the police station, where they are compelled to pay

a two- or three-dollar fine—not for using the streets to make a living but for allowing themselves to be caught. An alert sidewalk peddler, one who is always on his toes and who keeps his eyes open for policemen, can do a brisk, profitable, day-after-day business and can keep for himself all that his labor and capital produce. He pays no rent, no taxes, no protection—only a small fine now and then.

Well known is the history of the unemployed Pennsylvania coal miners who in 1930, in the worst depths of the depression, accidentally discovered wage-paying jobs in their own back yards.



When the mines in which they had been employed closed down, the unemployed coal miners discovered that they could dig coal right out of their back yards, under which the company's mines ran. And they soon learned that they could sell it. (A man working very hard could dig up a ton of bootleg coal in a day and sell it for four dollars.) The money they got for the coal was their wages—wages they could spend to buy food, clothing, and other things. As a result, in the midst of the worst depression this country had ever known, a local wave of prosperity developed in the area. By 1937 these independent miners were producing thirty-five million dollars in bootleg coal annually. Shopkeepers,

theater owners, banks—everybody in the area—benefited; everybody was doing business; everybody was earning wages, even though the mine operators had shut down their mines seven years before. That incident, reported in the *American Magazine* (February 1937), seems to support the Poleco-ist's axiom: *"Whenever man can get at land without having to pay through the nose for the privilege, he can always hire himself and produce his own wages. Wherever man can get at free land, unemployment is impossible."*

Today, however, the man who is out of work can draw little satisfaction from this proven, self-evident truth. For he knows that with the exception of the gutters, there is no such thing as free land. And the knowledge that he might have had his choice of millions of acres of the finest United States land, for free, if he had been wise enough to be born a few generations earlier, doesn't help him very much today if he should lose his job—especially if he has passed his fortieth birthday.

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**TO OWN LAND IS TO HOLD POWER
TO COLLECT RENT AND TAXES**

For if one portion of the earth's surface may justly become the possession of an individual, and may be held by him for his sole use and benefit, as a thing to which he has an exclusive right, then other portions of the earth's surface may be so held; and eventually the whole of the earth's surface may be so held; and our planet may thus lapse altogether into private hands. Observe now the dilemma to which this leads. Suppose the entire habitable globe to be so enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners, have no right at all to its surface. Hence, such can exist by sufferance only. They are all trespassers. Save by permission of the lords of the soil, they can have no room for the soles of their feet. Nay, should the others think fit to deny them a resting place, these landless men might equitably be expelled from the earth altogether.—Herbert Spencer, *Social Statics*

THE LEGAL RIGHT to say "*this land is mine—and only mine*" is the right to say who may and who may not use or live on the earth. Those who must use land,

and that includes everyone, must either obey the rules set down by the owner, get off the land, or be driven off by the police, army, and navy, whose only duty is to protect the legal rights, and not the natural rights, of the citizen.

When, on the other hand, free land to which the citizen can escape is still available, the landowner has difficulty in either collecting rent or exacting obedience from his tenants. Also, under such conditions, the government finds collecting taxes from its citizens without an army almost impossible. For, as we have remarked earlier, human beings instinctively object to having any part of what they have produced taken from them, whether the tribute taken is called *taxation*, *rent*, or *tithe*. Consequently, whenever free land upon which a living might be made is still available, huge populations escape to it rather than pay taxes or rent to a landowner or to a politician.

The United States, for example, is populated almost entirely by people whose ancestors came here to escape the slavery of high taxes, rents, and the resultant poverty that existed in Europe. All of that continent was privately owned by a small group of aristocrats and various churches. It will be recalled that as soon as our original thirteen states fell into the hands of a small group of land sharks and favorites of the British Crown, the "push westward" began. Those "hardy pioneers" who pushed the frontier back were not men who wanted their families to grow up in a wilderness infested by savages. And they weren't restless souls seeking adventure, as the movie makers would have us believe. They were humans escaping the slavery of increasing rents and taxation that arose as soon as all of New England became privately owned. That is a matter of history. And Daniel Boone wasn't an adventurer who was happiest when he was engaged in killing a few Indians. If his history is read carefully, we shall find that he plunged through the frontier to grab free land for an employer, a Colonel Richard Henderson whom, incidentally, Boone double-crossed. We shall also learn that neither Dan nor his father had been able to make a living back home in Pennsylvania, where all productive land was privately

owned, and that Dan had no choice but to risk his scalp prowling the wilderness in order to enter claims to free land in Kentucky. Similarly, at the other end of the world, in Australia, New Zealand, and South Africa, we find that the land there was settled by people who preferred to escape from their homes in the British Isles and to endure the hardships, danger, and uncertainty of an unsettled wilderness rather than pay tribute to British landowners and politicians. Throughout history's pages, we find the same rule holds: colonists and frontiersmen are seldom foolhardy adventurers cursed with a wanderlust, as school children are taught to believe, but are men who would endure any hardship rather than pay most of what they produce to other men.

Since the planet Earth is only so big, all of the worth-while land on it must eventually fall under the control of private owners. That is pretty much the situation today. With the exception of the impenetrable jungles in some of the hotter spots on our planet, and the ice-capped poles, there is no free land left to which the liberty-loving human of this generation might escape. True, he is free to leave the land of one landowner for that of another; the domain of one tax-gouging government for that of another; but at best he can hope only to escape complete slavery in order to gain partial slavery. And even that isn't so easy to do as it once was. For nations like Russia, that take most from their citizens, ring their borders with soldiers to keep their "loyal" subjects from escaping to comparative freedom, while nations that tax least and exact smaller rents keep their troops on their borders to keep the more thoroughly enslaved foreigners out.

It's easy to see, then, that the disappearance of free land gives a government the power to exact higher taxes. For when all free land is gone, its victims can no longer run away. At the same time the complete lack of free land also permits government to deny to its citizens their natural rights. No administration—Democratic or Republican—would have dared fifty years ago to tax a citizen's income or to interfere with his business or to tell

him what he may or may not do with his own labor and capital. It was only after all of our land was completely monopolized that government could grab the power to exact such taxes. And, as we know, it is the power to tax that gives government the power to rule without regard for the citizen's natural rights to real freedom and complete equality.

87

TWO GUYS NAMED GUS SELL PROTECTION

Hands off! Stand back! Leave us alone! You shall not rob us of our own.—War Song of the Boers

IN CHAPTER 37 we left Tom, Dick, and Harry squabbling over the five thousand dollars earned by their chinaware business. It will be remembered that each believed he had a rightful claim to a portion of the five-thousand-dollar "profit" because his labor or capital or land had helped produce it. We can well imagine what a howl they'd have loosed if a fourth party, an outsider, had walked in on them to demand a share for himself. For example, let's suppose that a neatly dressed young man named Gus had walked in on them while they were bickering over the five thousand dollars and had announced that he wanted fifty cents out of every dollar their business had earned. We can almost hear Tom screaming: "What? Fifty cents out of every dollar *we* made? You got a nerve."

And Dick, the mathematician, would add, "Do you realize you're asking for twenty-five hundred dollars of *our* money? What unmitigated gall!"

Harry, of course, would be equally flabbergasted: "Young man, these five thousand dollars we are trying to share are the products of our labor, capital, and land. You did nothing to produce the

dishes we made and sold. We took all the risk; you took none. How dare you demand a share, even a small share, much less half? Here's a dollar. Take yourself to a movie and leave us to our business."

All we know about the intruder is that his name is Gus. But there are many men, in various businesses, named Gus. If the unwelcome visitor happened to be Gus the Viper, an up-and-coming racketeer, he certainly wouldn't be talked out of his share too easily, if at all.

"Get wise, boys!" he might say, "I'm cutting myself in on your



business. And don't tell me I didn't do anything to produce the dishes you made and sold. I did plenty. I gave you protection. You didn't have a single fire all year, did you? Your warehouse wasn't busted into or bombed, was it? And your dishes weren't destroyed by hoodlums, were they? How much china-ware would you have been able to make if I hadn't used my influence with my associates to protect you against all that hard luck?"

"But," Tom would try to reason, "you're asking for half as your share. We don't mind a couple of bucks, but you're asking too much."

Gus the Viper is a reasonable man. "Protection," he would explain patiently, "runs into a lot of money. We gotta pay our men. We gotta keep them dressed neatly. We have to supply them with guns, ammunition, rubber hose, and lots of other expensive equipment. And we gotta have an office. And clerical help to keep records of those businessmen who are paid up and those that aren't. We wouldn't want to collect from the same guy twice through clerical negligence. All that runs into money—lots of money. It's really for your good. You certainly don't expect some other businessman to pay your share."

But Harry is the stubborn type. "We're not going to pay it. You have no authority to come in here and demand . . ."

"I've got plenty of authority." Gus takes a shiny pistol from his pocket. "Here's my authority. Me and my associates provided you with a valuable service; we protected you and your business. Now we want our share. Do I collect it now? Or must I use my authority?"

On the other hand, the visitor may not have been Gus the Viper at all. He may have been Gustave Armint, the tax collector. Mr. Armint isn't as crude as the Viper. His language is on a higher level. His arguments are fewer. But he's after the same thing: a share of the "profits" earned by the labor, capital, and land of Tom, Dick, and Harry. And he's after the same amount, since it is estimated that government taxes, by the time they land on the consumer for final payment, often amount to much more than half of the earnings of its free citizen.

Gustave Armint, government agent, explains, as Gus the Viper did, that the protection against fire and hoodlums costs a great deal. Policemen, soldiers, sailors, firemen, thousands of civil-service employees, and even tax collectors must be paid; many must be uniformed; and thousands of completely equipped offices must be maintained. All of this to give protection to its citizens—including Tom, Dick, and Harry—and to their property. In other words, Gus the racketeer and Gus the tax collector charge Tom, Dick, and Harry the same amount and for the same service: *protection*. True, the tax collector doesn't use anything

as crude as a pistol as his authority to collect; but he does use a badge that is backed up by thousands of pistol-bearing police, the FBI, and sturdily constructed jails.

88

TAXPAYERS ARE MADE – NOT BORN

... for force is unnatural, and that is why what is compulsory is painful, and it has been rightly said, all that is done on compulsion is bitterness unto the soul. —Aristotle, Rhetorica

IT IS EASY to understand why Tom, Dick, and Harry dislike the idea of giving up part of the wealth they produced to a cheap racketeer like Gus the Viper; for no normal human likes to submit to force or to pay tribute. It isn't quite so easy to understand why they obediently submit before the shiny badge of Gustave Armint, tax collector. Since neither Gus the Viper nor the government, represented by the other Gus, produced any part of the "profits" belonging to the three partners, one has no more right to a share than the other. And if protection against robbery and fire entitles government to a share, protection given by the racketeer entitles Gus the Viper to a share, too.

Man, it seems, always has instinctively resented being compelled by force to surrender part of his wealth which he and his capital have produced to a person or government stronger than he. In the New Testament the tax collector, referred to as a *publican*, was considered the scum of society. He was despised for good reason. Rome, we are told, after having conquered Jerusalem, sold the privilege of taxing the Jews to her wealthier Roman citizens, who in turn employed stooges, natives of Jeru-

salem, to do the actual tax gouging, while they themselves lived comfortably, luxuriously, and safely in Rome. Since the stooges worked on a commission basis and were authorized to tax at any rate they pleased, we may be sure they milked the people of Jerusalem dry. One need only read references to the publicans in the New Testament to see how thoroughly the average citizen of Jerusalem detested tax collectors—the publicans.

The only possible explanation of our three heroes' willingness to pay the taxes demanded by Gustave Armint is that they have learned to get used to the idea. Just as a wild horse that by instinct refuses to have a man ride him learns, after much whipping, yanking, and coaxing, to accept the idea of carrying a man on his back, "free" men everywhere have learned to accept the idea of giving up a great part of their wealth to the tax collector, even though paying tribute to anyone is contrary to the natural instincts of all free men. Even so, it took a long time for us, in this country, to agree to pay taxes without being forced to do so by a government-controlled bayonet. For example, Beard tells us:

John Wise of Ipswich, Mass., 1717, Harvard educated minister, as a young man resisted the attempts of the temporary royal governor, Edmond Andros, to impose taxes on the people of his town. He was arrested, tried, and convicted.

Later, history tells us, the colonists were provoked into fighting the Revolutionary War rather than submit to the soldiers who came to collect taxes for the Crown; that Daniel Shay, who had earlier served with distinction at the Battle of Bunker Hill, led an armed mob right into the Massachusetts Court of General Sessions in protest against the exorbitant land taxes. It took an army of Massachusetts soldiers to break Shay's rebellion, to teach him and his American followers that taxes *must* be paid—or else! Not long after, Alexander Hamilton, as Secretary of the Treasury, put through a small tax on whiskey that led to the famous Whiskey Rebellion. The Pennsylvania farmers declared they'd fight rather than pay taxes. President George Washington

had to send an army of 15,000 fully armed men to Pennsylvania to teach the rebels there that the freedom they had won by fighting the Revolution did not include freedom to keep *everything* that was rightfully theirs; that they'd better get used to giving up some of their wealth in taxes—or else!

Jefferson saw the danger and injustice of taxation. He boasted of the fact that his administration managed without taxation other than tariffs:

The receipts of external duties for [1802] have exceeded those of any former year . . . this has enabled us to answer all the regular exigencies of government, to pay from the Treasury in one year upward of eight millions of dollars, principal and interest, of the public debt . . . and to have now in the Treasury four millions and a half dollars. . . . When merely by avoiding false objects of expense we are able, *without a direct tax, without internal taxes, and without borrowing*, to make large and effectual payments toward the discharge of our public debt . . . it is an encouragement of the highest order to proceed as we have begun, in substituting economy for taxation. (Italics ours.)

Until the outbreak of the Civil War few American citizens were expected to pay any part of the earnings of their labor or capital to the government. The only exception was the four years between 1814 and 1818, the period following the War of 1812, when the government had to raise money to pay its war debts. As recently as 1894, a little more than fifty short years ago, the idea of taxing a man's income in peacetime was unthinkable. But that year Congress sneaked through a law giving the government the right to tax all incomes over four thousand dollars (a fabulous income to most people in those days) at the rate of two percent. One year later, under a barrage of public anger, the law was declared unconstitutional. It wasn't until 1913 that the politicians were able to sneak through the Sixteenth Amendment, which gave government the right thereafter to attach part of the citizen's earnings. And fourteen years later, more than half of all the government's income consisted of wages taken by

force and by threat from the pockets of its "free" citizens. And today the greater part of the citizen's production, in one way or another, is being taxed away from him. Except for a little cheating and lying while filling out his tax forms, the American citizen obediently submits to Gustave Armint's shiny badge of authority. But it did take our Toms, Dicks, and Harrys a long time to get used to the tax collector's bridle—to submit to the idea of paying tribute to bureaucratic politicians without a fight. Today the government employs armies of tax experts, who are



supposed to be looking for a tax that will not eventually fall upon the consumer. The government tax experts are searching so arduously because, even with only a slight knowledge of very simple arithmetic, it is plain that the more the consumer has to pay out in taxes, the less will be left of his dollar with which to buy food, clothing, and shelter; and as less of such things can be paid for, less of them will be produced; and as less of such wealth is produced, less in wages and capital will be earned and, consequently, there'll be less income for the government to tax. So, the trick is to "discover" a tax that won't wind up on the consumer's already overloaded back. So far, in spite of the efforts

of these experts, the government has failed to come up with such a tax. Evidently they haven't gotten around to reading encyclopedias printed during the past thirty-five years. For, under the heading "Taxation," they are sure to find something like the following, which is quoted from the New *International Encyclopedia*, published way back in 1920:

... a tax upon the output of a factory would naturally result in an equal rise in price. The manufacturer might pay the tax, but its ultimate incidence is upon the consumer. A tax on houses might temporarily be borne by the owner but in the nature of the case, it would ultimately result in higher rents, since it would put a check upon building. *A tax on land values, on the other hand, could not be shifted, since it would not affect the amount of land available for use, and hence could not raise rents.* (Italics ours.)

Why then, the reader might ask, if "a tax on land values . . . could not be shifted" (onto the consumers' back), why doesn't our government tax land values? The fact is, no government in the world today would dare tax anything as sacred as land values—as we shall see.

89

THE STUPIDITY OF TAXATION

Every cause produces more than one effect.—Herbert Spencer

EVERY TAX, no matter on whom it is levied, must end up by biting another chunk out of the consumer's income—must leave less spending money for the housewife or wage earner. Just so long as subtracting twenty-five from a hundred can leave only seventy-five, subtracting any amount of taxes from the income of the consumer must leave that much less in his pay envelope—must reduce his wages and

the earnings of his capital by at least the same amount. And yet, while most of us would squawk woefully if we should have our wages or the return on our capital reduced, we pay taxes without a murmur. In fact, many of us are proud to pay taxes, for we sincerely believe that by doing so we're being patriotic. However, most of us aren't even aware of *all* the hidden taxes we're paying.

True, if we work for wages, we know we are paying income taxes, because the government grabs its loot out of our pay envelope even before we can get our hands on the money we've earned. We're even denied the right to fondle our earnings a minute or two before surrendering it to Gustave Armint, the tax collector. And since we really never get our hands on our money, we really don't get a chance to miss it. In fact, when the government, after collecting more than it has a legal right to take, refunds a few dollars to us at the end of the year, we're delighted. We actually consider the refund to be a gift from our kindly old Uncle Sam. It rarely occurs to us that he's only returning what is ours, and that the money he returns is only a small part of the total tax to which he had no ethical right in the first place. Be that as it may, income taxes aren't the ones that take the biggest bite out of our earnings.

By far the greatest drain on our wages is the taxes which are aimed at the farmer, manufacturer, businessman, and other producers of goods. For they don't actually pay the taxes the government pretends to take from them. Instead, they simply add whatever taxes they're asked to pay to the price of the goods they sell. Since all goods must eventually be paid for by the consumer, any taxes on those goods must also be paid by the consumer. In other words, no matter who or what is taxed, it is the consumer who finally pays for it and is left with less of his income with which to buy goods from those who produce them.

But that isn't the worst of it! Not only do the farmers, manufacturers, and merchants pass the taxes on to the consumer for actual payment, but they also take a profit on the taxes! To see this more clearly, we need only imagine that there is no

tax on washing machines, and that it costs the manufacturer \$100 to produce one. If his customary mark-up is one-third of cost, he will sell the machine to his wholesalers at \$133. And if the wholesaler and the retailer work on the same mark-up, the washing machine, when it finally reaches the consumer, will retail around \$237.

Now let's see what happens when the manufacturer is taxed an amount equal to five percent. To produce the machine now costs him \$105. And, as before, he takes his usual one-third mark-up; and so do the wholesaler and the retailer when the machine reaches them.

If we compare the prices the consumer must pay for the same machine *with and without taxes*, we find that by the time the five-percent tax reaches the consumer, it has grown to a whopping twelve percent. It has more than doubled! To put it another way, Mr. and Mrs. Consumer have to pay \$11.86 extra, of which the government collects only five. Moreover, the butcher, grocer, clothing, and other local retailers from whom Mr. and Mrs. Consumer usually buy will now do \$11.86 less in business simply because the Consumers have \$11.86 less of their income to spend. It is exactly the same as if Mr. Consumer had had his wages reduced by \$11.86. And if we remember that almost every single thing that Mr. and Mrs. Consumer buy has been taxed *not once but many times* before it reaches them, we can appreciate how stupid and unjust taxes on production really are. How

much more intelligent it would be to abolish taxation entirely, and to depend upon the collection of land values as the source of funds needed to support our government in the wasteful and corrupt manner to which it has grown accustomed.

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THE INJUSTICE OF TAXATION

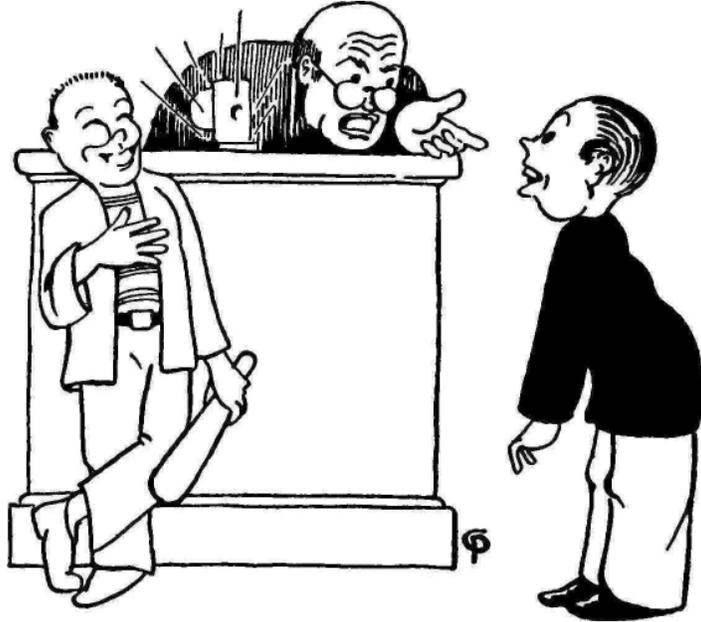
*National injustice is the surest road
to national downfall.*

—William Gladstone

ONE ESPECIALLY CRUEL injustice which the collection of land values, or land rents, as they are called, will correct is our present custom of punishing those who improve land while rewarding those who hold land idle or almost so. If a man should destroy another man's property, we simply arrest him and haul him before a judge, who then fines him. And that is the end of the matter. So long as he doesn't destroy any more property the culprit won't be bothered any further by the law. But let that same man dare to improve a piece of land—let him dare build a fine house on it or clear the poison ivy, weeds, and brush from it, or plant a much-wanted crop on it, and he'll be immediately visited by Gustave Armint, the tax collector, who will not fine him only once, but will do so at least once every year so long as the improvement stands. And, what is even more fantastic, the more he improves the land, the more he will be forced to pay in taxes—the more severely he will be punished.

But even that isn't the worst of it. The owner of the land right next door may allow his land to remain an empty lot covered over with weeds, poison ivy, and sumac. He may even allow it to become littered with tin cans, maggot-covered dead cats, and miscellaneous bits of garbage, and yet be required to pay little

or no tax at all. As a matter of fact, his property, neglected as it is, grows more valuable just as fast as his more industrious neighbor improves his land. And to reward the idle one further for his sluggishness, the taxpayers are compelled to pay to have roads, sewers, and other public improvements built around the idle land of the monopolist and speculator and thus make it even more valuable. In effect, the land speculator is rewarded with greater wealth for keeping his much-needed land out of use.



But suppose the idle one was compelled to pay to the community the full land value of the neglected site he owns. Suppose he had to pay just as much in land rent to the community as his neighbor who improved his land. We may be sure that rather than pay out all that money without collecting an equal amount in rents, he'd either walk away from his land and thus leave it free to be used by someone willing to produce something on it; or he would himself improve it so that he might get as much out of his land as he pays over to the community. Either way, the land would be more productive, which of course would mean more jobs, more wealth produced, more wages and more interest earned. But most important, the man who improves land will no longer be treated like a criminal—will no longer be penal-

ized for doing something worth while and useful. For if land rents are collected it will no longer be necessary to tax improvements or, for that matter, anything else. Equally important, so far as justice is concerned, the land monopolist will no longer be rewarded for acting the dog-in-the-manger. Instead, he'll become a useful citizen—not because the law will compel him to be one; and not because state police, in the Soviet manner, will liquidate him if he refuses; but because he will be unable to satisfy his desires as an owner of land so long as the community collects the rents his land (not he) produces. He'll either have to become a producer of goods or services or leave his desires for wealth unsatisfied. And to make the latter choice, as we know, is impossible for the normal human being.

91

RENT—IS IT GOOD OR EVIL?

. . . every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real rent of the landlord, his power of purchasing the labour, or the produce of the labour of other people.

The extension of improvement and cultivation tends to raise it directly. The landlord's share of the produce necessarily increases

•with the increase of the product.

*—Adam Smith, *The Wealth of Nations**

ANYTHING that increases land value—rent—must lower wages and interest. For wages plus in-

terest is all that can possibly be left of any wealth produced, after rent is taken out. Just as surely as four minus two equals two, earnings minus rent equals wages plus interest. The greater the proportion taken as rent, the smaller the share left for the wage-and-interest earner.

It should seem, then, if high rent means low wages and interest, that anything that might cause rent to go higher is an evil thing. But that isn't true. In fact some of the best things in life, things of which society may be proudest, cause rent to increase. It must follow logically, then, that either rent is not in itself an evil thing; or that many of the things we have always believed to be good are in reality evil. For evil things cannot grow out of that which is good.

For example, the birth of babies cannot be thought of as being evil, and yet we know that births increase the population, which in turn must increase land rent. Parks, playgrounds, public swimming pools, all things that are built to keep children from developing into young criminals are certainly not evil; and yet whenever the city fathers build such things, land values all around the park or playground zoom, and everyone living or doing business in the area must pay higher rents—must give up an even greater portion of their earnings to the landowner. The same result follows the digging of a subway, the franchising of a bus line, the erection of public-housing units, or the building of a school—good things, all. Instances of rent shooting skyward as a result of making public improvements are being constantly reported in our newspapers, although few of us attach very much importance to them.

The new United Nations site in New York is a typical case in point. It will be remembered that an unusually filthy slum area along New York's East River was bought for the United Nations for eight million dollars by Mr. Rockefeller., who then gave the area to New York City as a gift. As soon as the news of this deal hit the papers, land values for several blocks in all directions skyrocketed—because greater numbers of prosperous spenders were

sure to be attracted from all over the world as soon as the United Nations buildings were completed. Millions of tourists, visitors, and United Nations employees would be sure to be milling around the neighborhood where, a short year before, only a few drunks, derelicts, and alley cats promenaded. By a strange coincidence, the real-estate operators who sold the rat-infested site to Rockefeller just happened to have bought up most of the land around the proposed United Nations site a few months before. With the sharp rise in rents in the neighborhood, those land speculators did rather well; but the merchants and office renters in the neighborhood were compelled to pay outrageously high rents if they wished to continue to do business in the neighborhood. And just as fast as the United Nations buildings reached completion, rents in the vicinity steadily increased, always leaving still less in wages and interest for those who invested their labor and capital in that neighborhood. Thus we see how an unselfish gift of eight million dollars, spent for the creation of a worth-while group of buildings for the well-intentioned United Nations project, caused rent to rise and wages and interest in that area to fall.

A bit farther down the river, a huge housing development was built by a large insurance company to provide much-needed shelter for desperate New Yorkers. It certainly can't be thought wicked to provide housing for homeless humans. And yet rents all around the project, once building began, climbed so high, storekeepers who had been in the neighborhood for years found it impossible to remain in business; and private builders just couldn't afford to erect moderate-price housing in that area. Land values shot so high, the builder had to pay more to erect houses than he could expect to get out of them in rent.

It isn't only in New York that public improvements tend to increase rents in adjacent unimproved blocks of land. It happens everywhere on earth. A useless plot of land in the middle of a desert will double in value the very moment it is learned that a highway is to pass along one side of the plot. As soon as the

city fathers agree to franchise a bus company, all city blocks along the bus route—although entirely undeveloped—will certainly increase in value.

In the spring of 1949 the Atomic Energy Commission announced that it would use 400,000 acres of wasteland in a town few Americans had ever heard of: Arco, Idaho. The population of the town had been a neat 780, just about equal to the number of people that can be seated comfortably in a small New York movie theater. The land itself is one huge lava sink, practically useless for agriculture or anything else. There's no wild life whatsoever in the vicinity of Arco. And yet, in the small business area of the city, building lots that formerly went begging for \$300 to \$600 jumped to \$500 and \$1,000 the very day that a government bureau—the AEC—announced it intended to build in Arco *and to bring in 6,000 additional people*—consumers—to work there. The price of residential lots jumped from \$100 to \$250. One building, it was reported, that had been offered for \$10,000 the day before the announcement, was priced at \$17,500 on the following day. Here again we see how worth-while improvements *naturally* increase land value.

And now we come to the truly ironic part of our story. The people who must pay the increased rents are the same people who, as taxpayers, are compelled to pay for the very improvements that jacked up the rent in the first place. It's almost like forcing a man to pay for the axe with which his head is to be chopped off. What is still more ironic, those who collect all the increased rents that result from the improvements pay almost none of it back in taxes.

And so we see that land rent, in itself, isn't evil. The evil lies in the stupidity of laws that permit a few special-privilege boys to pocket rents that the community produced. If, on the other hand, land rents were collected by the communities that create them, and were then used to pay the communities' expenses, rent would be considered to be a good, and the higher it went the better off we'd be. For each increase in rent would mean an increase in income for the community with which it might

build more and better schools, pay higher salaries to teachers, provide better parks, safer highways, or any other social improvement the community might desire. Yes, channeled properly, rent can be wonderful!

92

TAXES AND RENT REDUCE CONSUMERS' BUYING POWER

Gives me some kind of content to remember how painful it is sometimes to keep money, as "well as to get it.—Samuel Pepys

As WE LEARNED from John Dough, the baker, all wealth is interchangeable. That is, when John produced loaves of bread he at the same time produced skis and every other unit of wealth for which his bread might, as he pleased, be exchanged. It should follow, then, that if he produces \$50 worth of bread he should be able to exchange it for \$50 worth of clothes or other goods.

But he can't. For out of the \$50 worth of wealth he produces he must give up a certain part to the man who owns the land upon which he built his bakery. That would amount to at least a quarter of his production, or \$12.50. In addition, he'd have to give up another quarter in taxes to the government: income tax, social-security tax, corporation tax, excess-profits tax, and many others too numerous to list here. After paying out some of his bread in rent and taxes, he is left with less than \$25 worth to exchange for the food, clothing, and shelter he and his family need.*

The obvious result is that John Dough, who has added \$50

* We have not included considerable deductions made by hidden taxes.

worth of wealth to the stockpile, can draw only about \$25 worth from it. That leaves \$25 worth of goods on the stockpile that is not "in demand"—goods that John can't pay for but nevertheless desires. For we must remember that there is no limit to the amount of wealth normal man desires. Since the supply of goods on the stockpile of wealth is greater than the amount the John Doughs, as consumers, can afford to buy, either the price of goods must fall or production of more goods must stop—more labor and capital must find itself unemployed.

But when the price of goods falls, that is, when the cost of labor (wages) and the return for capital (interest) goes down, John Dough's earnings must fall, too. When the price of bread falls, he must work longer hours and use more capital in order to produce more bread if he wants to earn the same \$50 worth of foorcloshes. Obviously, if John Dough must work longer hours for the same wages, and invest more capital to get the same return, he is working for less per hour and is receiving a lower rate of interest.

Thus we see that John's wages and interest can't help but fall as his rent or taxes are increased. Rents and taxes, always at their highest peak during prosperous times, steadily cut into John's buying power, which must end up in more goods on the market than he can buy; and consequently, still fewer goods are produced and still more men and more capital made idle. In other words, the "seven lean years" again return to drive humanity to self-enslavement or madness.

It is true that John Dough can add the taxes he pays to the selling price of his bread and thus pass that burden on to his customers.* But that can't help him very much. For he will have to pay more for everything he buys, since all of the manufacturers who supply him will pass on to John the taxes they pay; John is, like all producers, a consumer as well. And we mustn't forget that while John can add some of the taxes he pays to the price of the

bread he sells, he can't add his rent to the selling price. For rent is something that can't be passed on—something that laborers and businessmen alike must pay out of their own pockets.

If there were, as the socialists and communists teach us, two classes of humans, there'd be no need for anyone but the "laboring class" to worry about taxes and rent. But the truth is that taxes and monopoly rent fall on *all* consumers. By bleeding away the purchasing power of the self-employed "middle class" and the average businessman, every new tax and rent increase tends to reduce them to the ranks of the hired "laboring class" and eventually to cause them to disappear altogether. And that is disastrous. For, as Aristotle remarked, ". . . when there is no middle class, and the poor greatly exceed in number, troubles arise, and the state soon comes to an end."

To a great extent, the day Aristotle warned against has already arrived in most parts of the world. In the United States it is approaching fast—as anyone comparing our country's past history with the present can see.

* Only the hired laborer is unable to pass the sales taxes and income taxes along 'for someone else to pay. For he has no product having a selling price to which he can add the taxes.

93**SOCIETY'S CLAIM TO RENT**

Suppose there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners; those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their own part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. That would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class. —John Stuart Mill

AT THE PRESENT TIME a great to do is being made about reducing taxes, or shifting the burden of taxes from the shoulders of some who now pay them, to some other shoulders—anybody's shoulders. But from the chapters that have gone before, we cannot help but conclude that taxes should be done away with altogether. For it is not only unjust for governments to tax away the rightful wealth of their citizens, but it is an unqualified violation of man's natural right—his right to own every bit of what his labor and capital produce. We have

seen that taxation hinders production, increases the cost of living, reduces the purchasing power of wages, speeds up the development of depressions begun by land speculation, and provides a weapon for the tyrant and a whip for the slave master.

In short, taxation is a scoundrel for whom no one, except some politicians, has ever said a kind word. And the best the politician can say for taxation is that government needs money with which to support itself, and the only way it can raise such money is through taxation and borrowing. Like most opinions expressed by the professional politician, the opinion that government can be supported only by taxing away the purchasing power of its citizens is untrue and illogical. For it has long been known that to collect land rents instead of taxes would provide a larger income with which even the most prodigal government might be supported luxuriously.

As we know, population which has gathered itself into a society produces land rents inadvertently by forcing less productive land into use. And as society continues to increase in population, more rent comes into being to support the extra load. Just as naturally as mammals are endowed with a milk supply with which to feed their young as soon as the little ones are born, society, merely by its presence, creates additional rent for the support of its additional members. Since society, and society alone, produces land rents, there can be no question of society's right to collect them for its own use.

And the growth of society is just as wonderfully natural. No laws have been written to command people to get together to form themselves into societies. No police force was necessary to compel people to trade their surplus wealth and services for the goods and services of the other members of the community. Nobody sends out the militia to force farmers to pour their products into the cities in exactly the amounts the citizens can afford to buy—seldom too much or too little—and in the varieties they prefer. Men build just enough theaters and retail shops to satisfy the needs of the community without orders from Washington. It is this *natural* desire of men to exchange goods and services

with each other *for their own benefit* that causes societies to grow. Left alone to grow *naturally*, and not "helped" by clumsy, meddling politicians, communities grow more and more prosperous. But when socialistic governments impose man-made laws to interfere with the free producing, buying and selling of goods, production falls, the general standard of living—reduced already by land monopoly—grows steadily worse until in desperation the people find themselves compelled to break laws, bribe public officials, and finally to end up as a lawless mob in which only the politicians, the muscular, and the murderous prosper. Examples: the Soviet Union, England, China, and—without exception—any other countries run by bureaucratic governments forcing a planned economy on its people.

It is no less wonderful that society, besides forming itself as naturally as a weed, produces rent with which to pay its expenses. For, as we have seen, while the laborer and capitalist are producing their own wages and interest, an unearned increment—rent—automatically comes into being with no help from man. And this rent, produced not by the laborer or capitalist—but by the community as a whole—is always sufficient to pay for the roads, water supply, schools, churches, armies, navies, atom bombs, old-age pensions, and whatever else society may think it needs to remain strong and unworried about the future.

Quite as remarkable is the fact that no nation on earth today uses this huge share of its wealth to pay its expenses. Instead, the land rents are always channeled into the private pockets of a few individuals, institutions, and government favorites—none of which, as we have seen, has a moral right to it. But most remarkable of all, the members of society don't seem to care whether or not this huge fund that belongs to them is being stolen by the special-privilege boys. If this misappropriation of society's funds did the people no harm, there'd be no reason to expect them to care too much. But it does do them harm. With the rent which is rightfully theirs taken from them, they are left with no funds with which to pay for public improvements except their wages and interest. And, as we demonstrated earlier,

every time a school, library, park, subway, or highway is built and paid for by the taxpayers, rents in the vicinity increase, which means that thereafter, as a member of society, the little fellow must pay even greater tribute to the landowner for the "privilege" of occupying land, the value of which he, the taxpayer, has created!

Still, that isn't the worst of it. While the theft of rent by a privileged few is unforgivable, and forcing free citizens to surrender their wages and interest to support any government is a violation of man's natural rights, such things might be overlooked if the sinfulness stopped there. But it doesn't. Our government has been unable since 1814 to support itself on the taxes it collects. Consequently, since that date, it has been borrowing money from private moneylenders with which to make up the difference between what it needs and the most it can collect in taxes. The indisputable evidence is the fact that our national debt has continued to increase without interruption* and has never been reduced. The government, as we know, borrows money by issuing bonds—I.O.U.'s,—which are handed over to moneylenders in exchange for credit. Since the bonds yield high interest, considering there is no risk whatever involved, they are easily sold to the very few who have extra money to lend out—the banks, insurance companies, colleges, trust funds, churches, and other large landowners. (Some bonds—war bonds, for example—are bought by little people; but they amount to little and are held for such a short time, we might dismiss them as negligible.)

Now, if we stand back a moment and gather these thoughts into logical order, we find that the landowners, first, collected rents that rightfully belonged to the community; then they loaned part of their loot back to the communities at interest. Amazing! Taxpayers paying interest on money that is rightfully their own! The situation is so completely mad, one might suspect that the people are stupid. But they're not. They're merely senseless to injustice and punishment—like the boxer who has been

* The national debt held even for two years under Coolidge's administration.

pummeled senseless yet still stands wavering helplessly in the center of the ring, a silly smile on his face, his arms hanging limp at his sides, while he absorbs all the punches his opponent can throw at him. Like the boxer, the taxpayer feels no pain. He doesn't become angry. Constant punishment seems to have knocked him senseless.

How much more intelligent it would be to allow society to use the rent it produced to support itself and, by abolishing all other taxation, to allow the laborer and capitalist to keep *all* of their wages and interest to support themselves, thus doing away with the need for government doles and other charities. How much more in line with true justice that would be!

94

SPECIAL PRIVILEGES AREN'T SURRENDERED WILLINGLY

. . . all the learned of his [Jesus'] country, entrenched in its power and riches were opposed to him, lest his labors should undermine their advantages.—Thomas Jefferson

IT is, of course, a simple matter to suggest that the community collect land rents instead of taxes with which to pay its expenses. But actually to collect those rents isn't quite so easy. For to do so would be to interfere with special privileges held by the world's most powerful interests—landowners. And, as we might expect, nobody enjoying the benefits of a special privilege would willingly give them up. Moreover, the special privileges they've held so long have made the landowners powerful enough to see to it that no meddling

taxpayers or politicians cut in on a racket to which, since it pays off so well, they've grown quite attached.

For example, way back in 1653 the famous Barebone Parliament was making the laws of England. The Parliament, appointed by Cromwell, consisted of 140 men, including Praisegod Barebone, the fellow after whom the group was named. They proposed that less of the public's money be spent to improve the value of the aristocracy's property; that tithes (taxes collected by the church from all who lived within its influence) be abolished; that taxes be equalized so that aristocrats and commoners might share in supporting the government. (In those days, only the common people paid taxes.) A few moments after these disrespectful proposals were made, the clergy and other large landowners present screamed in chorus, "Robber!" "Confiscation!" They screamed so loudly that Cromwell commanded Barebone and his parliament to resign, and in spite of his reputation as a powerful and fearless man, Cromwell never again dared suggest interfering with the land monopoly held by the English aristocracy and church.

Another significant example is found in our own histories of the period preceding our Spanish-American War. Americans began to see their country, which had been the land of freedom, becoming more and more like the Europe from which they or their ancestors had escaped. They saw an aristocracy of powerful landowners developing here; they saw the government increasing taxes; privileged groups robbing the small businessman and his employees; rents increasing; the supply of free land disappearing; paupers increasing in number, and depressions occurring here, as in Europe, with ever-increasing intensity. Many reform parties sprang up. The people were growing restless. The privileged groups became frightened, and then suddenly and for no reason whatsoever (as even our history books admit today) except, perhaps, to take the minds of the people off reform, we went to war with Spain. Beard, in his *Basic History of the United States*, said of that period:

No less important in imperialistic calculations was the realization among the shrewder politicians that a foreign war and a "strong" foreign policy would in themselves *divert the attention of the people from their domestic tribulations and programs of reform*. . . . To the politicians of imperialism [special-privilege grabbing] this outlook was charming; with no disturbance whatever to vested interests at home, a panacea for their troubles could be offered to dissatisfied farmers and industrial workers and public attention distracted from politics on the home front.

The technique was an old one. For Plato, thousands of years before, explaining how tyrants remain in the saddle strapped to the citizen's back, wrote:

SOCRATES: But when he [the tyrant] has disposed of foreign enemies by conquest or treaty, and there is nothing to fear from them, then he is always stirring up some war or other, in order that the people may require a leader.

ADEIMANTUS: To be sure.

SOCRATES: Has he not also another object, which is that they may be impoverished by payment of taxes, and thus compelled to devote themselves to their daily wants and therefore less likely to conspire against him?

ADEIMANTUS: Clearly.

SOCRATES: And if any of them are suspected by him of having notions of freedom, and of resistance to his authority, he will have a good pretext for destroying them by placing them at the mercy of the enemy; and for all these reasons the tyrant must be always getting up a war.

More recently, we find the special-privilege boys still protecting themselves against having their rackets interfered with. Just before World War I, it will be recalled, England, Germany, and France engaged in an "armaments race." It is easy to see that the greater the number of guns, battleships, and bullets a nation buys, the higher will be the income of those who own the land from which the raw materials—iron, coal, and chemicals—must be dug. And it is equally easy to imagine how much more heavily

taxed the citizens of those countries would have to be in order to pay for all those guns, battleships, and bullets. In the midst of this "armaments race," David Lloyd George of England proposed that the costs of preparing for war be paid out of *a tax on land values*, which would have meant that the aristocracy would be paying the costs of the war that could benefit only them! The idea was so reasonable and so obviously just, it won great popularity with the British people. It looked as if, for the first time, the people would win a skirmish against the landowners. But no. Those same members of Parliament, who only



a few months before had patriotically favored building the world's biggest navy, regardless of how much it might cost the taxpayer, loosed terrific screams of anguish.

When the bill authorizing the collection from them of all costs of preparing for war finally reached the House of Lords (incidentally, all representatives of special privilege) it was promptly killed, and for a little while there was no further talk of war. By the time the actual shooting of World War I did break out, the little people of the world, forgetting all about Lloyd George's proposal, generously paid the entire cost of a war that could

benefit none but the landowners. It is worth mentioning here that Winston Churchill and Woodrow Wilson, as young men, also favored taxing land values; but, it would seem, they soon learned how dangerous it is for anyone with political ambitions to suggest ideas of that sort. They behaved, changed their ways, and eventually became revered leaders of their countries.

The United Nations, like the now-defunct League of Nations, is made up of statesmen representing every civilized nation on earth. These men and women are supposedly gathered to better mankind's condition and to prevent another war. But if we read the speeches they make (as too few of us do), and if we examine the proposals that the members come up with every now and then, nothing is clearer than the extreme care being taken to avoid endangering any of the special privileges enjoyed by their masters back home. Rarely will one of them dare mention the words *land rent* or *free trade*, even though many of them must know that until they do talk seriously of those things, and then do something about abolishing protective tariffs and taxes and collecting land rents instead, more wars and poverty, in spite of their best efforts, are inevitable.

Nor is it difficult to understand why landowners, tariff-protected industrialists, and patent-holding corporations, rather than give up any of their privileges, would see their country's citizens starved, ragged, poorly sheltered, falsely educated; shot, burned and bombed by war, and even taken over eventually by communism. For the special-privileged ones *are* humans, and it is contrary to human nature willingly to give up a privilege that allows one to live in wonderful luxury without having to produce goods or to perform services in return. Who among us, pauper, or plutocrat, would willingly do otherwise?

But how they, a tiny minority, manage to hold on to their privileges is more difficult to see. They are certainly few in numbers. A billionaire and a bum can cast only one vote each. The man who shines shoes for a living can scream and howl his disapproval just as loudly as the tariff-protected shoe manufacturer. The power of the special-privileged ones must lie not

in their numerical strength, their right to vote, or their lung power, but elsewhere. It should be fun to discover wherein lies their amazing strength.

95

THE POLITICIAN IS A LOYAL SERVENT

*Looking at small advantages prevents
great affairs from being accomplished.*

—Confucius, *Government*

JUST BECAUSE a politician is caught stealing public funds once in a while, most of us unjustly look upon him as being everything that is detestable. True, most politicians may be inclined to accept a bribe now and then. Most of them may even be guilty of not keeping their election promises. Not all, but many, politicians may with justification be classified as thieves, liars, and cheats. But no politician should ever be considered disloyal. For of all men who do any sort of work whatever to earn their living, there is none who is more loyal to those who employ him than the terribly maligned scoundrels we so often elect to public office.

The dogcatcher, the mayor, the governor, the president, and other "servants of the people" serve those who *really* put them into office very well indeed. If it were the voters who were responsible for the politician's election to office, the wise politician would undoubtedly serve them. But these little people, who must be shamed into going to the voting booth once in a while to pull down a lever or to mark an "x" on a ballot, are hardly responsible for the election of "Honest" John So-and-so. They merely choose one of two or three carefully selected politicians, cast their vote, and then rush home to read their comics, sports pages, or movie magazine.

The little people who vote, rarely give even a dime to help pay their candidate's campaign expenses. Yet, even they should realize that newspaper publicity is expensive, that radio and television time is very costly, that boxes of good cigars, tables full of fine foods and rare liquors, and jewelry for movie stars run into real money. Somebody must pay for these good-will builders—which are more necessary to a politician who seeks office than either ability or a clean record. It is the tariff-protected manufacturers, the large landowners, officials of big banks and insurance companies, the labor unions, and others who are enjoying, or are out to get, special privileges that willingly and generously contribute to the politician's campaign fund. Without the aid of those who pay his election costs, the most capable, most highly respected, and most honest man in America couldn't possibly be elected to public office except by accident. Obviously, then, the politician owes his first loyalty to those who chose him in preference to the many other politicians who wanted the same job. Quite humanly, he believes he owes nothing to the voters who selected him out of two or three other politicians as the one most likely to steal least. The politician is neither flattered nor grateful for confidence of that sort, nor should we expect him to be. But even if the politician really wanted to serve the little people—and there have been many such—he knows, after being in politics a very short time, that it's as dangerous to disobey the privileged few today as it was when Sir Thomas More, the author of *Utopia*, was Lord Chancellor to Henry VIII. Sir Thomas, it will be recalled, dared to criticize the conditions he saw: the greedy landowners tossing peasants off the soil so that they might make greater profits through shepherding; corrupt churchmen keeping the little people in line for the landowners; the luxury of the court as compared to the poverty of the wealth-producing citizens of that time. King Henry didn't mind Sir Thomas's criticisms, since he also disapproved of the landowners and clergy of that period, mainly because they disapproved of him. But when Sir Thomas found fault with Henry's mania for collecting wives, the King, the landowners, and the clergy joined together to put

on the squeeze. They had Sir Thomas tried for treason and then had his head chopped off.

Even if the rich and influential had no objections to the politician's serving the voters, the little people wouldn't let him. No matter what he did, regardless of how beneficial or honorable his work for the little voters might be, he would be swamped with complaining telegrams and letters, most of them insulting and threatening, from the very people he tried to help. And since so many of the letters he would receive would have been written in almost identical words, he would know that the writers wrote to him only because some convincing radio commentator, union leader, or crackpot urged them to do so. He would soon realize that the little people who vote don't know what they want until they're told by someone wanting them to pull his chestnuts from the fire for him. These complaining little people know nothing about the bill they command the politician to vote for or against. They aren't the least bit interested in government, finance, or political economy, and yet they do not hesitate to send the politician a telegram commanding him to vote this way or that on a particular bill, because some overpublicized screwball tells them to. They'll demand that he frame laws to put an end to inflation, deflation, intolerance, unemployment, high taxes, war, isolation, free enterprise, or government control, in spite of the fact that *such things cannot be stopped with laws*. If laws *could* provide jobs, high wages, low taxes, peace, housing, and general prosperity, they'd have been written and passed long ago, since everybody is in favor of such things. And yet the voters continue to demand such impossibilities from the politician they voted into office; and he, to hold his job, now and then humors them by going through the motions of voting as they ask. While the passing of such laws does no good, it doesn't do much harm either.

But the privileged groups, on the other hand, know exactly what they want and what their political servants should do to give them what they want. When a manufacturer finds competition getting too tough for him, he calls his politicians—a

senator, secretary of state, or president—and orders them to put through a higher tariff or to give him a subsidy. Unless a bigger and more influential manufacturer objects, the boosted tariff rate goes through as ordered. If a land speculator wants more population on his land to boost its value, he calls one of the local politicians he financed, and before long planeloads of destitute people from foreign countries, as from Puerto Rico in 1951, are brought in as bonded servants (temporary slaves) to work, to populate, and thus to add value to his wilderness. If a landowner who owns land way out on the edge of town needs a subway or bus line or highway run out to his property to boost its value, a telephone call and a small reward will bring him the public improvements he wants, and the voter will stupidly pay for those improvements in taxes. If a bank or insurance company wants to erect a housing project, grateful politicians jump at the chance to serve their masters. Not only do they condemn the property their real boss needs but they arrange a tax reduction to make profits more certain for the man to whom he owes his job. The politician may be called on by the moneylending institutions to vote for a bond issue ostensibly to raise funds to pay the cost of government. Even though he knows it would be wiser to economize, and many times cheaper for the taxpayer to use land rents to pay the cost of government, the grateful politician gives the moneylenders what they ask. Yes, those who enjoy special privileges, unlike the voters, know what they want, they know how to ask for it, and they know how to reward the politician who serves them well.

The voter merely complains, but the special-interest boys reward. The voter doesn't know what he wants, but the big boys do. Since the politician is no different from any other human being, he tries to satisfy his desires in the easiest way he knows. And since it is certainly much easier to serve an appreciative man who knows what he wants than it is to try to serve complaining voters who don't, the politician will serve the privileged groups. Nobody likes to work for a fickle and scatterbrained boss, and the politician is no exception.

It becomes quite apparent, then, that the power of the special-privileged lies to a great extent in the willingness of grateful politicians—from dogcatcher up to president—to do as they're told. It is just as apparent that the masses of the people who don't know what they want until they are told by others have no say at all. They simply obey the laws. And so long as a select few are granted special privileges with which they may grow rich at the expense of the rest of society, those few will continue to have laws written for their own benefit. Consequently, with or without the right to vote, no ordinary citizen can call himself free. Political freedom, without economic freedom, is impossible where, as Oliver Goldsmith wrote, "laws grind the poor, and rich men rule the law."

96

SCHOOLTEACHERS DON'T STEP ON IMPORTANT TOES

The world's greatest thinkers have often been amateurs; for high thinking is the outcome of fine and independent living, and for that a professional chair offers no special opportunities.

—Havelock Ellis

THE MAN who hires out his brain or brawn for money is no more responsible for the use to which they are put than is the man who rents out his car or house. He'd like them to be put to a worth-while use, but if they aren't he must be content. Accordingly, architects, trained to design fine buildings, must draw up plans for horror shacks to please a client; doctors must often prescribe meaningless pills to please patients who insist upon enjoying every illness that is, at the time, fash-

ionable; commercial artists must draw monstrosities according to the whims of the pants presser who hires them, and economists must translate economic trends into an answer most likely to please those who keep him in food, clothing, and shelter.

The economist can make his living in only two ways: he may teach economics in a school, or he may become an economics adviser to a large organization. If he chooses the first, he must teach according to the interests of the school board, which is generally made up of landowners or moneylenders of little learning but great influence. If he wishes to become an economics adviser, he must find an organization that doesn't spend its own money—government, a bank, insurance company, or a charity organization—because his work or advice (as an economist) has little real value to a businessman. His duties will consist of demonstrating, with the aid of dull, voluminous reports, containing long rows of statistics and valueless charts and graphs, that whatever his employers prefer to believe is sound and true. For example, on the evening of January 6, 1950, one of President Truman's top economic "advisers" admitted during a radio interview that the findings of his economic committee were expected to coincide with the policies of the Democratic administration. He added that if serious disagreement with the government should arise, the "adviser" is free to resign. In short, it is not the job of government economists to seek economic solutions that are beneficial to the people, but to rationalize the blunderings of the president and his advisers. Economists, like all men, must eat.

Originally, when their art was very young, economists were hired by mercantilist trading companies to explain mathematically to the stockholders that what on the surface appeared to be a rather involved swindle was in reality, as proved by their statistics, an honorable business venture. Once in a while a hired economist (they called them political economists in those days) would forget he had a master and would rashly write the facts as he saw them. But he would soon learn to mend his ways. Adam Smith is typical, for even he, in his famous *Wealth of Nations*,

seems to have deliberately pulled his punches rather than follow his premises to their logical conclusion and thus offend the Customs House officials in whose employ he was. Scholars have long speculated as to the reasons behind the burning of Smith's trunkful of notes just before he died.

The result of economists' hiring out their brains and integrity to those willing to pay for whatever services they might render is that almost every major contribution to the science of political economy has been made by men who were neither hired teachers nor hired economic advisers, but who were retired businessmen, physicians, stockbrokers, publishers, and free-lance philosophers. A more significant result, however, is that the textbooks written for use in the world's universities today no longer treat with the dangerous-to-privilege science of political economy but teach instead the harmless art of economics, an entirely different subject. And to offset suspicion, perhaps, both words, *economics* and *political economy*, are today used interchangeably in our schools. Little wonder the students believe that both subjects are one and the same. Even our current dictionaries define *economics* and *political economy* as synonyms.

One need not be unusually suspicious or too imaginative to guess what might happen if a foolhardy professor or a careless economic adviser should forget that he has a master and then teach economic truths as he sees them. If we should suppose an economics professor teaching his students that the more of a man's income that is taken from him in rents and taxes, the less he can have left with which to buy food, clothing, and shelter, that professor would be tossed out so fast he'd hardly have time to gather up his charts and graphs. If an economics adviser should truthfully tell his tariff-protected employer that every tariff his corporation enjoys lowers the standard of living and purchasing power of every consumer in the country, that it intensifies poverty and openly invites war, he'd be out of work almost instantly.

Professors who have dared to say or write things that didn't please the trustees who support the colleges usually have been fired. That sort of thing has been going on for centuries. One

year before the first shot of the Revolutionary War was fired, one Thomas Spence dared read his paper entitled "Rights of Man" before the Newcastle Philosophical Society and was immediately expelled. William Ogilvie, a professor of King's College, Aberdeen, and a recipient of an honorary degree in the United States from Columbia University in 1793, didn't dare sign his name to his "An Essay on the Right of Property in Land." His book of course was suppressed. Thomas More's *Utopia*, a book that dared imagine a way of life happier than the one that prevailed in England, couldn't be bought in "free" Great Britain until more than twenty years after More's head had been chopped off. More recently, a professor who had been teaching in one of our milk-producing states waited until he was retired before he dared suggest that milk isn't so healthy as it is said to be. A professor in Duke University, which is endowed by the Duke tobacco fortune, certainly knows better than to write a paper demonstrating certain harmful results which might result from smoking too much. Our most famous case was that of John Thomas Scopes, who in 1925 was caught teaching Darwin's theory of evolution in a Tennessee public school. He was arrested, tried, found guilty, fired, and fined. His teaching career was over. That same year, textbooks teaching evolution were also forbidden by law in the schools of the "free" State of Texas.

We need only consult the files of any large newspaper to find professor after professor discharged for being foolhardy enough to teach doctrines that might possibly interfere with special privileges being enjoyed by those who finance the school in which they taught. Nor is that entirely unfair. For the man who sells his time, talent, and intellect to another for bread sells his rights to them, and therefore no longer owns them. And his master, having paid for the teacher's time, talent, and intellect, has the exclusive right to say how the time and brain power he bought shall be used. How much better for all it would be if, as in Jefferson's day, the student were free to select the teachers he wished to study with, instead of his being compelled to

study under only those men who have agreed to teach truth as they're commanded to see it.

It isn't only hired teachers who are forbidden to teach things that might embarrass the special-privilege boys. Lincoln Steffens, in his *Autobiography*, tells how, after having spent many years exposing the dishonesty of our country's most powerful politicians, he was gently and effectively slapped down when he tried to expose the thievery, being practiced by some of the oil landowners of America. These twentieth-century pirates, after



World War I, had grabbed oil lands in various parts of the world, and as the British pirates of Elizabeth's day had been backed up by her navy, the American oil-land grabbers were being backed up by the power of our government's armed forces. Since Steffens had had so little trouble exposing political graft, he naively thought he'd get away with exposing the oil-land grabbers. But he underestimated their power. According to his *Autobiography*, he wrote an article in which he "punished (a little) Sinclair and his associate, a cabinet member who yielded to the temptation to take over navy oil fields and operate them

for us." The article was accepted by Glenn Frank, who was then editor of the *Century* magazine. It was set up in type, ready for printing. It was widely advertised. And then—suddenly—*the article "was rejected!* Regarding this incident, Steffens wrote: "My feeling . . . showed me that I could no longer be a muckraker, *not of business graft.*" (Italics ours.)

Education has become just another tool of the special-privileged ones. There can be no doubt that learning is a good thing, since it enables the student to seek the truths where and when he pleases. But to educate is something else again. To stuff a fixed amount of carefully selected answers into a student's mind within a certain number of years can't help him think clearly but, on the contrary, can only confuse him, train him to stop thinking for himself, and induce him to give himself up willingly into the invisible shackles of those enjoying special privileges. An interesting paragraph from Arnold Toynbee's *A Study of History* touches on that thought this way:

The possibility of turning education to account as a means of amusement for the masses—and of profit for the enterprising persons by whom the amusement is purveyed—has only arisen since the introduction of universal elementary education. . . . The elaborate and ingenious machinery for the mass-enslavement of the semi-educated minds, invented for private profit under British and American regimes of *laissez faire* has been simply taken over by the rulers of states who have employed these mental appliances, reinforced by the cinema and the radio,* for their own sinister purposes.

And so we see that it is by holding control of the daily bread of the politician who makes the laws, and of the professors who teach our youth, that the special-privilege boys—though very few in number—are able to hold on to their lucrative rackets. That is not to say that the politician is evil or that the professor lacks integrity. As we have shown, they are as decent and honorable as any employee can afford to be. Excepting the tyrant, who is his own master, the politician must protect the interests of those

* And, we might add, television.

who give him an opportunity to earn his bread. A self-employed Aristotle may be able to teach truth even if the truth displeases Alexander the Great, his pupil; but the teacher who hires himself out to a school must serve the interests of those who endow the school, or he must stop teaching. Both the politician and the teacher are paid to obey. If either should accept payment from his employer and then disobey, he'd be as lacking in honesty and integrity as the manufacturer who accepts payment for goods and then refuses to deliver.

97

BLOODY AND BLOODLESS METHODS OF ABOLISHING LANDOWNERSHIP

To speak of a division of lands . . . is absurd. Such a division "would be as useless as it is improbable. But it is more than useless

—it is unjust; and unjust, not to the present so-called proprietors, but to the human beings who are continually being born into the "world and -who have exactly the same natural right to a portion that their predecessors have.

*—Edward Patrick Dove, *The Theory of Human Progression**

WE HAVE SEEN that landowner-ship leads directly to violation of human rights; that it is a monopoly gained by force and fraud; that it forces wages down to a bare living; that it lowers interest to a point at which it can hardly replace the capital employed; that it causes unemployment and thus becomes the underlying cause of depressions,

poverty, and all of the social ills which are known to stem from poverty; that it naturally leads to the enslavement of all who do not own land; that by denying economic freedom to the individual it also denies him political freedom, and that it enables those enjoying special privileges to control the government. We have also seen that the right to own land gives the landowner the right to collect the rents which are not rightfully his but the community's.

If landownership does inflict so much injury upon our economic system and personal liberties, we might reasonably expect that some methods for doing away with private ownership of land should have been developed. Actually, various plans have been suggested, and some have been put into actual practice. Unfortunately, those methods that have been tried were not, in the strict sense, methods, but were political actions that turned out to be as unjust and cruel as the institution of landownership itself. Without exception, none of the attempts to eliminate private ownership of land really aimed at doing so, for always the reforms were directed toward shifting the ownership of land from one group of people to another. Since people are people, regardless of whether they are of the nobility or the peasantry, landownership remains landownership no matter who the owners might be. Let's examine more closely some of the methods so far attempted, and we shall see quite clearly why they failed to better the condition of mankind.

For example, most revolutions were fought with the idea of taking the land away from the landowners by force, and then dividing it up among the people. The bloody French Revolution toward the end of the eighteenth century was typical. Driven mad by starvation and other hardships, savage mobs ran through France—mostly in Paris—hanging aristocratic landowners from lampposts. After they ran out of lampposts the hungry mob stabbed, shot, or beheaded landowners almost as fast as they could catch them. For a few years afterward there were no aristocratic landowners to be found in France. Nevertheless, there were still landowners—peasant landowners. The evil of land-

ownership hadn't been removed but merely transferred. The special privilege of one group had been simply handed over to another. Before long, those peasants who had received the poorest land—marginal land—naturally fell into debt to those who had received better land. Eventually they had to sell out to their luckier neighbors who, like the Hebrews of old, immediately "laid field to field," "removed their neighbors' landmarks," and today the land of France that had been divided *by force* has developed itself, *naturally*, into large estates little different from those the peasants tried to break up by bloody revolution. Today, France is again filled with landless, poverty-stricken paupers.

The Russian Revolution, fought with the same aim, "abolition of property in land," * followed the French pattern. Mobs ran through Russia slaughtering aristocrats. They murdered the Czar and his family first, and then methodically worked their way down to the smallest landowners until all were killed or driven by fear out of the country. But instead of parceling out the land among the peasants, as the French had done, the government took over all of the land for itself—in effect, made one huge estate out of the entire country. Here again the people couldn't benefit, because landownership was simply transferred from the old landed nobility to the present rulers of the Soviet Union—the political nobility. Consequently, the Russian people aren't any better off than they had been under the tyranny of the Czars. Even after more than a generation, the standard of living among the Russians is lower than that of most Europeans.

More important, they aren't so free as they had been as chattels of the czars. Before the revolution, at least a few socialists, anarchists, or nihilists, all enemies of the state, were permitted to sit in the Duma, the Russian parliament, and to have some voice in the making of the laws. But today, no opponents to communism are permitted to take part in making the laws of the Soviet Union. In fact, fewer than three percent of the Russian subjects are even allowed to be members of the Com-

munist Party, which means that fewer than three percent of the people in Russia have any political or human rights whatever. That, of course, is the *natural* result of permitting all land to fall under the control of a privileged few—in this instance the political bosses of the Soviet Union. Instead of "abolishing property in land," they've simply concentrated the ownership.

John Stuart Mill and Herbert Spencer, both champions of the idea that it is unnatural and unjust for anyone to own land, suggested that governments buy back the land from the landlords. Recently, in Great Britain, the Socialist government tried



just that on a small scale. Almost immediately after they came into power they began to buy land—mostly mineral-bearing land—from the landlords. That method wasn't as bloody as those of the French and the Russians, but it was just as fruitless and unjust. For, in the first place, additional taxes had to be levied on the English people so that the government might have funds with which to buy the land. Secondly, the government had to issue bonds in order to borrow enough to make up the difference between what they could collect in taxes and the amount needed for the purchase. As a result, future generations of Englishmen will have to pay for the stupidity of this one; for they'll have to

pay back all the money borrowed by the present generation, plus interest to those who hold the bonds—the same privileged few! Thirdly, and most fantastic of all, in paying the landowners for land that wasn't morally *their* property to start with, *the landowners actually received the equivalent of thirty or forty years' rent in advance!* That's no different from paying a robber as much as he might steal during the next thirty years, on condition that he stop robbing us. Consequently, British subjects didn't benefit as a result of the British method of doing away with landownership. On the contrary, they became more poorly fed, clothed, and sheltered, and were almost completely dependent on government charity in one form or another—charity for which future generations will have to pay. British laborers and businessmen were taxed more heavily than ever before. According to the records, in 1948 the British paid more than forty percent of their production in taxes to their new political masters. We in the United States paid only twenty-four percent, which, incidentally, is twenty-four percent more than any really free citizen should be expected to pay. (These figures do not include all of the hidden taxes, which undoubtedly amounted to as much again.) Perhaps the most logical method for eliminating private ownership of land is the one Henry George, an American, proposed in his internationally famous classic *Progress and Poverty*, which was published toward the end of the last century. He suggested that society should neither confiscate nor purchase the land from the landowner but let him keep it. Then, George said, let society collect all land rents from the landowners whether their land is being used or not. The natural result, it is generally conceded, would be that the land speculator could not afford to hold on to idle land that brought him no income. With the taking of rent—the annual land value—from the landowner, all the benefits of landownership would go to the community without their having to murder the landlord, take his land from him, or buy it from him. Just as owning the labor of a man is to own man himself, taking the rent of land from the landlord is the same as taking the land itself. George proposed that the

landowner be permitted to continue to hold title to his land but that the community collect from him *almost all* of the rent his land yielded. Three important results would certainly follow. First: every member of society would share equally *in the benefits* of the rent which society as a whole produced. Second: by allowing the landowner to continue to hold title to the land, and leaving him only enough of the rent to make it worth his while to continue to collect rents, the land-renting business could not fall into the hands of our easily corrupted politicians. Third: since the rent produced by land would be sufficient to pay the expenses of society, there'd be no need to levy taxes of any sort on the production of the nation's laborers and capitalists. But that isn't all that would be accomplished, as we shall see in later chapters.

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CAPITAL DOESN'T COMPETE WITH LABOR

I have never advocated the taking of land by the state or the holding of land by the state. From my first word on the subject I have advocated the raising of public revenues by taxation on the value of land irrespective of the improvements on it—taxation which, as fast as possible and as far as practicable, should be made to absorb economic rent and take the place of other taxes. And the reason I have always urged for this has been the simplification of government.—Henry George

AS WE HAVE OBSERVED, rent is the difference between two pieces of land. To review, let's consider two cigar stores in New York belonging to the same company, one on Fifth Avenue and 42nd Street and the other located a few blocks away on less heavily traveled Madison Avenue. The stores are identical in design; the merchandise, fixtures, and window displays are exactly alike. Having received the same sales training, the clerks on an average are equally capable. In other words, the two stores employ an equal amount and quality of labor and capital. But one of the stores does considerably more business than the other, only because it occupies land that is better located, more populous, more heavily traveled. The additional earnings of the busier store, then, are rent, and it is this rent that the Poleco-ist means to collect for the community's use.

Clearly, this rent is unearned by anyone, by either the clerks,

the stores' owners, or the landowner. It results only from society's walking to and fro around the land the stores occupy. Therefore, to take this rent from the landowner or moneylender who now collects it for his private use is to take nothing that rightfully belongs to him. Collecting this rent would be "taxing" land values, *not land*, the only "tax" which, in the opinion of tax experts, can't be passed on to the long-suffering consumer for final payment.* This tax is also the only one no politician—not even the president of the United States—would dare suggest collecting or even mentioning.**

And yet land rents are much easier and surer to collect than taxes. Since earliest recorded days, man has chiseled on his taxes and has cheated the government out of as much as he could with safety. The taxpayer still chisels. The man who files an honest tax return is rare indeed. In fact, it has been said that most businessmen judge the worth of their accountants by their ability legally to evade paying some of the many taxes under which the

* Although usually referred to as a *tax*, the collection of land values lacks the nature of a true tax, defined by Webster as: "a charge, especially a pecuniary burden imposed by authority; specif., a charge, usually pecuniary, laid upon persons or property for public purposes; a forced contribution of wealth to meet the public needs of government." The collection of land values is not a "burden," since land value is unearned; it is drawn from neither the earnings of labor nor that of capital; it isn't "laid upon persons or property" but upon rent, which is entirely independent of persons or their property.

** In the *Saturday Evening Post*, September 1, 1951, former Under-Secretary of the United States Treasury, Roswell Magill, wrote a lengthy article bemoaning the almost innumerable taxes that fall on the consumers of America. Evidently upset by the injustice of such heavy taxation, Mr. Magill nevertheless ends his article without offering any hope or solution whatever. He simply closes his 3,000-word lament with such thoughts as: "There is no good way or satisfactory way or tolerable way to raise \$70,000,000,000 for the Federal Government to spend. It can't be obtained from the well-to-do. They don't have it left to pay. It can't be obtained from corporations, without killing their activity and their growth or without shifting the ultimate burden to the consumer through higher prices. Seventy billion dollars can be obtained only by taxing you and me much more heavily than we've ever been willing to stand for." Is it possible that a man who has served as Under-Secretary of the United States Treasury never heard of raising revenue through the collection of economic rent, thus raising the revenue without taxing the "well-to-do" (whoever they are!) or taxing "corporations" or "you and me"; but simply taking from those now collecting economic rent and surrendering to the communities that same unearned increment that those communities, with no help from either labor or capital, unintentionally cause to come into being?

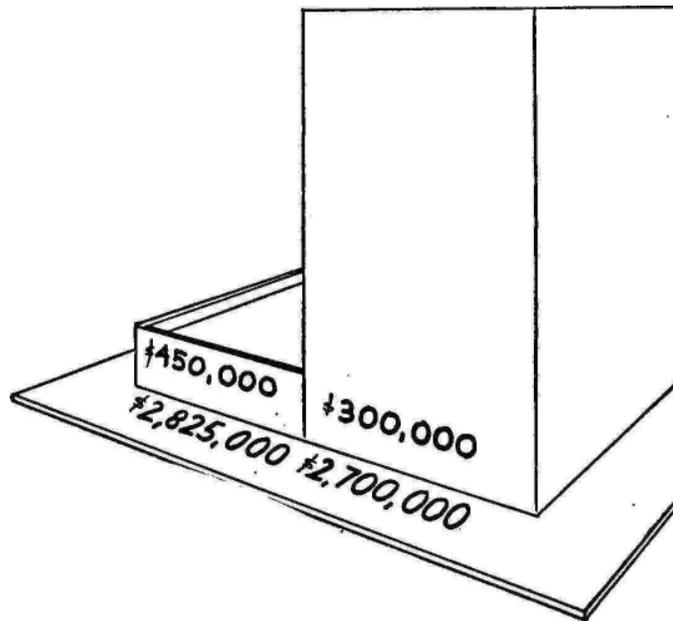
businessman staggers today. But collecting economic rent (land values) is different. Land, unlike income, can't be hidden away or disguised. Unlike profits, land is a definite sort of thing; we can't lie about its size, its location and economic value. For land is right out in the open for all to see. If, by chance, one landowner should through bribery or error be undercharged, we may be sure that his neighbors, desiring the same privileges, will rush to the assessor to complain until the mistake is rectified. Moreover, the payer of land value won't file a return, but will be billed just as the real-estate owner is today. And as the real-estate taxpayer does today, the payer of land values will pay what his bill calls for with no chiseling, in full, and on time.

Because we've gotten into the habit of lumping together the land and the buildings that rest on it, and then calling both *real estate*, it is almost impossible for the average citizen to guess how much of the assessed valuation is levied against the building and how much against the land under it. The sad truth is that most city dwellers rarely suspect that land even exists. They can't see it because, in the city, most land is covered with a building of some kind. When reminded that there is indeed land under every building, they can't see that it—as land—has considerable value. Yet, as we know, city land is usually far more valuable than the buildings erected on it, and a few feet of it very often will cost many times more than an acre of the most productive land out in the country. These facts are more easily appreciated in those cities where land values are assessed separately from the improvement values. To separate the two is as delicate an operation as separating the egg yolk from the white; but it can be done, and it is actually being done in many of our states.

In New York City, every single foot of land in all five boroughs is assessed just as though no improvement rested on it. Property owners of that city are assessed so much for their land, plus an additional amount for the buildings and landscaping on it, and then they're taxed \$2.89 per \$100 of assessed valuation on both. Surely, if the values of land and improvements can be separated

in a city as large and complex as New York, it can be done with comparatively little expense and trouble anywhere.

Once the value of land is separated from the value of the improvements on it, collecting economic rent instead of taxes becomes unbelievably easy. It might be difficult to get the special-privileged ones to allow us to collect rent, but the actual method of collection is extremely simple. Just how simple it is might be demonstrated if we should choose any single block anywhere on earth. And since Times Square in New York City is known to more of the world's people than any other street, let's examine a block in that area—the block running along Broadway from 42nd Street to 43rd. It is a convenient block to work with, because there are only two buildings on it: an old 14-story office building that was modern during World War I, and an ultra-modern "taxpayer" that is only two stories high. Forgetting the spectacular electric sign that rests on the top of the smaller building, the block looks something like this:



The smaller, new building occupies 8,424 square feet more land than the old timer; but the corner it occupies isn't quite so busy as the other and therefore produces less rent. Consequently, the land on the 43rd Street end of the block is assessed at only \$140 per square foot, as compared with \$240 on the busier 42nd Street end. But because the two-story building resting on the land is so much newer, it is assessed at \$150,000 more than the 14-story office building next door.

When the tax collector sends his bill to the owners of these buildings, he first adds the land value of the site to the present value of the buildings, and then taxes both at the New York City tax rate which is, at this time, \$2.89 per \$100 of assessed valuation. In our example, it works out like this:

Total taxes collected from the owners of these two properties, then, equal \$181,347.50, which is a lot of money, but not nearly so much as the city might receive if its communities should collect land rent alone, instead of taxes on both land and improvements as we now do.

It will be recalled that the selling price of land is found by *dividing* the rent it yields by the current rate of interest (see page 175). Assuming that the assessed valuations, taken from the tax department's own figures for 1948-1949, are correct, all we have to do in order to find the approximate rent yielded by these pieces of land is to reverse the process: *multiply* the assessed value by the current rate of interest, like this:

Total land value (economic rent) collected from both pieces of land *only* (underassessed as they are) equals \$276,250, *which is more than one and a half times as much as the city today collects by taxing both the buildings and the land.* And that's all there is to collecting land rents.

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DIRTY WORK ON THE SIDE STREETS

Some circumstantial evidence is very strong, as when you find a trout in the milk.

—Henry David Thoreau

THE ASSESSED VALUE of land is far from being its full value or its actual selling price. Why this should be so isn't hard to guess if we know who benefits from an undervaluation. One need not be a gifted fortuneteller or a trained logician to see that the lower the assessed value of land is, the smaller will be the tax paid by the speculating landowner. If the taxes he is required to pay are kept low enough, he can afford to hold "his" land out of use indefinitely and with little or no cost to him.

In practice, the land speculator rarely pays even the smallest tax out of his own pocket. By allowing more-than-willing manufacturers and merchants to pay him for permission to build a

* The current rate of interest, as estimated by one of our largest insurance companies, is less than 4%. But since interest falls as taxes rise, the average earnings of capital, if we should abolish all taxation, would certainly be much higher than the 5% we assume in our example.

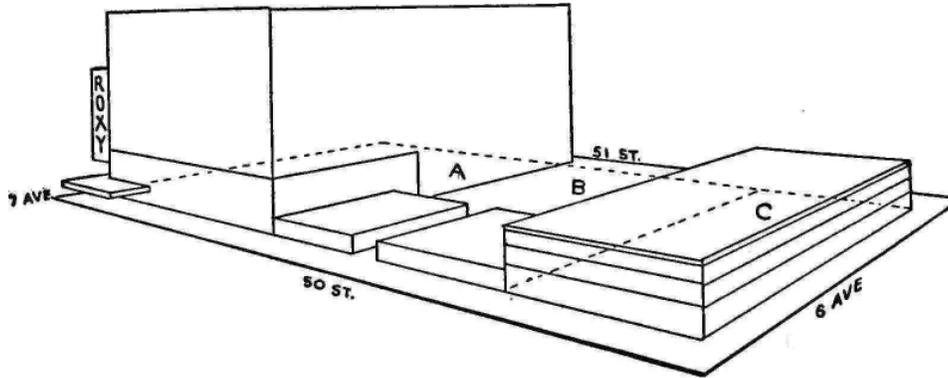
small factory or store on "his" land, the speculator (and land monopolist) can collect enough in rents to meet his small tax bill and still have a few dollars left over with which to indulge himself. And if we remember that land monopolists, like others enjoying special privileges, are the really important members of every nation, and that they *do* have the power to control the politicians in charge of assessing the land, we may be reasonably suspicious that they have a great deal to do with having the assessed value of "their" land kept comfortably low.

If we dig into the tax records of any town or city, we can't avoid evidence that land is not assessed at anything even near its market value—its true value. If we compare the 1949 assessed valuation of almost any parcel of land and compare it with the assessed valuation of twenty years ago, we shall find that in spite of inflation, increase of population, and additional public improvements—all causes of increased land values—and in spite of the much higher rents now being paid for the use of land, the *assessed* valuation has increased very little—in fact, in many instances it has fallen.

To demonstrate an amazing but by no means unusual example of this, let's examine another block in midtown Manhattan, this one a few blocks north of Times Square. Like the other block we examined earlier, this one is familiar to all native New Yorkers and to most visitors. It is 50th Street, along which people pass in a steady parade on their way to and from Radio City.

In 1930, over twenty years ago, this area was quite different. First of all, the erection of Radio City wasn't even begun. The dirty, noisy Sixth Avenue elevated trains still rattled and rumbled over the pedestrians' heads. Driving automobiles in and out between the iron posts that held up the elevated tracks was difficult and hazardous. The sidewalks, always in the shadow of the elevated structure above, were dirty, dark, and sinister and were traveled for the most part by drunks, vagrants, and beggars. Cheap little shops lining both sides of the avenue, the greasy, dimly lit lunchrooms, flophouses, gin mills, bookshops that featured pornographic literature, and other businesses common

to broken-down neighborhoods were hardly the sort to encourage anyone with spending money to stroll toward or on Sixth Avenue. As a result, 50th Street was among the least-used thoroughfares in that part of town and, as we might expect, land values were



comparatively low. The assessed valuations indicated under our drawing are those that prevailed on 50th Street under the conditions we have described.

Radio City has since arisen and has attracted people from all over the world. Across the street from the corner marked C in our drawing, the world's largest and most luxurious theater has risen, and from the day it opened it has been surrounded by

milling mobs of money-spending people. Certainly those crowds must have increased land values in the neighborhood. To improve the neighborhood further, the old elevated structure was pulled down, the streets were beautified, a new subway line was dug, and a subway station was built right on the corner of the block we have illustrated—all at the taxpayers' expense. This too should have boosted land values somewhat in the neighborhood. Because of the tremendous increase of population on Sixth Avenue, tenants there and for blocks around, if they wished to continue to live and do business in the area, were compelled to pay much higher rents. Consequently, the owners of the cheap businesses and flophouses could no longer afford to stay on Sixth Avenue. They and the tramps, drunks, and prostitutes, no longer able to afford to inhabit the neighborhood, moved away to less expensive parts of the city. As they left, better stores were built (at the tenants' expense, of course) and people with spending money in their pockets began to frequent that part of town. A world war was fought in the meantime, which indirectly brought many millions of additional dollars in extra business to this particular block. And the more prosperous the neighborhood became, the higher climbed the rents that the merchants and residents of the neighborhood had to surrender to the owners of the land who, let us remember, hadn't spent a nickel of their own money to improve the area. In other words, all of the improvements, paid for by the taxpayers of New York City, poured additional dollars into the pockets of those who merely held title to the land and then boosted the rents of the taxpayers who paid for the improvements! As a result of this apparent increase in land values on this block, we might expect to find that the city had assessed the land at a higher figure so that it might get back some of the money it spent—get back some of the costs of improving the neighborhood from those who, for the most part, benefited most. But nothing of the sort happened. If we compare the assessment figures of 1930 and 1949, we shall see some queer things. We shall find that Land A, in spite of the obvious increase in land values during the past twenty years, has fallen in

assessed value by actually \$630,000! Land B, entirely unimproved in 1930, and now only partially so, is assessed at \$10,000 *less* than it had been assessed at twenty years before. Only the parcel of land on the corner of Sixth Avenue has been assessed at a higher figure—an insignificant \$155,000 higher. And that means that the city, taxing at the usual rate, collects less than \$5,000 a year additional with which to pay for tearing down the elevated structure, beautifying the street, and servicing that corner with a brand-new subway and station. If it is true that increased population and public improvements invariably increase land values—and nobody has ever argued against that too-obvious fact—and since the spending population has multiplied many times over in that area, how the assessors can possibly justify the *reduction* of any of the land assessments on that block is far beyond human understanding.

The south side of the street, as city records show, tells a somewhat different story. Because fewer people walk on that side of the street, we should expect to find land values there have fallen just as far as those across the way. But, for some mysterious reason, they haven't. Land values on the south side have gone up by almost the same amount as those on the other side have gone down. Land values on the north side are \$485,000 less than they were twenty years ago, while land across the way is now valued at \$490,000 more than in 1930. Lumping both sides of the street together, we find that in twenty years of the most favorable conditions, total land values on 50th Street (according to the city assessors) have increased by a laughable \$5,000—less than a year's pay for one of the chefs working in the neighborhood's cheapest restaurant. To put it another way, the city now collects \$144.50 more in land taxes than it did twenty years ago when 50th Street was a dirty, neglected, seldom-traveled side street.

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TAXATION UNNECESSARY

Necessity is the argument of tyrants, it is the creed of slaves.

—William Pitt

IN ONE RESPECT, our drawing doesn't seem to support the Poleco-ist's argument. For it shows that the city now collects \$39,907 more through taxation on the north side of 50th Street* than it would if it collected land rents instead. But it must be remembered that, while the figures are authentic—taken from the city's own tax records—they do not represent the actual selling price of the properties, but simply figures the assessor probably thought least likely to offend the land speculator. Considering the tremendous increase in population and improvement on 50th Street during the past twenty years, we might certainly assume the true value of the land on this block to be at least one hundred percent higher than the present assessment. But if the city boosted the assessed valuations of the land only fifteen percent, it would collect \$16,930 more in land rents than it now does by taxing improvements as well as land.

Based on findings that have resulted from comparing the assessed values of properties in various parts of the city with the prices at which they are sold or rented, the true value of land appears to be, on an average, about three or four times the assessed value. For example, a property on Broadway between 41st and 42nd Streets was recently mentioned in *The New York Times*. It seems that this piece of land was rented to a builder who wanted to erect a modern structure on it. Merely for permission to tear down the old buildings and to replace them with a larger

* If *both* sides of 50th Street are lumped together, the city now collects only \$7,410 more through taxation than it would through collecting land rents instead.

and more up-to-date structure, all at his own expense, the builder agreed to pay the landowner \$5,000,000 over a period of twenty-one years. In other words, the builder will pay more than \$238,000 a year to the landlord not to buy the land—but merely to rent it! If we capitalize this rent (see page 175) by dividing it by the current rate of interest—which today is around four percent—we shall find the true value of the land to be \$5,950,000. But if we consult the tax records, we shall find that this same piece of land is assessed at only \$1,560,000—about one-quarter the true value.

The city blocks we have chosen to examine so far are by no means the worst existing examples of underassessment. Most—perhaps all—land parcels are underassessed. The tax department records are chock-full of many instances of land assessed at only a tenth of their true values. Not only will this be found to be true in New York, but throughout the country. Not only is it true of city land, but of farm, coal, oil, mining, and timber areas as well. To list instances here could serve only to bore the reader; but if he requires proof, let him select any piece of productive property in his own home town, wherever that might be, and then let him try to buy the land at the price at which it is assessed for tax purposes. The experience of having the landowner laugh in his face will do far more to further the Poleco-ist's contention than any number of specific examples monotonously outlined on these pages.

If we assume, for the sake of argument, that land generally is assessed at as much as one-third its true value, and if we then reassess all land accordingly, we shall find that land rents of the United States are equal to the nine billion dollars in taxes collected by the entire nation—*by every city, county, and state as well as by the federal government*—in 1930. Needless to say, those nine billion dollars collected in 1930 (two years before Roosevelt became president) would be just chicken feed today. For our tax collections at the present time amount to more than fifty billion dollars a year; and even that obviously isn't enough! For our governments—local, state, and federal—are compelled to

borrow money from the moneylending institutions besides. Therefore, if our government insists on being supported in the extravagant manner to which it has grown accustomed, it might be necessary to multiply some of the present assessed valuations of land eight or ten times before collecting the land rents.*

To soothe the world's landowners, before they begin their customary howling of "Robber!" and "Confiscation!" the Poleco-ist assures us that it won't be necessary to jack up assessments anywhere near that much. For the government, of its own accord, will require less and will spend less. At the first suggestion that the citizens intend to collect land rents instead of taxes, the landowners of the country are sure to command their politicians immediately to stop tossing money around so light-heartedly. That sort of thing might be excused when taxes were being collected, for then it was the money of the little people that was being squandered. But when land rents are collected, it is the landowner's money—his land rents—that are involved! We may be sure that he won't stand for having his money stuffed down bottomless bureaucratic rat-holes. And we may be equally sure that our politicians will then become thrifty—immediately —for politicians always obey the landowners and moneylenders. Moreover, the 243 million dollars our federal government, alone, spent in 1949 to collect its taxes will be saved. For, with no taxes to collect, there'll be no need for the thousands of federal and state civil-service employees and expensively equipped bureaus that are now employed to collect taxes. And what is more important, as we shall see in the following chapters, less money will be required to support police departments and prisons, health departments and hospitals, psychiatric agencies and asylums. But, most important of all, once industry is freed of the burden of taxation, production can't help but increase at a phenomenal rate, which will cause an increased demand for land; and that of course will mean that a greater amount of

* In *The New York Times*, August 19, 1951, it was reported that "Robert H. Armstrong, a leading appraiser and economist," stated: "Unfortunately, both the assessors and the members of the tax commission seem to be totally unaware of the changes that economic conditions of the past decade have brought."

land rents will be collected, further to enrich the communities that produced them. Greater production and general prosperity, which are certain results of land-value collection and the abolition of taxation, will again reduce the amount of revenue required to finance our governments in another way; for when prosperity prevails, there will be no need for the many costly subsidies, doles, and other charities now comprising so large a part of our national expense.

Anyone who stops to think the question through can't escape the fact that there'd be more than enough in land rents collected under such circumstances to support our government and any other government far more lavishly than it has ever been supported. And yet the one great objection voiced whenever the idea of collecting land rents instead of taxes has been proposed, has usually been, "It is doubtful whether a revenue sufficient to meet the government's needs could be collected in land rents." We have tried here to show that more than enough money could be gathered through this method. But, for the sake of argument, let's suppose that our government expenses will be greater than the land rents collected. That, certainly, would be no reason to dismiss the idea of allowing the communities to collect the land rents. For, as we know, the government hasn't been able to support itself through its present method of taxation either. It has borrowed money steadily since 1814 to make up the difference between the taxes collected and its expenses; this, in spite of the fact that it has levied hundreds of different taxes.* And yet, the knowledge that it can't support itself on the taxes it now collects doesn't discourage our government from cooking up new ways to tax labor and capital. It isn't really doubt as to whether sufficient income in land rents might be collected that stands in the way of trying the idea. Something bigger and more important bars the way.

Whether or not land rents will provide a sufficiently large fund

* In 1949, research by the Tax Foundations, Inc., revealed that more than 500 different taxes are levied on the construction of a single \$10,000 house. All of these, of course, are eventually paid by the consumer.

has nothing to do with the fact that it is generally agreed by all economists that taxation does hinder production; that it does reduce wages and interest; that it does lower the average standard of living; that it does reduce purchasing power. Moreover, it does obviously violate man's natural right to keep all that his labor and capital produce. Therefore how can we question that taxation should be abolished even if sufficient land rents couldn't be collected? Whether or not the government can live comfortably on collected land rents has no bearing on the fact that no person or institution has a just claim either to land or to the rent that springs from it, since land was produced entirely by nature and the rent was produced by society as a whole. For individuals or institutions to take land rents for themselves is, quite clearly, to rob every member of society of what is rightfully his. Whether or not the government will receive enough money through land-rent collection doesn't make the private collection of these rents less dishonest. In short, whether or not the funds collected in land rents is enough to pay the nation's bills is of minor importance. The important thought to remember is that the collection of land rents frees mankind from taxation, the tyrant's whip. Fortunately, as we have shown, the collection of land rents will produce a more-than-sufficient revenue.

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RESULTS OF COLLECTING LAND RENTS

The axe is laid unto the root of the trees.—Luke 3:9

ACTUALLY, the advantage of collecting land rents instead of taxes doesn't lie in the greater income that local, state, and federal governments would receive. Nor does it lie entirely in the fact that to collect land rents that belong to nobody in particular is more honest and more just than to tax

away the citizens' wages and interest as we now do. Far more significant, the collection of land rents makes land speculation, the clogger of the land-to-labor pipe, unprofitable, and by doing so causes it to vanish just as naturally as a weed denied sunshine and water soon shrivels, dies, and disappears. With no profits to feed on, land speculation can't possibly escape certain death.

For it must be plain that the only reason any man speculates in land, or in anything else, is to make a profit. Only a fool would tie up his money for years just for the fun of saying, "This is *my* land, and nobody else may use it." Since the only profits in land speculation are the increased land rents which come into being with the increase of population, to have the community take that increase for its own use is to leave no winnings for the speculator. With the odds a million-to-one against his winning anything, only a madman would speculate, and even he would soon go broke and starve himself out of existence. And so, we may accept it as self-evident that *when society collects the land rents for its own use, land speculation can't pay off; and when land speculation ceases to pay off, land speculation dies a natural death.*

To demonstrate by actual example how quickly the collection of land rents by the community must yank the props out from under land speculation, we might consider a familiar piece of land—this time on lower Broadway—the block on which the Woolworth Building stands. The land under the skyscraper—and *the land only*—is assessed at \$8,000,000. Just one block south, another block of land which happens to belong to the estate of John Jacob Astor is assessed at only a bit over \$1,000,000. And yet both blocks are equally well located—both are on Broadway, one directly across the street from the other. If we should assess at somewhere around the same figure the less improved Astor land and that which lies under the Woolworth Building—and that would be only fair—even the powerful Astor Estate couldn't afford to hold on to that site in its present partially improved condition very long.* At the present time, for around \$75,000

* The Woolworth Building itself is assessed at \$7,500,000. The buildings on the Astor site are assessed at \$1,650,000.

annually in taxes, the Astor Estate can hold on to the property while land rents continue to pour into their coffers in ever-increasing amounts year after year. That \$75,000 amount is, of course, far less than the rents now being collected by the Astors from the earnings of the tenants now occupying that particular block. But if the Astor land were assessed at the same figure as the Woolworth site, and the land rent were then collected, the Astor Estate would have to pay \$400,000 a year—more than five

times the amount it pays at present. With so much more money going out than it now receives from its tenants, the Astor Estate would be left with no choice but to walk away from its holdings, or to improve them by erecting a building large enough to produce at least \$400,000—an amount equal to the land rent it would have to pay out. If the Astor Estate should choose to abandon the site, many builders would willingly pay the full land rent to the community in order to get such a wonderful location for a skyscraper, and whichever one offered the best price to the community would be free to use it. If, on the other hand, the Astor Estate should itself choose to erect the necessary buildings,

the result would be the same. For either way, abandon or improve, land speculation on that block disappears, and a building representing thousands of jobs would be erected.

What has been shown to be true on the Astor Estate block might be shown to be true on all land, everywhere in the world, that is now held for speculation. To jump over to the other side of our country and examine the situation there, we might consider the advertisement that appeared in the Real Estate Section of *The New York Times* of October 23, 1949:

Every sentence carries a sermon. For example, temptation to embryo speculators lies in the sentences "Offers an excellent opportunity to hold" and "Property should double in value in a very few years." The ad as a whole reveals a landowner who is offering a thousand acres for sale (the equivalent of a thousand average city blocks) just as if it were rightfully his to sell. According to the advertisement, the property offered is nothing more than plain, absolutely unimproved wilderness that is just as it was when Mother Nature, millions of years ago, first finished putting it together. The present owners, by their own admission, did nothing but hold it out of use until the press of population in Los Angeles, only a half-hour away, shot the selling price of the acreage far above its true value. "It [the land] is irrigated by Los Angeles City water" paid for not by this landowner but by the wage earners, businessmen, and homeowners of Los Angeles. The "paved highway through center and highway to the ocean" were also paid for out of the taxpayers' pockets and not those of the landowner. And the "room for up to 5,000 houses on the choicest fertile areas in Los Angeles County" wasn't provided by the landowner either. All that room and fertility, free gifts from Mother Nature to *all* of her children, were there long before the first man appeared on Earth. In short, all the landowner did was to grab and fence in a thousand acres of our planet and then, with the help of the law, he got the people to acknowledge his right to keep them away from the land they need. It is unlikely that the present landowner did the actual land grabbing, but there can

be no denying that somewhere along the line those thousand acres, like all land, were originally stolen by force or taken through fraud.

But suppose the owner of these acres had been compelled to pay the people of Los Angeles County the potential earnings of "his" land during all the years he held it out of use—years when Los Angelinos were desperately begging for land upon which to live and produce their wages. With no earnings coming in, and with money equal to what the land might have earned if "up to 5,000 houses" had been built on it being paid out of his pocket to the community every year, we may be sure that the landowner would have either abandoned or improved his thousand acres. If he chose to relinquish his title, anyone wishing to do so might have built himself a home or a place of business on it; or he might have cultivated it for farming or grape growing. That would have certainly stepped up production of wealth and wages in that area. And if he preferred to build the 5,000 houses rather than walk away from "the choicest fertile areas in Los Angeles County," additional jobs for builders and building-material manufacturers would have resulted. And either choice would have put an end to land speculation in that area.

Landownership, it will be recalled, is the mother of twin brats: *land speculation* and *land monopoly*. We have seen how easily we might kill land speculation by taking from it the land rents on which it feeds. By depriving its brother, land monopoly, of the same food we can starve it out of existence, too. This fact becomes tremendously important if we stop to understand fully the extraordinary power which land monopoly gives to the owners of huge tracts of better farmland, mineral- or oil-bearing land, timberland, and other lands rich in natural resources. For to hold a monopoly in such land is to hold a monopoly in the nation's raw materials, without which all manufacturing would be impossible. To hold such a monopoly enables the monopolist to demand and get almost any price he wishes for his raw materials, the only limit being the minimum wages his tenants are able to live on. Consequently, everything produced on his land—by

laborers and capitalists—above the lowest level of wages and interest falls *naturally* into the land monopolist's pockets.

Another advantage of holding a monopoly in land rich in natural resources is the fact that it enables the owner to freeze out competition. For it is obvious that nobody can compete with him on equal terms if he hasn't an equal opportunity to use the natural resources that were freely provided by Mother Nature for all her children. The large steel companies, aluminum companies, oil companies, lumber companies, and sugar companies are usually referred to as *big business*. The Marxists call them capitalists.* Actually, they are neither. They are, more accurately, *land monopolists*. It isn't as businessmen manufacturing wealth that they hold monopolistic strength, but as owners of all the land bearing the richest natural resources from which the raw materials are taken. There couldn't possibly be a¹ lumber monopoly if lumber monopolists, like the Weyerhaeuser family, didn't own all of the nation's *better* timberland; or a steel monopoly if all of the workable iron mines weren't held by the steel companies; or an aluminum monopoly if all the bauxite and hydroelectric power sites by which aluminum is made weren't held by the monopolizing company. If we wish to destroy such monopolies, it is first necessary to destroy the land monopoly from which they draw their strength. And to do that, as we have seen, all that is necessary is to allow the communities to collect the economic rent that is found in all superior land containing natural resources.

While it is true that every man, or company of men, has a natural right to own *all* the wealth his labor and capital can dig out of the ground, nobody has any right to own the minerals still in the ground, since they weren't put there by anybody. They were there long before man came to dig them out and

* This confusion arises as a result of the Marxists' failure to distinguish between land and capital. Land, in the politico-economic sense, is produced by nature and doesn't become capital until labor has been applied to it. It follows then that the land monopolist, holding, as he does, the source of all capital, is in a position to control the production of capital. But that doesn't make land and capital identical.

were intended for the use of all men of all generations, and not exclusively for the first man who came along to put up a "No Trespassing" sign. Similarly, the man who plants and tends an orchard has every right to own every one of his trees and every bit of the fruit they bear, since they are the products of his labor, patience, and genius; but the right to own the trees that grow wild on timberland, trees that were planted and made to grow by nobody, can't rightfully belong to anybody. Society as a whole has every right to share equally in these riches freely given by nature. Likewise, all humanity has a natural right to share equally in the vast store of iron, coal, oil, gold, and other minerals deposited in the ground by Mother Nature. If the community collects the full value of these resources as they are dug out or chopped down, and uses the wealth thus collected to provide itself with public improvements and to support the government, the equal rights of all the people to the resources will be satisfied. The same operators who now do the mining and the timber cutting may continue to do so, and more profitably; and those who now own the land may continue to say they own it, just so long as they surrender the economic rent which, as we have shown, rightfully belongs to the community at large.

Again, it isn't the additional income the communities will receive from land rich in natural resources that makes rent collection so worth while. It is, rather, the inescapable fact that by collecting land rents we break the land monopoly. Many mines, vast areas of farmland, and much timberland are now being held out of use by the owners because working such land—marginal land—costs more than can be gotten out of it. But such land does have a value because of the natural resources it contains. Therefore, anyone wishing to hold on to such land without working it would be expected to pay the community as much for the right to hold it out of use as someone else might offer for the right to use it. Since it wouldn't be profitable for a big company to work such land, it would more than likely be abandoned and left free to be used by anybody who cared to work it. As a result, nobody who could swing a pick or an axe would have to be out

of work or be without wages or depend on government doles or other degrading charity for his supply, once the economic rent of all land is collected by the community (see Chap. 85). And if the community should feel that its members should retire from work at sixty, forty, or even thirty, pensions could be drawn from the huge fund of collected economic rents. Instead of living off the labor of others as pensioners do now, they would receive their support from the rents freely and generously produced by land! That is as it should be, for the land was intended to *provide man 'with the means to stay alive.*

Moreover, once economic rent is collected instead of taxes, *all monopolies*, unless deliberately supported by the government, *collapse*. With so much iron-bearing land available to anyone who wanted to work it, there'd be perhaps hundreds of steel-producing companies instead of the one or two now producing the bulk of the nation's steel. As we learned earlier, monopolies in goods eventually destroy themselves; those based on government-granted privileges last as long as the law supports them; but land monopoly goes on forever, without help—unless the community collects land rents to take from monopoly's mouth the food on which it feeds.

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HOW LAND-RENT COLLECTION STEPS UP PROSPERITY

Now he that planteth and he that watereth are one: and every man shall receive his own reward according to his own labour.

—I Cor. 3:8

LET'S RETURN now to the land speculator who can no longer profit by holding land idle

since the community collects the full—or almost full—land value from him whether he uses his land or not. Obviously, since he can't afford to pay out rent for land that earns no income for him, he is left with no choice but to improve his land to its full economic capacity or to abandon it. Whichever choice he makes, the entire community must benefit. For it doesn't matter whether he himself improves his land or whether someone who takes over after he walks away from it does the actual improving; the result is that additional labor is put to work on additional land. In other words, the land-to-labor pipe which had formerly been clogged by speculation and monopoly is freed of all obstruction once land rents are collected by the community.

Most owners of better-than-marginal land would most likely choose to improve their land because (i) they'd want to get back in rentals at least as much as they would have to pay to the community in land rents; (2) any improvements they should make, no matter how elaborate, would be completely tax free, and (3) since the community wouldn't want to collect the *full* land rent (but would be satisfied to allow present landowners to retain a small part rather than allow the abandoned land to fall, into the hands of government and thereby attract thieving politicians) the landowners would still be getting an advantage.

Since the landowner, like all humans, seeks to satisfy his desires in the easiest way, and can best satisfy his desires by getting back out of his land more than he must pay out in land rents to the community, he'll happily tear down the slum tenements, shacks, and outmoded buildings now on his land and will replace them with more modern structures: not because he wants to beautify the city but because, being human, he knows that putting up modern improvements would be the easiest way for him to attract tenants. He'd clearly see that under a system of free enterprise there'd soon be an abundance of housing and business structures, and only the better ones could attract tenants. For who would agree to live in a slum or do business in an outmoded firetrap if modern quarters were available at the same rental?

Almost immediately, then, after community collection of land rents began, the nation would see the doggonedest and longest-lasting building boom ever dreamed of! Landowners who formerly held land only as a speculation would now desperately improve their properties for use. And, to do so, they'd scurry about wildly trying to hire architects, bricklayers, steel-construction men, carpenters, electricians, painters, and all of the many other types of building-trades labor. There'd certainly be more jobs than men to fill them, and the result, undoubtedly, would be much-higher-than-union-scale wages. For whenever the supply of labor is lower than the demand, wages *naturally* climb much higher than man-written laws, strikes, union bargaining, or socialistic controls can artificially force them.

Moreover, let's remember that buildings aren't made of labor alone. Building materials—mountains of them—would be needed too. The quantities needed of brick, lumber, plumbing, electric wire and fixtures, girders, concrete, glass, nails, paint, refrigerators, and the thousands of other manufactured articles used in building would be far beyond our imagination. And to produce this fantastic quantity of goods would require an equally amazing quantity of labor and capital! In order to produce the manufactured articles, raw materials—logs, iron ore, oils, paint pigments, copper, asphalt, rubber, cotton, and so on—would have to be produced by miners, farmers, and lumbermen—more labor and capital therefore being profitably employed.

And with all these extra jobs and income—in both wages and interest—everyone will certainly be able to afford more and better food, clothing, and shelter, better schools, and better paid educators. And that, of course, would mean more jobs for the manufacturers of our food, clothing, shelter, and gadgets.

Educated as we have been to an "economy of scarcity," we find this description of production under a free economy—an "economy of plenty"—hard to believe. That simply collecting all land rents to force idle land into use and doing away with all taxation could result in such far-reaching benefits for all men is

certainly unbelievable at first sight; but that it is indeed true has yet to be logically disputed!

The alert reader may be wondering what we're going to do with all this production—especially with so many new buildings. Certainly there must be a limit to the number of offices, apartments, stores, and theaters that even the largest of cities can use. And, the builder will argue, since the value of city land is so high, and the owner will accordingly have to pay so much to the community in land rent, only very tall buildings could be erected. For, in order to get back enough in rentals to make up for the amount of land rent paid out, the owner would have to pile rental units story on story. Since even today not all skyscrapers are fully rented, what's the point in building more of them? All of these arguments are sound.

But—builders aren't fools. When the demand for office buildings and apartment houses is completely satisfied—and it is very unlikely that the day will ever come that man doesn't want even bigger, better, newer, or more convenient quarters for living and for business—builders will, as they do today, stop building them. The one- and two-story "taxpayer" buildings now covering most big-city areas will most likely be torn down and, if not replaced by skyscrapers, will leave many large vacant areas spotted between the tall buildings. If these idle lots can't be afforded for private production purposes, the community might use some of the land rents collected to turn them into beautifully landscaped gardens fitted with tables to which office workers might bring picnic lunches in the spring and summertime. Some of these areas might be transformed into swimming pools, ice-skating rinks, outdoor libraries, or tennis courts. Or, if the community preferred, it might earn additional revenue by making them into fruit-tree-bordered parking lots. Empty space in our cities certainly isn't the city planners' problem today. It's the overcrowding caused by too many low, squalid buildings, too-narrow streets, lack of recreation areas and auto-parking facilities that present the difficulty facing our city planners and slum-clearance architects. It is plain to see that once the community collects land rents in-

stead of taxation, cities will become less crowded and the wilderness that separates cities today will become more populated.

Many land speculators owning marginal or submarginal land will prefer simply walking away from it to improving it. Economically, such land would have no value; but that is not to say that such land would have no *use* value. For on such land—we'd rarely find it in cities where population is heavy—people will most likely build their homes, schools, churches, and public buildings. Since such land is submarginal, those using it would pay no land rent to the community since, according to Ricardo, marginal and submarginal land yields no rent. And of course, since all taxation on improvements will have been done away with, those making their homes on such land might live there—regardless of how extensively they improve their houses—at no expense whatever.

But it is the marginal land, abandoned by the speculator, that really makes the collection of land rents by the community so worth while. For, as we saw in earlier pages, wherever free land is made available to any who care to use it, unemployment is impossible! Marginal land that yields no rent does yield wages and interest to the user—wages and interest equal to that earned on all land—even the best. And when free land is available for the taking, and when more jobs are available than there are men to fill them, humans will no longer crowd into cities to compete with each other for a limited number of available jobs and thus drive wages down to a level far below decent subsistence. Those preferring to work for wages would be sure of being paid at least as much as they might earn working for themselves on marginal land. In fact, it is more likely that they'd earn a bit more, for under such conditions hired labor would be scarce and therefore at a premium. Employers, as they do during wartime labor shortages, would find it to their interest to offer the most attractive wages, working conditions, and special inducements in order to attract labor and keep it.

Now, if we allow ourselves to review all that might be gained by doing away with land monopoly and speculation, we shall see

that we have completed the task we set ourselves in the first few pages of this book. We have discovered the causes of poverty! And, what's more, we've learned how to remove them. We have seen that the causes of poverty are land monopoly, land speculation, and taxation. We know that by collecting land rents for the use of the community, two of the causes—monopoly and speculation—are starved out of existence; and the remaining cause of poverty—taxation—is made unnecessary and impossible. All this without bloodshed, without changing forms of government, without fuhrers, protest meetings, or conferences. Moreover, nobody—not even the landowner or speculator—is done an injustice. For, as John Stuart Mill explains it:

Suppose there is a kind of income which constantly tends to increase, without any exertion or sacrifice on the part of the owners; those owners constituting a class in the community, whom the natural course of things progressively enriches, consistently with complete passiveness on their part. In such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. That would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class.

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CRIME, AN ECONOMIC CREATION

The neglect of this subject [the effect of population on distribution of -wealth] -which in existing states is so common, is a never failing cause of poverty among the citizens; and poverty is the parent of revolution and crime. —Aristotle, Politics

IT IS HARDLY POSSIBLE that men choose to become criminals because of the big money and leisurely life such a career offers. For it is well known that the criminal rarely dies rich. He works very hard and constantly risks his life and liberty in order to earn the very little his chosen profession pays him. He could live better with far less effort and shorter hours in an honest job *if he could get one that paid enough to allow him to live like a human being.*

It is commonly believed that prostitutes are women of a peculiar species, women who choose a life of "sin" because they are oversexed or immoral. Many believe these women are too lazy to work; that they prefer what they're doing to honest labor or that they lack the intelligence to hold down respectable jobs in offices, factories, or retail shops. According to sociologists who have made professional studies of prostitution, the facts are otherwise. The prostitute's earnings are rarely more than enough to keep her in the cheapest food, clothing, and shelter. Her work is dirty and humiliating. Her hours are irregular, uncertain, and long. Unless she collects for her services in advance, she is often cheated out of payment; and when that happens, she can't go to court for satisfaction. If she could do as well in any other type of work, we may be sure she'd do so; for she is human and, being

so, seeks to satisfy her desires, like all of us, with as little effort as possible. Her work, hard and degrading as it is, and paying as poorly as it does, is still the easiest way, and often the only way, she knows to keep herself alive. Proof: when jobs are plentiful, *professional* prostitutes invariably diminish in number.

Another common fallacy is the belief that it is destiny or God's will that out of a given number of people, a certain percentage must become diseased and another percentage must become insane, or at least neurotic. In other words, disease and insanity are commonly thought to be a necessary part of human life. But that can't be entirely true, for if it were, we should expect to find the same percentage of disease and insanity among rich and poor alike. Actually, the percentage is always much higher among the poor. *The New York Times* of November 15, 1949, carried the report of Dr. Sheele, Surgeon General of the United States Public Health Service, in which he revealed that the one-fourth of Hartford's population that lived in slums produced half of the city's tuberculosis cases and accounted for almost half of the mentally ill sent to state institutions. In Washington, D. C., the death rate among the people in the slums, he said, was ninety-nine percent higher than that of the rest of the population; and the pneumonia rate was twenty-five percent higher. Similar evidence of the close tie between insanity and disease, on one side, and poverty, on the other, was found, according to Doctor Sheele, in Cleveland, Birmingham, Denver, and Los Angeles. It's undoubtedly true of all slums in all cities.

Juvenile delinquents, as a matter of cold fact, are actually criminals and prostitutes who are too young to be punished. They are generally supposed to be vile, stupid little creatures "possessed of the devil." But the facts, as most policemen and social workers will attest, are that these under-age lawbreakers are in most respects no different mentally from the good little boys and girls. Quite often the juvenile delinquent is of higher intelligence than the child who is a constant joy to his parents and teachers. Since the juvenile delinquent differs from the criminal and prostitute

in age only, to understand the cause of bad boys and girls is to understand the cause of crime generally.

There are always some problem children being caught satisfying their desires for wealth in ways not in harmony with the written laws of the land. When the number of these kids grows too great, the nation's "best minds" go to work on the problem—always in the same way and always with the same results. The mayor, with great fanfare, usually calls in leading criminologists, police-department heads, social workers, church leaders, and prominent private citizens. Then he sits down with them in a series of conferences which the bored newspaper reporters attend in order to gather notes that might be turned into exciting headlines. The result of these conferences is always the same: recommendations that the city build more playgrounds and parks, that civic organizations establish neighborhood clubs in order to keep the wayward child's mind off a life of crime. Unfortunately, not all children with desires for bicycles, fashionable pretty clothes, and other niceties of life can satisfy them playing ring-around-the-rosy in the parks or basketball in the neighborhood club. The children who will attend the new playgrounds and neighborhood clubs are, for the most part, those good little boys and girls whose fear of the law and a wallop from whose parents is sufficient to keep them from considering crime as a career. But, with rare exceptions, the real juvenile delinquents can't be coaxed into playing games for fun. It isn't entertainment or pastime they desire, but some of the better things in life. They can't get such things from their parents; they can't buy them with money borrowed from loan sharks as their parents do; they can't pawn or sell anything, since they have nothing; they can't go out to work, since the law won't allow them to, even if jobs were available, and they can't satisfy their desires playing drop-the-handkerchief.

The conferences do more than offer solutions that solve nothing. They also place the blame—and always on the parents of the wayward boys and girls. Parents, they authoritatively assert,

should provide better homes for their children, spend more time with them, and see to it that they attend church more regularly. Sometimes, perhaps to add a bit of novelty to the report, they also blame overstimulating comics, radio and television programs, and movies. The stupidity of those who offer such solutions is reflected in the absurdity of the solutions themselves.

For parents of most juvenile delinquents can barely afford even the poorest shelter for their children, much less suitable homes. It is a matter of common knowledge that the Bide-a-Wee Home, an organization set up to find suitable homes for dogs left in its care, refuses to give one of its charges to a low-income family, simply because it knows that a dog can't be happy and content in the apartments of the poor. Certainly a home that isn't fit for a dog can't be expected to breed happy, law-abiding children.

Parents who must work from early morning until late evening to earn a living cannot possibly spend as much time with their children as the experts recommend. And the little time these tired and irritable parents have left to devote to building the character of their child isn't too good for the kid. He's much better off without listening to their constant squabbling over nickels and dimes, their miserable budgeting of the wages they expect to collect at the end of the week, their drinking themselves to temporary freedom from their poverty and fear of poverty, and their cynicism and short tempers born of the sordidness and hopelessness of their poverty-stricken lives. Parents who must grub for a bare living are far from being the best of company for the child who still has his dreams, hopes, and ideals. Spending more time with him won't stop the child from becoming a law-breaker and might well encourage him. For it's only a short step between learning that his parents don't measure up to his dreams and his losing confidence in their counsel and guidance. If his parents can't escape poverty themselves, he reasons, it's hardly likely that they can do much for him. Accordingly, he must help himself, taking care only not to be caught. Crime, he may be

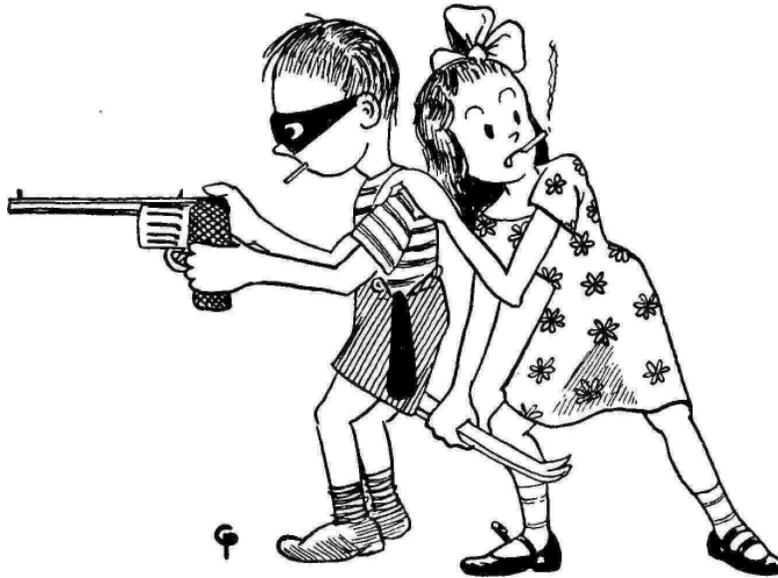
convinced, doesn't pay; but so far as he can see, his parents' honesty hasn't paid off either.

Why the experts should recommend that the child be sent to church more regularly to divert him from becoming delinquent is just as hard to understand. That is simply to shift the responsibility from the doorstep of the politician to the altar of God. For it is man's law, not God's, that is responsible for the universal poverty on this planet of plenty from which juvenile delinquency grows.

As for blaming the comics, radio and television programs, and movies for the growth of juvenile delinquency—such charges are evidently absurd. These avenues of culture may contribute to the stupidity of the people, but they in themselves cannot make juveniles delinquent. For we had juvenile delinquents wherever we had poverty—Tom Paine as a boy in England is typical—hundreds of years before comics, radio, or movies were even dreamed of. Moreover, most of our citizens today—children and grown-ups alike—read comics, listen to the murder mysteries that bang and explode out of the radio, and attend the movies. If such things were the causes of crime, we should expect that most of our citizens would become criminals. But as we know, most of us are law-abiding, and we remain so until our poverty, or our fear of it, compels us to satisfy our desires for wealth by becoming thieves or beggars. Jail, like slavery, often appears to be more satisfactory to the poor than the hunger, raggedness, and misery of poverty. However, that isn't to say that all poor people, or even most of them, become criminals. Some remain content with their poverty so long as they can look down on other paupers who seem to be less fortunate than they. Others remain honest because they don't dare, as Robin Hood did, to steal from the rich that which they aren't permitted to earn. There are still others among the "masses" who manage to become entertainers, prize fighters, politicians, doctors, lawyers, and members of other professions, and thus escape the poverty into which they were born. There is nothing left for those few who can't find jobs and

are too proud to beg, but to embark upon careers of crime. The rich/ on the other hand, as Aristotle tells us, "already possess the external advantages the want of which is a temptation to crime."

While the understanding souls among us may, in our hearts, forgive the delinquency of paupers, we can't allow them to run through town robbing, killing, and breaking the law generally. Consequently, in order to keep the criminals, the diseased, and the homeless off the streets, society spends fabulous sums every year to build playgrounds, parks, penitentiaries, police courts, re-



form schools, asylums, and hospitals. Additional millions are spent to pay the wages of the judges, policemen, social workers, wardens, jailers, psychiatrists, doctors, nurses, interns and others who staff the public buildings. And still more millions must be spent to buy thousands of different kinds of equipment and supplies for the use of the hordes of people working in our public institutions.

To meet the cost of fighting crime, disease, and insanity, government taxes away a large part of the earnings of all citizens—the poverty-stricken as well as those of us who have managed to keep a few jumps ahead of absolute poverty. Obviously, as the

numbers of criminal, diseased, and insane increase, a higher percentage must be taken from us in taxes. That must leave us so much less of our incomes to be spent for food, clothing, and shelter. And since, as a result of higher taxes, we must buy less food, clothing, and shelter, less of such things can be produced, which in turn means less labor and capital can be employed and, finally, still less in wages and interest can be earned. All of which adds up to this: *the ultimate result of our present method of fighting crime, disease, and insanity at the expense of the honest, healthy, and sane is steadily to reduce production, to cause unemployment, to reduce wages and interest, to intensify competition for jobs among wage earners—in other words, to increase poverty which, as we know, is the direct cause of the very ills we spend our money to cure.* Of this conclusion, logical, unbiased reason permits no room for doubt. For practical proof, we need only consider that the more money we spend one year to fight crime, disease, and insanity, the more of it we are required to spend the following year.*

There's only one way to cure juvenile delinquency, crime, prostitution, disease, and insanity, and that is to remove the cause. And if, as is generally agreed, poverty is the underlying cause, poverty must be done away with. Nothing else will do. And if it is necessary to collect land rents instead of taxes in order to destroy poverty, the cause, that will have to be done. We have no other choice. On the other hand, if society's collecting land rents is going to make the landowners of the world unhappy, perhaps it would be best if we allow things to go on as they are: to allow our children to become juvenile thieves and prostitutes, to let our adults choose between becoming thieves or beggars living on government doles and subsidies, and to let the rest of us become frustrated, poverty-fearing neurotics and madmen. Even if we dared, who could be so cruel as to make the privileged

* It is also interesting to note here that during the war, when jobs and wages were plentiful, national health generally improved—in spite of the fact that so many doctors, nurses, and psychiatrists had left civilian practice to serve with the military. Prosperity, it would seem, has greater curative power than the medical sciences.

few unhappy? It's much safer to blame parents, schoolteachers, churches, government, comics, radio programs, and movies—and God—for our troubles than to suggest that the few give up their special privileges—that they surrender to the community the land rents that rightfully belong to the community.

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UNIONS

But ye should say, why persecute we him, seeing the root of the matter is found in me?—Job 19:28

MOST OF us are divided in our opinions regarding labor unions. Many of us believe they are good, others are convinced that they are evil. Actually, they are neither good nor evil—they simply exist. Just as we must have rain under certain weather conditions, war under certain political conditions, and poverty under certain social conditions, we must have labor unions—whether we like them or not—under certain economic conditions. When there are more men than jobs and when, as a result, working conditions and wages fall to a level at which even a beast couldn't be content, it is just as natural for men to organize themselves into militant groups as it is for rain to fall from heavy clouds. Regardless of even the most stringent laws passed by the government, men will naturally fight against a low standard of living, either as members of an organized labor union or as rioters in a disorganized, murdering mob. History again and again bears out the fact that man just can't find it in his nature to be denied his natural right to *earn* the things he needs to satisfy his desires.

One of the unreasonable beliefs that have long passed as fact is that by calling strikes, forming picket lines, forcing the "bosses" to their knees, destroying factories and machinery, and

beating up "scabs" and "finks," labor unions better man's condition. Actually such methods can't benefit anyone but a few doctors, undertakers, and red-ink manufacturers. Nor can such tactics, in the long run, hurt anyone quite so much as the union member himself. Usually, by going out on strike he loses the wages he might have earned; but even if the strike is quickly settled and he loses no pay at all, his strike will gain nothing for him. True, he might take home a few extra dollars after a "successful" strike; but in almost no time at all his cost of living goes up and he finds that his "increased" wages don't buy any more than his lower wages did before he "won" his fight against the "bosses." In fact, they'll actually buy less! Try as we might, we can't escape the fact that wages are a production cost. Therefore, with every new wage increase, let's say in a shoe factory, the cost of producing shoes must increase. And not by an amount equal to the pay increase, but more. For, just as the manufacturer does with taxes levied against him, he not only adds the wage increase to the price of the goods he produces but takes a profit on the increase; and later the shoe wholesaler and retailer take an additional mark-up, so that by the time a five-dollar wage increase reaches the consumer—the union member's wife—it has become \$8.88 added to her cost of living. *Real wages* can be increased only if the production of wealth is increased, because, as we know, wages are part of the stockpile of wealth. But increased wages through increased production can't do the wage earner much good unless he is permitted to keep for himself *all* of the wages he produced. If his government is going to tax away a big chunk and the landowners are going to hold him up for most of what he has left, it can't matter too much in foocloshes how much he produces. In fact, since greater production invites heavier taxes and higher rents, the more the union member produces the worse off he will become.

Therefore, if we find that unions are becoming more tyrannical than the "bosses" they are intended to resist, we can't expect to do away with them either by force or by man-written law. So long as armies of hungry men are out of work and are suffering

or fearing poverty, unions must *naturally* exist because they're necessary. On the other hand, if we create a condition under which there are more jobs than men and, therefore, steady employment at top wages and interest for all, we make labor unions unnecessary; and since nothing without a function can exist, labor unions then would *naturally* disappear. Inasmuch as we can create a full-employment-for-all condition only by making free land available (see Chap. 85), and as that can be accomplished only by abolishing all taxation and then collecting land rents instead, intelligence demands that the wage earners and the "bosses" stop fighting each other. They're both on the same side. They're *both* laborers, one self-employed and the other hired. Common sense demands that they work together to annihilate their common enemies: taxation and monopolistic rent.

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THE ROAD TO FREE ENTERPRISE

*For it was well and truly said
that the first destroyer of the
liberties of a people is he who
first gave them bounties and
largesses.*

—Plutarch, *Coriolanus*

EVERYBODY in this country, it would seem, except the socialists and communists, pretends to be in favor of free enterprise. Unfortunately, those who scream loudest, as usual, seem to know least about it. The Democrats, for example, begin their speeches to the press by praising "the glorious free-enterprise system that made us the great nation we are" and end with a socialistic plea for more government control over businessmen, laborers, production, distribution, and international trade. Their "opposition"—the Republicans—also claim to favor free enterprise but quickly add that it is necessary for

government to control our economic system (as if it could) because the free-enterprise system—the *laissez faire*—of fifty years ago no longer seems to work. The only practical difference, today, between Democrats and Republicans is the names of their parties; and the only difference between them and the Marxists is that the latter admit they don't believe in free enterprise and warn openly that they intend to do away with it entirely, as soon as possible.

Actually, neither our government nor any other has ever tried *real* free enterprise. For free enterprise means an absolutely free economy—not one that is *almost* free. Just as the slightest imperfection in a thing makes it no longer perfect, the slightest restriction makes a thing no longer free.

And yet economists—specialists in the workings of the economic system—refer to the period immediately following the Civil War as "the golden era of free enterprise." As a matter of fact, that period witnessed the last dying gasps of free enterprise in this country. It was during this period that the last of our free land fell into private ownership. Millions of acres were "given" to the railroads. Our most valuable oil, lumber, and metal-bearing lands were brazenly stolen from the American people with the aid of the government's federal land acts. High-tariff privileges and special-charter privileges were handed out by politicians of both parties just as fast as the bribes reached their fingers.

Economists also speak of this period following the Civil War as one of "unbridled competition." Actually, the reverse is true. The independent farmer in the West, with only the very poorest land, located many miles away from the nearest railroad open to him, had no chance to compete on an equal footing. Manufacturers in the East cut off foreign competition at the expense of the consumers by bribing unreasonably high tariff walls into existence. Such conditions can hardly be called "unbridled competition."

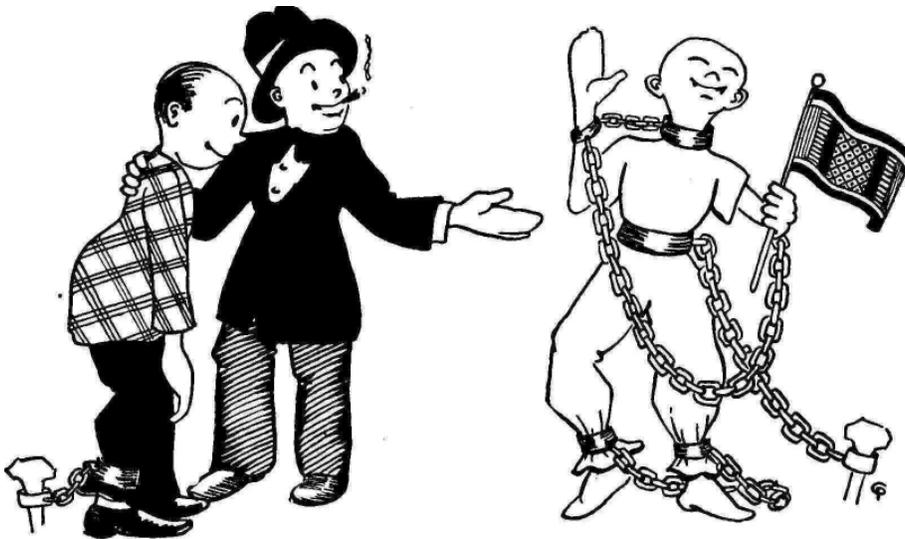
The results were a series of horribly severe financial panics, widespread unemployment, and hunger in the cities; most abject poverty among the nation's farmers. Surely that condition can't

be considered evidence of unbridled competition, in spite of what the economists say. For it is axiomatic that free competition and general prosperity always go hand in hand; and where competition is cut off, by any means—government controls, government-supported monopoly, or land speculation—poverty has invariably taken hold. That period of "unbridled competition" might more accurately be called the beginning of the chain-and-shackle period of our history.

Perhaps the only period of real free enterprise in modern times existed in this country during the thirteen years between 1776, when we declared our independence, and 1789, when we officially became the United States of America. It wasn't the fact that we became a unified nation in 1789 that brought an end to the thirteen years of real free enterprise, but rather that our constitution gave the federal government the right to tax, which it immediately went about exercising. Taxes, as we have seen, *restrict* production and trade, and since even the slightest restriction puts an end to completely free enterprise, the first tax was the actual beginning of the end of our few years of free economy.

And during those few years plenty of excellent land was still open to anyone who cared to use it. Every man was free to choose the work he preferred, which was usually the work to which he was best suited and which, therefore, was the work that paid best. He sold his goods for the highest price he could get, and bought the other fellow's goods at the lowest possible price. Neither manufacturers nor farmers received special privileges in the form of subsidies or tariff protection. They produced whatever goods they thought would be easiest to sell and would be, therefore, most profitable: i.e., better goods. Since hired labor was scarce, every man had a choice of many jobs, all of which paid well enough to enable him to marry young, support a wife, own his own home (without mortgages), and raise a houseful of well-fed, healthy, and wholesome children. There weren't many mansions, but there weren't any slums either. No man paid a nickel in taxes or rent for the privilege of occupying the earth. Opportunity to make a living was unlimited, making labor unions unnecessary to

protect a man and his job. Farmers were so prosperous, they didn't need charitable handouts from their fellow men as they now do. Manufacturers undersold Great Britain, the leading industrial nation of that time, and they did it without tariff protection and in spite of constant harassing by England's powerful navy. And when it came to fighting our first war, the fruits of free enterprise were reflected in the public spirit of our people generally. The war of 1812 was fought not by men drafted by force into the navy, not by ships paid for by the American taxpayer, but by the famous *privateers*—privately owned ships



manned by merchant sailors who were really free, for they were fighting for their own property. They, themselves, actually owned part of their country. They weren't burdened by the thought that while they fought and died they were benefiting a titled or mortgage-holding owner of their native land. These men, fighting for themselves on ships that were theirs and for a country that was literally their own, fought the powerful British navy to a humiliating standstill. Such are some of the many fruits of freedom, the natural child of *real* free enterprise!

But little by little, with each new tax bill, with each new land-grabbing scheme, the American farmer, businessman, hired La-

borer, and their combined production became more heavily shackled. "Four-score and seven years" after we became a nation, really free enterprise became nothing more than a term used by politicians to lend color to their election speeches. The word *freedom* no longer meant "without restriction" but instead came to mean "not as much restriction as found in other nations."

Today, with Republicans, Democrats, socialists, and communists all favoring more government control over the other fellow, all of them favoring political control over industry, labor, trade, and public opinion; all favoring higher taxes and tariffs, more prodigal and widespread subsidies and doles; to speak of *free* enterprise is to speak of something that doesn't exist and never has since 1789, when the first tariff act was passed by our Congress. It is hardly intelligent or enlightening, then, for our economists to refer to the period since the Civil War as "the golden era of free enterprise" or to suggest that free enterprise is undesirable because it hasn't worked in the past. Free enterprise, with the exception of thirteen glorious years, has never been tried! Enterprise can't be truly free unless all taxation is abolished, unless all our people can share equally in the freely given opportunities of the God-created land. To achieve this end, it is only necessary to allow the communities of the nation to collect the land rents that are, in the final analysis, theirs—and theirs alone.

106**BUILDING OUR WORLD**

The Four Freedoms will not be accomplished by the declarations of those momentarily in power. They will become real only if the people of the world forge them into actuality.—Wendell Willkie, *One World*

AFTER EVERY WAR, it seems, man sits down to lick his wounds. It is then that he dreams about One World, one single unified world in which men of all races might trade their goods peaceably, and in which men of all nationalities might love and trust each other. Why, the dreamer asks himself as he digs the crushed bodies of his neighbors from the rubble of his bombed neighborhood, why can't people of different nations get along with each other as peaceably as the citizens of the forty-eight United States? Most of those states are larger than the average European country, and if they can trade their goods and understand each other in peace, why can't the nations of the world? There's a very sound, rarely discussed reason, which the Poleco-ist tries to clarify.

On several occasions in the past, One World has been achieved, at least to some extent. For example, Alexander the Great conquered the known world of his time and formed it into a very efficient one world of people of all nationalities, all paying tribute in taxes and tariffs to a handful of Macedonians. And somewhat later, Caesar also molded one world out of the many nations of his day, and for some years thereafter the people of his world paid tribute in taxes and soldiers to Rome. Not long after, Rome collapsed and the Catholic Church welded all Europe into one world, and all Europe paid tribute to the

Church of Rome. Later, Napoleon came along and tried his hand at One World making, but he was more intent on making' the nations that were then subservient to Great Britain the vassals of France. In most recent times, Hitler tried to form Europe into one world of those paying tribute to Nazi masters; and Hirohito thought in terms of One World for all Asiatics, with Japan's owners (about one and one-half percent of the population) swinging the whip over Asia. While Soviet Russia is trying to bleed both hemispheres into one big family.

All of these attempts to form One World were possibly begun with the best intentions and highest ideals, but they developed soon into tyranny and finally collapsed. For example, Alexander began his career of One World building as an idealistic and honorable kid of twenty-two. During that period of his life, Plutarch tells us, he had written to his teacher, Aristotle, ". . . for my part, I assure you, I had rather excel others in the knowledge of what is excellent than in the extent of my power and dominion." Less than ten years later, after having conquered the known world and having formed it into One World, he is seen to have developed into a ruthless and murderous tyrant. The "noble Caesar," too, began his conquests of the discovered world as the champion of the people, then formed it into one political unit, and finally became as dishonorable a dictator as any.

All One World builders of the past have failed because they tried to hold their world together with force, torture, slaughter, intolerance, and enslavement. *One World can't be fashioned by force!* If it is ever to become a reality, it will have to develop itself *naturally*. For One World is a natural condition since, actually, there *is* only one world. If it appears to be made up of many parts it is because men have seen fit to draw boundary lines on colorful maps. And the only purpose in having the national boundary lines drawn is to divide the planet among various rulers so that each one might know exactly the limits of the territory in which he might enjoy the exclusive legal right to tax and exact other tribute from the inhabitants. In other words, all who live within certain man-made boundaries shall be the legal prey of a

duly authorized robber. A second purpose of the borders is to provide a place on which the nations' customs officials might stand, bayonets fixed, to collect tariff tribute from all foreigners desiring to bring food, clothing, or shelter material into the country. It follows, then, if all taxes and tariffs were abolished, as the Poleco-ist suggests, there'd be no need for the boundary lines that now divide our One World into many; and, like all things that have lost their function, the boundary lines that now separate people would disappear immediately and One World, man's eternal dream, would become a reality.

For, without national boundaries, there could be no such thing as a foreigner. All humans would be—like Socrates—citizens of the world. Without borders to keep the people of one nation from trading their goods freely with people of all other nations, a condition which now exists among our free-trading forty-eight states would soon exist worldwide. Here then would be One World built not on force and deceit but on the firm foundation of *really* free enterprise!

It is only because our constitution expressly forbids one state to collect tariffs from wealth producers of other states that trade among all of our people has always been peaceful and has proved beneficial to our citizens as well as to our nation. As Wendell Willkie remarked in his *One World*:

But in my judgment, the greatest factor [responsible for the amazing economic development of the United States] has been the fact that . . . there was created here in America the largest area in the world in which there were no barriers to the exchange of goods and ideas.

It should be quite obvious that if we are to achieve a united world at peace forever, one patterned after our United States, the first thing that must be done is to abolish tariffs, along with taxation of every kind, throughout the world, and thus remove the "barriers to the exchange of goods and ideas."

Unfortunately, those who have learned to enjoy the luxurious living that comes through the holding of special privileges won't

like forming One World if it means giving up the privileges of tariff protection and private rent collection. So far as they're concerned, if there must be one world, it will have to be a kind that won't interfere with their privileges; one like those fashioned by conquerors of the past out of burned, beaten, and butchered bodies, over which they, as the privileged few, may continue to rule, and in which their legal rights to exact tribute from the multitude's production will not be interrupted. For they, like all humans, seek to satisfy their desires with the least possible effort; and they know that so long as their privileges are left undisturbed, they can more than satisfy their desires with almost no effort at all. Being human, then, they can't be expected to give up their privileges willingly, even though they too would benefit in the long run from the greater prosperity and eternal peace that the surrender of their privileges would bring about. Therefore, if one world is really what mankind wants, and if he wants it badly enough, he will first have to make worthless the privileges of the few, so that there'd be no advantage to them in their holding on to their unfair advantages. And to make those privileges worthless, it is necessary only to abolish all taxation and tariffs — and, at the same time, to allow the communities to collect all land rents.

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THE CAPITAL'S LAST PUNCH

THE CAPITALIST'S LAST DITCH

*Strongest minds are often those
of whom the noisy -world hears
least.—William Wordsworth, Ex-
cursion*

THE IDEA OF COLLECTING all land rents instead of taxation is an old one. As far back as 1693 William Penn, the founder of Pennsylvania, wrote:

. . . if all men were so far tenants to the public that the superfluities of gain and expense were applied to the exigencies thereof, it would put an end to taxes, leave not a beggar, and make the greatest bank for national trade in Europe.

In 1775 Thomas Spence was expelled from the Newcastle Philosophical Society for expressing the same idea:

Oh hearken! ye besotted sons of men. By this one bold resolve [to allow communities to collect land rents] your chains are eternally broken and your enemies annihilated. By this one resolve, the power, the pride, and the arrogance of the landed interest . . . are instantaneously and forever broken and cut off. For being thus deprived and shorn of their revenues, they become like shorn Samson, weak as other men; weak as the poor dejected wretches whom they have so long been grinding and treading under foot. . . . But what makes this prospect yet more glowing is that after this empire of right and reason is thus established, it will stand forever. Force and corruption attempting its downfall shall equally be baffled and all other nations, struck with wonder and admiration at its happiness and stability, shall follow the example; and thus the whole earth shall at last be happy and live like brothers.

A year later, the father of free enterprise, Adam Smith, also recommended collecting land rents instead of taxing production:

Both ground rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own . . . [these rents] are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed on them.

In 1782 William Ogilvie, a professor at King's College, remarked:

How preposterous is the system of that country which maintains a civil and military establishment of large amount without the assistance of any land-tax at all.

tariffs and collecting, instead, land rents. But of all who have championed the idea, none was so well known internationally, or came so close to success, as Henry George, the American political economist who won world fame just before the close of the last century.

George's classic, *Progress and Poverty*, was devoted to urging the abolition of all taxation and the collection of land rents. In this book George proved conclusively that poverty, depressions, and maldistribution of wealth stem in a direct line from private ownership of land and the failure of communities to collect the land rents which they, alone as communities, produced. *Progress and Poverty* became a best seller. Translated into almost every language, it was read by men in all walks of life in nations all over the world. Men like Woodrow Wilson, Tom Johnson—former mayor of Cleveland—David Lloyd George, Winston Churchill, Sun Yat-sen—father of the Chinese Republic—George Bernard Shaw, and a host of others were influenced by it. Even Karl Marx, daddy of modern socialism, read *Progress and Poverty*, after which he contemptuously referred to it and to the philosophy it preached as "the capitalists' last ditch." Perhaps, in that instance, Marx was right. For free enterprise, the essence of capitalism, has steadily weakened, while socialism here and abroad grows ever more popular.

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FIGHTING SOCIALISM

*Those [socialist and communist] doctrines, whatever may be the contempt heaped on them . . . are far more generally diffused than most Englishmen are aware of. They are now [1850] revolutionizing Europe; and no one can predict the extent of the changes that must follow them, if once they gain the complete mastery of the public mind. Instead of railing against them, however, it is much more profitable to endeavor to understand them, and to seize the fallacy on which they are based.—Patrick Edward Dove, *The Theory of Human Progression**

THE WORLD has been fighting a losing battle against socialism for many years, losing because the world hasn't bothered to understand its nature. It isn't easy to fight an enemy that can't be recognized when seen.

The idea of socialism is two-headed. It is a political philosophy which is based on the fantastic idea that the individual exists only to serve the state, and therefore has no rights except those given to him by his political masters. As an economic philosophy, socialism is every bit as absurd for, when the word *socialism* is used in the economic sense, it refers to the system of taking wealth by force from all who produce it, and then distributing it equally among all the people. How can that be done when no two people have equal desires? Economically and politically, the

essential characteristic of socialism is rigid government control. If, with these points in mind, we examine every one of the civilized governments on earth today, we shall find that all of them favor government control over the citizen and his wealth; that all governments tax away the wealth of the producers in order to hand out doles of various kinds to the idle; that all, to some degree at least, deny the citizen any rights except those granted him by the state. We are justified in concluding, therefore, that all civilized governments today are socialistic to some extent, even though they are commonly called communistic, fascistic, totalitarian, capitalistic or democratic.

Socialism need not be forced on a nation by a foreign power. The seeds of socialism, like those of mold, are always floating around in the air; and when they fall on nutritious soil (land that is rich in poverty-stricken humans) they take root and grow. And, like those of mold, the seeds of socialism continue to grow just as long as poverty, the food on which it thrives, exists. Socialism grows readily in poverty-stricken areas because it offers the poor what they want most: *food* and *security against want*. Champions of the "free"-enterprise system, on the other hand, in an effort to stamp out socialism, foolishly try to compete by offering something called *freedom*. But the poor can't eat things like freedom and justice. The poor know that brotherly love and human dignity, wonderful as they are, won't pack meat around their children's bones or keep wives warm and content. Food is the important thing to the poor! and warm clothes, and a few lumps of coal now and then. *Freedom*, to the hungry man who sees no hope in the future, is just a word; but the mere *promise* of food, clothing, and shelter for the rest of his life is enough to encourage the poor man happily to surrender his inedible freedom and independence. Nor should he be censured for acting that way. He's doing what any normal human would do—what an amazing number of people right here in "free" America have been doing for many years.

For example, most large corporations are staffed with young men and women who willingly signed away their independence

only because they feared the absolute poverty and periodic job hunting against which their steady, low-pay jobs protect them. Civil-service employees gladly spend their entire lives doing monotonous, often useless, work at low wages only because such jobs offer security against unemployment and a pension for their old age. Without remorse, skilled craftsmen and mechanics hand over their freedom to their union leaders only because they have learned through hard experience that as independent workers they might not eat quite so well or so regularly. Many professional people toss aside their ideals, personal honor, and integrity in order to accumulate enough money to protect them against an old age of poverty. We must condemn all of these if we are to blame the pauper and near pauper, who place a higher value on food than they do on freedom, human dignity, truth, integrity, and brotherly love. Nor is it the pauper alone who becomes infected, once poverty spreads the germ. Today most of the bitterest foes of socialism, without being aware of it, come out openly for legislation that is as socialistic as can be. Many of our leading businessmen and industrialists believe and say things that would make any good communist proud of the thorough teaching job he has done. Arnold J. Toynbee, in his *Study of History*, writes:

The classic exposition of economic determinism is, of course, the philosophy—or religion—of Karl Marx; *but in the Western World of today the number of souls who testify by their acts to a conscious or unconscious conviction of economic determinism is vastly greater than the number of professing Marxians, and would be found to include a phalanx of arch-capitalists.* (Italics ours.)

Wherever an entire nation is poverty-stricken, as most have been for hundreds of years in Europe and Asia, we shall always find that the idea of socialism (or communism or fascism, which amounts to the same thing) has taken root and grown strong. And in this country too, as poverty became more widespread, socialism took root here. It began with little, unimportant things like postal savings and parcel post. Then the government sneaked through other socialistic measures that infringed on the citizen's

natural rights: income-tax laws, prohibition acts, and so on. Such legislation provided what the lawyers call a precedent. Today, as any reader of Karl Marx and other socialistic writers must see, our government has led us a long way toward complete socialization. We are at least waist deep in it at this writing. The actions of almost every American are, in one way or another, under the direct control of his government. Moreover, thanks to the social-security laws, almost every hired employee has become a number—like a prisoner or a slave. Every employer has been compelled to become an unpaid tax collector for the government. And if we are to judge by the results of the five presidential elections from 1932 to 1948, our traditionally freedom-loving American citizens are learning to prefer socialism! Why shouldn't they? The vast majority of them, in spite of our war-fed prosperity, are living on a substandard living scale and are afraid of the future. They've lost faith in themselves and in their ability to make a living! They're poor, and poverty breeds socialism. They like home relief, pensions, subsidies, and the many other government doles; they like public-works projects, the labor for which, in this country's earlier years, was provided only by prisoners, and in ancient times by slaves. They like *compulsory* military training, *compulsory* unemployment insurance, *compulsory* compensation insurance, *compulsory* education, and a number of other socialistic compulsory measures lifted directly from the philosophy of Karl Marx and his followers.

True, the average American thinks he is getting these generous handouts for nothing. He doesn't know that the government has no money of its own to give; that he is living on stolen property, wealth stolen by the tax collector from his fellow citizens; that for every nickel Uncle Sam "gives" him, his cost of living increases by a dime or more; that he not only pays for his doles in money but in personal freedom as well. He doesn't know, because there's no one to tell him so. What his government does tell him is that these laws, which appear to be socialistic, are in reality the very essence of democracy, that they were actually designed to protect the free-enterprise system against socialism

and to guard the freedom which his forefathers won for him at Bunker Hill, etc., etc. If those absurdities weren't so cruel they'd be funny.

Having been told so, the average American thinks he is just as free as he ever was. He bases that belief primarily on the fact that he still has the right to vote. But the right to vote as he pleases, and for whom, does not in itself make him free. *Real* freedom consists of much more: the absolute right to own oneself, to own all that one's labor and capital produce, to have an equal opportunity to the use of the land which God created



for all generations of his children. Nor does it follow that so long as every man—rich or poor—is entitled to only one vote, every man has an equally loud voice in government. Since landowner-ship by individuals or government, as we have seen, permits the owners to dictate to those who make the laws and to control the schools that are compelled to teach acceptance of the laws whether they are socialistic or not, it is apparent that the owner of land and other privileges holds all the political power and the common man holds none. To be sure, the voter is free to vote for Tweedledee, Tweedledum, or Tweedledop—but only if those who hold special privileges approve of Messrs. Tweedledee,

Tweedledum, and Tweedledop in the first place. It has been said that a jackass could be elected to the presidency if the privileged few approved. In fact, there are some who contend that jackasses have held high office more than once; but that is hearsay and therefore beside the point. The fact remains that unless all people hold economic equality, political equality is an illusion.

Up until now, we have been fighting socialism with political weapons. We've been making faces at the communistic socialists in Russia, we've been gloating over the misfortunes Fabian socialism has visited on the English, we've thrown some Russian spies into jail and others out of the country. Today there are even hints that we might try going to war with Russia in order to stop the spread of totalitarianism throughout the world. Whether we go to war with Russia or not, whether or not we pulverize every inch of territory now controlled by the Soviet Union, whether or not we kill every Russian citizen—including all of that nation's top leaders—socialism throughout the world, including this country, will grow stronger. For poverty, the cause of socialism, cannot be removed by destroying wealth and people with atom bombs. Destroying wealth can only make the poverty of the world more intense. And if we allow poverty to increase, socialism will continue to grow ever stronger until it successfully achieves that which so many tyrannical governments have attempted in the past—One World!—one world of slaves serving a handful of masters.

But all is not lost. The spread of socialism can yet be stopped; but not by shooting guns or dropping bombs, not by calling Socialistic nations names nor by pointing out their failures, not by having our Congress write laws naively forbidding the *natural* growth of socialism. These are political methods. They are useless in removing economic causes. We shall have to employ economic means in order to do away with poverty, the food on which socialism feeds. The Poleco-ist, in these pages, has shown how by working *with* natural laws—not against them—poverty

might be abolished. And poverty will be abolished just as soon as the people of any nation decide they've tolerated it (and the many evils that stem from it) far too long. For, whatever man desires—*really* desires—he eventually achieves.