Revolution. For exploiting the working masses, the New Plutocrats use all the means employed by their predecessors save two—slavery and serfdom—which were abandoned less than a century ago for practical as well as for humane reasons. Experience soon found that these ancient methods of violent labor-coercion gave poor returns when working with complicated steam-driven machinery, because they tended to brutalize and so to stupefy the operatives. Even for modern armies, the Russian serfs proved such failures in the Crimean War that Alexander II had the support of his generals when he abolished serfdom in 1861.

At present, our people have legal guarantees for religious and political liberty—even though we still lack a genuinely representative government—but cannot retain them much longer unless they again are supplemented by our former economic liberty. As it has been shown in the last two chapters, the natural basis of economic liberty is free land for self-employment, a condition which ceased to exist after 1900, when our public domain had been denuded of all fertile and accessible land suitable for homesteads. The best proof of this statement is found in the United States Census' decennial reports of farmland values. From the Civil War until 1900, the value of farmland stayed around $15 an acre, which was about the value of the labor that had to be expended on wild land to subdue it for the plow. Yet, by 1910, the census value of farmland had risen to $32, showing that good, public free land had been exhausted and that the mere privilege of landowning had become worth the increase of $17 an acre, or thirteen per cent more than the whole labor-cost of taming wild land. Thus had the vast continental United States come to illustrate, in gross, what the author has shown in miniature for an island (App. 1); moreover, our farmland monopoly was only partly due to homesteading, because immense areas had been given away or sold for a song to speculators (Chs. IX-XI).

The few honest democratic statesmen, who since the Civil War have voiced their demands at Washington, have usually recognized that monopoly profits formed the financial base of the growing New Plutocracy. Yet most of them have been too unversed in economic science to appreciate that it is of little use to legislate against results when the causes which foster them are law-made. The mother of all monopolies is private property in land values and the only other perilous legal monopoly is

that of patent rights; also, the creation of tariff walls by legislation forms the *sine qua non* of many existing illegal monopolies. Without bothering to abolish land monopoly, to democratize patent laws, or to topple tariff walls, our statesmen thought they could suppress monopoly by the Sherman Antitrust Act of 1890. But the numerous existing illegal monopolies which still continue blithely to plunder the people, despite this famous law, prove that its authors quite failed to reach the roots of these social cancers (Ch. XII).

Economic justice is not static, but dynamic, for its criterion must change from age to age with the ever varying phases of human activity. It is a narrow and unscientific view of history which impels some critics to condemn all social institutions of the past because they may differ from ours. In Book III has been shown how such bigotry has been responsible for much of our present political disharmony, and it does not need much probing of public opinion to discover that the same blind conservatism is also the chief obstacle to that thoroughgoing economic reconstruction which is long overdue. Most Americans have not yet awakened to the fact that the World War ended an epoch, and that they can never hope to recover their early economic freedom unless they proceed to overhaul all inherited property-laws and throw such as are inexpedient or unjust into limbo.

Just as Old Plutocracy, with its wealth and leisure wrung from forced labor, helped to develop the ancient Greco-Roman civilization, so did New Plutocracy once perform a useful social service when it accumulated the large capital needed for inaugurating the Industrial Revolution, even though a part of the procedure involved the premeditated crimes of war, piracy, the slave trade, and the sack of Hindustan (Ch. VII). But times change, and things which are a boon for one generation easily may become a bane for the next. History substantiates that the Great Republic would have been much better off if its founders had possessed sufficient knowledge and virtue to discourage plutocracy from the start. On the contrary, their toleration of Negro slavery in the United States Constitution rejuvenated Old Plutocracy and so caused the Civil War with its dreadful woe and waste. Also, they legalized the illiberal European institutions of land monopoly and import tariffs; the first is the main cause for our business crises, while both together are chiefly responsible

for an unequaled New Plutocracy which, after capturing our political machinery, showed its ruthless egoism by thrusting us into the bloody maelstrom of the World War (Chs. XIV-XV).

We have long ceased to need the forced diversion of wealth —from laborers and capitalists who have earned it to monopolists who have not—in order to accumulate sufficient savings for the extension of our factory system in consonance with a growing population. Indeed, the vast excess of funds for investment, which our millionaires garnered betwen 1915 and 1920, created such an oversupply of productive equipment in many industries—both here and abroad—that it has been a leading factor in making the last crisis the worst of our history for amplitude and duration (Chs. XVI-XVII). Hence, the Economic Cure has not the purpose of merely alleviating its worst evils, but of completely abolishing plutocracy, just as rapidly as the operation can be effected without undue disturbance of our complicated industrial system—with its securities, mortgages, and debts partly based on the expectation of an indefinite continuance of monopoly profits. For this object, a Transition of 34 years is suggested as a suitable period for changing from our existing pseudo-liberal to the Logical Liberal economic system, based on Thomas Huxley's aphorism: "If individuality has no play, society does not advance; if individuality breaks out of all bounds, society perishes."

Instead, therefore, of imitating the New Deal by encouraging more meddling by the bureaucracy in private competitive business—for which it lacks even the two primary virtues of thrift and caution—it is proposed to limit its jurisdiction to the only two fields where it is indispensable, namely: the maintenance of independence, order, communications, justice, sanitation, and education; and the control of our natural resources and the collection of their economic rent—both for its own sustenance and for the preservation of equality of economic opportunity for all.

So the three Logical Economic Liberties will include:

1. *Free Nature:* townsites, farms, forests, mineral deposits, and public utilities.
2. *Free Trade:* domestic and international.
3. *Free Labor:* manual and mental.

The mode of effecting these three simple emancipations, in order forever to evict from our national Eden the subtle serpents of Plutocracy, will be explained in the next ten chapters.

CHAPTER XXVIII

Liberal Taxation

OUR FEDERAL GOVERNMENT is now limited to such powers as are specifically conferred on it by the United States Constitution. All other sovereign powers are either reserved to the states or nullified completely by an anarchistic Bill of Rights incorporated in its Amendments. A modification of the latter is also included in many State constitutions, in order to prohibit any government from interfering at all with the individual in many specific ways. Locke's theory was that the rights to life, liberty, and property were not derived from the State but from Nature, while Jefferson, in the preamble to the Declaration, translated Locke's "property" into "the pursuit of happiness." The conscious pursuit of happiness by the individual is a selfish aim, and as such is sure to fail. But to wish to alter a social situation in which unhappiness or unrest is the common lot, and to substitute one in which happiness need not be pursued, because it is the natural state of man, is to embrace the truly altruistic ideal which the plans of this book aim to materialize.

Constitutional Amendments I-X were not directly derived from Locke, but were a Jacobin edition of the Bill of Rights adopted by the British Parliament in 1689. That clause of the Fifth Amendment which forbids "any person to be deprived of life, liberty or property without due process of law" has been often abused by our judges in the interests of legislative corruption and the growth of New Plutocracy (Chs. X-XII). None the less, though the United States Constitution is too weak for the security of the State in crises, favors egoistic predacity over the commonweal, and hobbles the courts in criminal trials, it still leaves our government two sovereign powers by which some real reforms can be accomplished in the states—and even at Washington—before any new, Logical Liberal constitutions have been adopted.

Reference is made to the taxing and police powers; the first forms the foundation of the Economic Cure, while the second is an essential auxiliary in many phases of it. The system

of taxation to be used here, as the chief tool in abolishing New Plutocracy, will be dubbed "Liberal," to distinguish it from the present "Crooked" system by which our people are being rapidly plucked without knowing it. Hence, from the twelve types of taxes of Table 17, whose principles are probed in App. 2, only six have been chosen (all of which may be levied with L.L. objectives) for permanent use as the sole source of public revenue at the end of the Transition period, when all other kinds of taxes will be prohibited (Apps. 4-5). These Liberal taxes are: export, nuisance, pseudo-taxes, income, inheritance, and natural or land-value tax.

The State is a silent partner in all productive enterprises as it furnishes more or less of its land, its capital, and its labor, to assist everyone. Accordingly, taxes—the share of wealth apportioned to the State—may be classed under the heading of wages, interest, or rent, as they represent a payment made for the use of the labor, the capital, or the land of the State. Any general tax levied by the State on private capital or labor is bound to increase the essential payments for the sustenance of capital and labor (interest and wages), and so will increase commodity prices, which are set by the cost for capital and labor on marginal land. But a tax on the third, or residual, item in wealth distribution—rent or monopoly profit—cannot raise prices, because rent is not a factor in price fixing, marginal land being rentless. An increased tax on rent always means, then, that the State gets more and the landlord less; while the increased tax on either interest or wages means, finally, its shifting to consumers in the form of higher prices for commodities.

During the Transition, however, the less onerous of our Crooked taxes must be conserved if we desire to pay off quickly our colossal existing public debts. Which Crooked taxes thus should be continued can be decided most wisely when the Transition begins, but it now seems indisputable that three of them should not, namely: personal-property, real-estate, and import. The personal-property tax is very unfair, as some personal belongings can be easily concealed from the assessor and others not; while certain kinds—like shares and mortgages—if assessed, lead to the duplication of taxation for they are also subject to the income tax. Hence such a tax is a fertile source of deceit and graft and should be abolished at the start. Also, the existing tax

rate on real-estate improvements should be decreased as that on land values is increased; thus landowners will be relieved from any rise in their gross taxation—until their improvements become entirely exempt—in all cases where the value of a site is equal to or less than that of its improvements. Finally, all "protective" import taxes should be systematically lessened during the Transition until, at or before its finish, they all will have been cancelled (Ch. XXXIV).

The six Liberal taxes may be described as follows:

1. Export Tax. Though this does not conform strictly with the Golden Rules of taxation, it does not increase domestic prices for our consumers, because it is paid by producers, except for products where there is no competition in outside markets—when foreign consumers must pay it. Normally of little utility, by using this tax the Government can effectively protect our consumers in special emergencies, as, for example, during the World War, when our trusts conspired to export all surplus food to Europe, which raised its price here and enabled them to squeeze vast profits from the masses. Also, the Export tax has no such propensity to legislative corruption as does the Import tax, because our producers can, and do, profit hugely from the latter, but never can profit from the operation of the former. Hence the Export tax can be easily controlled in the public interest, while common prudence requires the absolute prohibition of the Import tax, which always has proved itself as perilous a bedfellow for the State as was the wolf for Little Red Riding Hood's grandma (Ch. XII).

2. Nuisance Tax. In its duty of regulating nuisances and vices the State can twice utilize this tax: First, by devoting its proceeds to alleviate the ravages of vice, and second, by making vice scarcer through raising its expense for addicts. A levy on the profits of barbarous exhibits (such as prize fighting and horse-race betting), whose toleration as amusements is often advisable for fear that our rabble might do worse things, comes under this heading. The most profitable forms of this tax are those on tobacco and liquor, which are the principal habit-forming drugs which may be freely sold here without a medical prescription.

At present the tobacco tax is reserved for the Federation which levies it on the processors in the form of revenue stamps to be affixed to all their products before distribution. Owing

to the large capital needed for the purchase of these stamps—long before the tobacco is sold—it is claimed that this system favors large, over small, processors and so helps the Tobacco Trust. However, the truth of this claim can be tested only after abolishing our trust-fostering tariff on tobacco and after obstructing the unfair marketing practices of all trusts, by compulsory Federal licensing or incorporation as a prerequisite to any interstate operations (Ch. XXXVIII).

Since the abolition of the Prohibition Amendment in 1934, the states have endeavored to restrict the former evils of the legalized liquor traffic by various plans for a stricter public control. As long as a large number of our citizens insists that alcoholic beverages be widely sold, it is clearly the duty of the State to regulate the perilous traffic in the public interest. Here is an undisputed field for the application of the socialist ideal of discouraging private profit, in order that nobody will have a commercial interest in spreading the liquor habit among our youth. While our former urban high-license system for retail liquor sellers decreased their number, and so made it simpler for the police to watch them, it also stimulated these merchants to increase their sales by hook or crook, because they could make no profit for themselves until first they had gained enough for their licenses. The moral of this experience is that any tax should be levied on the liquor, or on the net profit, and not on the dealer, so that he shall not be forced by law to become a vice propagandist.

For the better public control of the traffic, several systems have been used abroad which eliminate altogether the factor of excess profits in liquor selling and reduce the gains to what is required for paying working expenses, an interest on the capital occupied, and a public revenue. One type is that of the Swedish "Gothenburg" system which in each district grants a monopoly of liquor selling to a philanthropic private corporation; this is restricted to a net gain of 6 per cent on its capital and must devote any surplus to social welfare or to the public revenue. Such a corporation maintains sufficient taverns where alcoholic liquors can be drunk on the premises, but food and soft drinks must be sold also and the waiters are given a premium only for the sale of the latter two. Another type is that of Quebec province, which conducts a network of public local dis-

pensaries where liquor can be bought at retail, but only in bottles not to be drunk on the premises. All customers are rationed as to the monthly total of their purchases, and criminals or habitual drunkards can be excluded altogether.

The public revenue derived from the liquor traffic should be, ideally, reserved for repairing some of the damages done by this vice and should be expended on hospitals, asylums, prisons, and other refuges of alcoholics. Yet in view of the actual colossal public debts of our nation, this reservation will probably not be practical for another half century, when all these burdens have been paid off by our grandchildren.

3. Pseudo-Taxes. While many of these payments are popularly "taxes," none of them are truly such, technically, any more than the land-value *tax*, which is properly a *rent*. Unlike a genuine tax, which levies on a citizen or his property with no reference to what he will get in return, an individual pays a "pseudo-tax" for some direct personal benefit. Among one class of such public revenues are: licenses for dogs, bicycles, or autocars; and fees from registries of documents, pupils in public schools, patients in public institutions, litigants in law courts, users of toll bridges or highways, and tenants of public sidewalks, markets, and buildings. Another class includes receipts from sales of electricity, gas, water, or steam from public installations, of timber from public forests, and of game from public parks.

4. Income Tax. Even as now arranged to free the masses from its burden (by exempting small incomes), our present form of this tax still has three serious drawbacks: first, it puts a premium on deceit and perjury and thus is socially debasing and costly to collect; second, it discourages superior ability by taxing earned as well as unearned incomes; and, third, it does not impede land speculation since none but active land would be affected. However, after the Transition period, these drawbacks will be obviated by only utilizing the income tax as a convenient method for collecting the economic rent of producing mines and public utilities, and as a cure on the excess profits from patent rights in the few cases where they might become unjustly large even after the proposed reform of the patent law (Chs. XXXII, XXXIII, and XXXVII).

5. Inheritance Tax. The unrestricted bestowal of property by bequest is of comparatively recent origin in the history of

the human race. In the Savage and Barbaric periods of culture when only chattels had been reduced to individual ownership, even these could not be freely bequeathed, but reverted originally to the clan of the deceased and later to his children. With the extension of the custom of individual, as contrasted with communal, property in land, during the last status of Barbarism, a testator was finally permitted to bequeath land at his pleasure, as well as slaves and other chattels. After 300 B. C., when Rome had entered the lower status of Civilization, there arose the entail of *latifundia* in Old Plutocrat families. It is probable that the world never saw a greater abuse of the beneficial idea of private property than prevailed thereafter in the Roman empire (Chs. III-IV).

The undertaking of the State to transmit a testator's property to his heirs is a purely altruistic deed and is justifiable only on the basis of social expediency. It is evident that, as a man's wife and minor children would become a public charge if left penniless, it is expedient for the State to transmit to them at least enough of the man's property to provide for their proper nurture and education. But for any sum beyond this, the rights of society in an inheritance must be balanced against those of the heirs. The latter have evidently no just claim to anything the testator did not earn, but which he simply absorbed from the earnings of society through some title to legal privilege.

After the abolition of legalized monopoly by the Economic Cure, there can be accumulated neither the overgrown fortunes gained directly from land nor the considerable fortunes now often accruing to such favored toys, or tools, of our New Plutocrats as opera singers, corporation lawyers, and politicians. In the future Logical Liberal State, where industrial privilege is abolished, the gaining of a fortune will mean unusual business ability. Its transmittal to the owner's children will not be a public menace, first, because the fortune could not be very large, and second, because it could not remain in the family long, under the pressure of free competition, unless the children inherit their father's brains and activity in industrial service.

For recovering for society our existing, big, unearned fortunes, a sharply graduated tax should be levied on the total value of all private property passing through the probate court. As this passage occurs once per generation of 33 years, there enters the probate court each year about one thirty-third of all

private property. The tax should be levied exclusively by the Federation, because of the many probated properties scattered over the country.

After the Federal debt is paid, the inheritance tax should be maintained chiefly as a precaution against the accidental accumulation of fortunes too large for the political safety of Logical Liberal institutions. For this purpose it should have small rates for moderate properties, but it should take thirty per cent of an estate of $1 million and ten per cent extra from every additional million, till it reach ninety per cent of the whole excess of a testament over $7 millions. This tax will always prove a valuable aid for recovering for the nation the huge treasures heaped up by monopolists, without disturbing commercial conditions or raising prices for our consumers. The sophistic argument of monopoly's defenders, that "a great fortune invested in trusts—like Mellon's—could not be gobbled by this tax without ruining their operations," only impresses industrial novices, because a competent Logical Liberal government would not sell out its shares hastily but would keep those acquired in each corporation till they could be gradually marketed for cash. Where our Government thus acquires forest reserves and public utilities, it often might be advisable to retain them permanently as national properties (Ch. XXXIII).

6. Natural Tax. The technical name is the "land-value" tax, but "Natural" seems more comprehensive for two reasons: first, because it is levied directly on the rent of *natural* resources and, second, because it has the unique peculiarity of rising or falling automatically with the needs of society for more or less government, and thus seems specially designed by *Nature* for public revenue. By this tax can be recovered for mankind its lost rights in the planet. To accomplish this we need not resort to public ownership nor interfere in any way with the present landowners, as to their legal titles to possession, sale, or transmittal. We should simply nationalize economic rent which, as shown by Ricardo's Law and the Trinitarian Diagram, is not due in any way to the efforts of the landowner but is simply a residual or differential product arising from the productive advantages one lot has over another, as bestowed by Nature or social location (Ch. XXVI).

This tax is levied on the potential rather than on the actual rent paid on land, for otherwise all valuable land held idle for speculation, and so producing nothing, would escape altogether.

Being assessed against the rent-yielding power of a lot when suitably improved, wild land would pay the same tax as an adjoining tract all equipped for producing wealth. It is not proposed at one stroke to collect all rent from our landowners (who are now pocketing two-thirds or more of it), but to protract the process over a Transition period of one generation of 34 years, so as not to affect the bulk of mortgages and similar contracts now based partly on the private pilfering of rent—hitherto tolerated by our imported, illiberal revenue laws (Ch. VIII).

Unlike the patent-right monopoly which is for a short period, and is given to an inventor as a reward for his service to society, the land-ownership privilege is a perpetual monopoly which can be harmonized with Logical Liberalism only when the landholder is required to deliver for public use the whole economic rent. The Natural tax is direct, it cannot raise prices (as land is fixed in quantity), nor can it be evaded—because land is immovable and in plain sight, so its incorrect assessment is easily detected by one's neighbors. Hence it is the ideal tax, and could function successfully as the "Single tax" if we had inaugurated it before the Civil War and we were now economically sound as a result. But burdened as we are with uncountable public debts caused by needless wars, reckless spending, and clusters of parasitic "protected" industries, we are economically diseased and must undergo a long medical treatment if we ever expect to recover our national health (Book II).

America was fortunate as the birthplace of Henry George, the "Prophet of San Francisco," and truly "A man sent from God," as his disciple, the Catholic priest, Dr. McGlynn, announced at his funeral. Yet George resembled Jefferson in having a philosophical rather than a mathematical mind and, unlike the latter, was further handicapped by having to stop school at the early age of thirteen and having to depend solely on public libraries for his higher education. His natural genius, though remarkable, could not entirely overcome his inadequate schooling and his lack of experience in business administration, as is evidenced by many technical errors in his works.

These errors are not important in his treatment of his specialty—economic science—but often serious when he makes incursions into politics and sociology. For example, in *Progress and Poverty*, George contradicts most modern scientists when he supposes that heredity plays a minor social role, and that not only

does *every* class of the white race have the same inherent mentality but that the present average intellectual capacity of all races is the same—a fallacy which he apparently accepted without thorough investigation.

Notwithstanding, George should not be blamed for such of his disciples as restrict his gospel to the mere fiscal reform of the Single tax on land values. George's objective was a moral one—economic justice—and he proposed tax reform as the easiest peaceable way for achieving his practical goals of Free Land and Free Trade. Since no species of tax not dissonant with these goals can be called illiberal, the author ventures to believe that this multitax plan is still in harmony with the glorious French Physiocratic tradition beginning, 200 years ago, with Quesnay, Turgot, Dupont, and Mirabeau, and lately carried on by such talented American apostles as George, T. G. Shearman, T. L. Johnson, C. B. Fillebrown, Joseph Fels, and L. F. Post; and that it will effectively restore and conserve a complete economic liberty, even though it may not include now the orthodox Georgist ideal of abolishing all taxation.

After the Transition, 95 per cent of all economic rent will be taken for public revenue and five per cent will be left to landowners for their work of collecting it. The fact that certain natural resources, such as minerals, are more hazardous to develop than others, need not affect this apportionment, because this extra risk can be readily compensated by allowing the holders of such resources a higher interest-rate on their capital, in the computation of economic rent, than for safer enterprises. Exemptions from taxation may be also made, then as now, for landed properties whose rent is to be devoted to educational, religious, or charitable purposes.

While the existing constitutions of most of our states offer no legal obstacle to the plan of gradually boosting the present Natural tax till it absorb 95 per cent of the rent, experience in Australasia and Canada has shown that this process never continues enough to get within sight of its objective, because of the political intrigues of selfish landowners and the failure of the apathetic or ignorant landless voters to resist them. Consequently, in the Model L.L. Federal Constitution, the author has adopted the more practical plan of nationalizing economic rent at once, but postponing its full collection till the end of 34 years. This Transition period will be divided into three epochs: the first, an

Initial epoch of one year, will be used for a complete census of all the private land values of the nation; the second, or Adjustment epoch of three years, will involve the gradual raising of all land-tax rates until they reach, at its end, the uniform figure of 35 per cent of the full economic rent, which is the proportion already being collected in many cities (Ch. XXIX); and the third, or Recovery epoch of thirty years, will be devoted to a uniform boost of the tax on economic rent, at the rate of two per cent annually, till at its end the tax reaches its final figure of 95 per cent, leaving a five per cent collection fee for landowners.

This program should be administered by a Federal Land Bureau which will supply a uniform system of valuation for the compulsory use of local assessors everywhere, so that the latter cannot undervalue their territory in order to relieve it from its fair share of taxation. The huge task of the first census can be completed within the year of the Initial epoch by merely assembling the figures already made for townsites and farms by the local assessors, and for forests, mineral deposits, and public utilities by the Federal and State bureaus. In the following three years, these Initial valuations can be carefully revised (while the tax rate is being boosted) till, at the end of the Adjustment epoch, all land values are uniformly assessed by the same Federal system.

The Natural tax, as now collected, is part of the real-estate tax and is usually divided into two portions, one for the local entity and the other for the State. Occasionally the former may use it all, as the State has enough other sources of revenue. Our varying local methods of revenue expenditure may be continued for a season, till the gradual increase of the Natural tax and the decrease or abolition of the worst Crooked taxes have made advisable some changes of apportionment. Later, at the end of the Transition, when only the six Liberal taxes remain, the distribution of the Natural tax will begin to approach the form it will have when, our huge public debts having been paid off, it will become the mainstay of all our governments.

The final division of the Natural tax will be in three portions: after reserving the parts essential for local services (Ch. XXIX), a second part will be taken for the State and the balance will go to the nation. However, the whole product of the income tax should be then shared between the Federation and the states whence it proceeds, since it will come exclusively from monopoly profits. The alcohol tax then would be generally distributed

among the public charitable institutions of all three entities. On the contrary, the Pseudo-taxes would be used by the government supplying the service they compensate, and the two remaining Liberal taxes—on tobacco and inheritances—would be spent exclusively by the nation. To a possible objection that these revenues would fail to support our Federal and State governments at their present, high "standard of living," the author agrees, and rejoices at the dilemma, for such shameless squandering as these profligates have done since 1916 sets the record for all time.

The truth is that most of our present Federal and State spending is needless or wasteful, and a large part of it will be saved as soon as the following eighteen items are excluded by the Logical Liberal system: 1) the countless cozened cat-hops of the New Deal; 2) the private and logrolled bills of legislatures; 3) the redundant armaments, due to munition lobbies; 4) the undeserved pensions, bonuses, and hospitalization, due to veteran lobbies; 5) the purchase of our governments' supplies from domestic trusts, instead of from the world's cheapest purveyors; 6) the payment by our governments, in their construction works, of excessive labor-monopoly wages instead of fair wages; 7) the needless outside purchase by governments for public institutions of many supplies which easily could be manufactured by their inmates, if laws due to labor-union and purveyor lobbies did not prevent it; 8) the employment of politicians in administrative work, instead of competent clerks; 9) the payment of subsidies, instead of the market price, to ship, airline, and railway owners carrying mail, troops, etc.; 10) the administration of Crooked taxes, instead of Liberal ones; 11) the obstruction to just and efficient law courts, due to political interference and to the Jacobin Bill of Rights included in our existing constitutions; 12) the needless increase in crime caused by the control of the liquor traffic by politicians rather than by statesmen; 13) the waste in administering charitable institutions through grafters and sentimentalists instead of through experts; 14) the tolerance of the free multiplication of hereditary defectives to become public charges, instead of the compulsory sterilization of all such parent stocks; 15) the free schooling of children beyond their inherent mental capacity; 16) the free education of youth for those intellectual professions which are already overcrowded; 17) the selling of bonds for mortgaging the future, in order to continue prodigal policies indefinitely; and 18) the practice of human-body suffrage and of

many elections, instead of Rational suffrage and of few elections.

The cavils upon which our monopolists rely, in their campaign against the adoption of the Natural tax, may be classed under four headings: Injustice, Confiscation, Class Legislation, and Noncompensation.

Injustice. In the author's Island example (App. 1) there is no urgent need for a State until the Second period, when immigrants continue to arrive after the Fertile land has been fully occupied by the first ten farmers. Then, unless the latter are physically stronger, they may be easily dispossessed by the newcomers, who will refuse to accept the Medium land if they can seize the Fertile quality. So, to avoid this disaster, the Fertile farmers found a "State," which at once proceeds to fulfill its first duty of protecting "property" against the would-be invaders. As shown by Table 15 of Appendix 2, the fairest way to raise revenue for the support of the new island-state (whose primary purpose is to enable the Fertile farmers to raise crops, undisturbed by intruders) is to make an assessment against rent rather than against wages; because the latter alternative would mean a denial of social equity much worse than in the theory of the feudal system, which imposed on the landowner, in exchange for his privilege of collecting ground rent, the duty of meeting from it all the expense of governing his holding (Ch. V).

Confiscation. History proves what our innate sense of justice prompts us to believe, that: as the earth exists for the general usufruct of the living, any State which persists in authorizing private land monopoly—for the indirect enslavement of one class by another—is unjust and so bound to end in disaster. Since the bulk of our ground rent is now wrongfully pocketed by landowners, it is clear that the Natural tax means merely a long delayed resumption of a social income which would never have been alienated had our democratic ancestral lawmakers known more about economic science.

Class Legislation. This cavil is sheer impudence from the only class which is legally privileged to collect the rent of public property. Instead of being satisfied with a commission for its collection work, it has devised all sorts of other taxes, so that the cost of government can be thrown on the unprivileged classes and it can pocket ground rents for its own use. Britain has been ruled for centuries by big landlords, and the United States by small ones, though ever since 1864 the latter have been deluded

into taking the role of cats' paw for our New Plutocrat monkeys. The achievement of the full Natural tax, after the Transition, will really mean the final abandonment of a policy of class legislation for the benefit of landowners, which is largely responsible for the present perilous state of our republican institutions (Ch. XVIII).

Noncompensation. Our landowning rulers have never scrupled to ruin vast numbers of their fellow citizens by sudden and arbitrary changes in methods of taxation, but have never dreamed of offering the smallest compensation to the victims of such caprices. None the less, they now claim that the long failure of the landless to demand the fulfillment by the landowners of the full public obligations of their properties has estopped all future reclamations. Also, since many have recently paid high prices for the privilege of pocketing ground rent in the belief that its taxation would never be increased, the State, when it recovers all ground rents by the Natural tax, should compensate such investors for their possible losses.

In rebuttal, there appear far juster counterclaims against landowners for compensation for the ground rents which our producers long have been forced to pay them for nothing but paper receipts. Producers have had two burdens to carry instead of one: the first, that of parasitic landowners, and the second, that of governments which, in default of the full Natural tax, have had to make up the difference by all kinds of onerous Crooked taxation. If we strike a balance between producers and landowners, it will doubtless favor the former claimants by a colossal sum.

Moreover, when the Great Leviathan decides to shift his moorings, it is seldom that he worries about the damages his movement may cause. For example: before 1789, French nobles were largely freed from taxation and titles were often bought for the purpose of enjoying this exemption; yet the Revolution nullified this absurd privilege without a shred of compensation, and moralists now agree that this was quite right although, to a host of tax-eaters at the time, it seemed a monstrous wrong. Another instance occurred here in 1920, when the passage of the Prohibition Amendment destroyed the business of myriads of liquor makers and dealers, yet no compensation was paid.

If these precedents—with which history abounds—are yet insufficient to persuade our landowners to accept the generous

offer of a long Transition period for the full restoration to the nation of its long purloined rents, let them hesitate before they become so foolhardy as to court the recent frightful fate of the incorrigible landlords of czarist Russia.

CHAPTER XXIX

Free Townsites

THE AVERAGE CITIZEN who has not traded in real estate has no notion that a townsite possesses any value apart from its buildings. He remarks: "My house has doubled in valúe since I bought it." Two centuries ago even statesmen would have seen nothing absurd in his statement, since it was the current belief that the whole value of city real estate was represented by its buildings. In the old European cities, it was easy to fall into this error, but with the experience of newly settled America as a lesson, a child may comprehend the truth of the matter. For the bare townsites of Chicago, Denver, Portland, and Seattle, which were valueless in 1800, are now (with buildings subtracted) valued at hundreds of millions of dollars.

A building decays and diminishes in value every year, but a townsite never decays and its value only fluctuates with the number and prosperity of the townspeople. Thus, some years ago, when the capital of Hindustan was transferred to Delhi from Calcutta, the value of the site of Calcutta began to fall and that of Delhi to rise. There had been no new buildings in Delhi nor any loss of buildings in Calcutta to alter their land values, but simply there had been a project which would increase the population and business of Delhi, and their demand for land, and would effect the opposite in Calcutta.

While the value of mineral land proceeds chiefly from geological causes, the value of a townsite is solely due to its location with reference to human population, commerce, and government. Surround a town lot with a high wall, so that its occupier would be forever isolated from all his neighbors, with their facilities for trade, education, and pleasure, and the lot would be rendered valueless. Move a city's population to a permanent new site and

the old site becomes worthless, except for agriculture; but destroy a city's buildings without moving its people and the old site retains its value. This was demonstrated after the great conflagrations in San Francisco and Baltimore, in which the owners of buildings lost immense sums but the owners of land lost nothing, since the old population had the same need for sites as before.

One would suppose at first thought that merchandise sold in city stores, which have to pay huge land rents, would be high in price; but such is not the case because rent does not affect prices (App. 1). The reason why merchants can afford to pay such big rents, and still have enough left to pay wages and interest, is the chance given by a townsite for a quick turnover of stock.

TABLE 3—ORIGIN OF TOWNSITE VALUES

Line		*City*	*Village*
1.	Merchandise Cost	$ 100,000	$100,000
2.	Turnover	Monthly	Yearly
	Gross Selling Profit		
3.	Per cent	20	40
4.	Per turnover	$ 20,000	$ 40,000
5.	Per year	$ 240,000	$ 40,000
	Yearly Selling Expense		
6.	Labor	$ 90,000	$ 10,000
7.	Interest and insurance	$ 12,000	$ 12,000
8.	Building	$ 48,000	$ 12,000
9.	*Total*	$ 150,000	$ 34,000
	Building Site		
10.	Rent	$ 90,000	$ 6,000
11.	Value (Rent @ 6%)	$1,500,000	$100,000

In Table 3 are compared the annual results of a city and a village merchant, the merchandise (on hand) of each being the same in quantity and kind. But owing to the selling advantages of his location, the city merchant can turn over his stock monthly, or twelve times as fast as his village rival, and is thus able to make a gross annual profit sixfold larger (Line 5) even when selling his goods at half the profit (Line 3). The city merchant must pay more for labor (Line 6) and for the hire of a larger building (Line 8); but if he pays a little more for insurance he can offset this added expense by buying his goods cheaper, so the expense for interest and insurance (Line 7) has been reckoned the same for both. Subtracting Line 9 from Line

5, we find that the city merchant has a residual annual profit of $90,000 a year, as compared with his rival's $6,000 (Line 10). But the city merchant, unless he also owns his site, will get no benefit from his tremendous residual profit; because the competitive bidding for such advantageous sites, among rival merchants, will enable the landowner (the monopolistic factor) to absorb all the residual profit as rent (Ch. XXVI), and the final result will be merely that the city site will have a selling value fifteen times greater than that of the village (Line 11).

Valuation of townsites. The total "ground" (economic) rent of a fully improved city lot can be readily reckoned by subtracting from the annual gross rental of the whole property its total expenses, which include the interest and sinking fund on the cost of the building as well as its maintenance. The present tax on land-values is then to be deducted from this gross ground rent in order to find the net ground rent, which must be capitalized at the prevailing rate of interest if we wish to know the real commercial value of the lot. In normal times, the lots of our growing cities always sell for more than this last price, because there is included a premium to cover the speculative anticipation of a future increase in ground rent.

In 28 of our best-managed cities the law now prescribes that the values of all real estate must be first revised to date and then carried in the tax-assessor's lists in two columns—one for land and the other for betterments—and these lists must be open to public scrutiny, so as to allow time for detecting errors before the annual tax levy. Since the ground rent of city lots—unlike that of farms or mines—is not due to any superiority conferred by Nature but is a creation of society, the calculation of the lots' commercial values can be effected either by estimating their earning power, when suitably improved, or by comparing them with recent sales of similar neighboring lots. About 35 years ago, W. A. Somers of Cleveland, Ohio, devised a useful system by means of which the value of a whole city block can be readily figured in the office—as soon as the value of a representative lot on each of its four sides has been ascertained in the field—by the use of Somer's Valuation Tables.

In our more advanced cities, like St. Louis, Missouri, the urbanization of farmland by grading and constructing sidewalks, street pavements, sewers, etc., is considered as much the private affair of the abutting landowners as are the houses on their lots.

Such abutting betterments are considered as capital expenditures of the landowner, rather than land value, and only the cost of the main sewer and water-pipe systems is met from the general city budget. In the author's opinion, the cost of the water mains also should be paid by the abutting landowners for, unlike the supply of gas or electricity, that of water is essential for every lot.

PROFITS OF TOWNSITE MONOPOLY

The growth of land value—capitalization of the net ground rent—is called the social or unearned increment, because it represents the earnings of society, not of the title holder. Nowhere does it pile up faster than in our metropolises, as the following examples show:

Greater New York City. In 1934 this townsite of 191,360 acres was assessed at its "true value" of $8 billions, an average of $4,180 an acre; this is nearly one-fourth of the land value of $35 billions possessed by our national total of 6.25 million farms, averaging 157 acres each, as listed for the census of 1930. For the population of seven millions the average assessed value was $1,143 per capita, and the net ground rent (at five per cent) was $400 millions a year. If we add to the last the actual, direct land-value tax—average rate of 2.68 per cent—of $229 millions ($32.71 per capita) we obtain a gross ground rent of $629 millions ($90 per capita), whose capitalization (at five per cent) yields a gross land value of $12.6 billions ($1,800 per capita), which is doubtless the highest of any city on earth.

Of the total assessed value of real estate 47 per cent represents land values; and this means that the monopolists of the townsite gain, from their paper titles alone, about the same income as the owners of all the buildings and betterments whose construction has required the expenditure of $8 billions of cash savings. In other words, some 8,000 lot owners—11.5 per cent of the city's population—are now allowed to pocket annually, from their legal monopoly, an average income of $5,000 apiece, or more than is earned from personal effort by any but a small fraction of our most successful brain-workers. Could anything give a more striking proof of the flagrant immorality of our present property laws which thus make parasitical land grabbing more profitable than productive labor?

Manhattan Island, the heart of Greater New York, is the most valuable island on the globe, as its land alone was assessed in

1934 at $4.67 billions, which for its resident population of two millions gives $2,335 per capita—an exaggeration, because a large part of its daily workers goes elsewhere to sleep. The greatest value is in Wall Street, where one acre is worth $30 millions, or $689 a square foot, sufficient to plate the surface with pure silver of 1.75-inch thickness. One such acre has the same value as the land of 5,300 of our average farms, assessed at $5,600 each.

The cost in 1930 for governing Greater New York was $682 millions, or $97 per capita. This is not only the highest of any city—both as a whole and per capita—but it exceeds the national budgets of all but fourteen of the world's nations. In America, it is only exceeded by Canada and Argentina; in Europe, by Britain, France, Italy, Germany, Russia, Poland, Czechoslovakia, Yugoslavia, Rumania, and Belgium; and in Asia, by Japan and Hindustan. Our spread-eagle orators always boast of this huge New York budget, yet judicious patriots must grieve over it as a proof of shocking ohlocratic decadence. Added to the shameful waste of revenue has been the growth of municipal debt, which had reached $3 billions in 1930, or thrice the size of our national debt in 1916.

All this indicates sheer waste and corruption even when compared with former times; for in 1900 the budget was only $32 per capita which, if amply adjusted to the then higher value of money, means half the present expense, with nothing to explain the difference but unwise or prodigal expenditures for public services. Finally, the value of the New York townsite is not the social product of its inhabitants alone, but also of the whole contributing hinterland of towns and hamlets. Equity therefore prescribes that the land-value taxes should be spent for the benefit of the whole contributing population, and not just for that portion living on the New York townsite. Owing to the obstacle of our State lines, this theoretical distributive justice is impractical at present; but we can approximate it fairly well by the following plan, which can be operated by changing the State constitution only.

The land-value revenue will be expended first for the city's essential "physical" services, which comprise mainly: sanitation (street cleaning, sewage and garbage disposal), light, gas and water supply, and building and fire departments. The balance then will be added to a "social-service fund," to be spent throughout the State in proportion to population. Since land values per

capita vary directly with a city's size—business conditions being similar—a metropolis like New York will contribute to the social-service fund much more, proportionately, than smaller cities like Albany or Buffalo. This fund will support the State and local judicial and police systems; the asylums, hospitals, and clinics for the care of the sick, insane, defective, and poor; and the schools and colleges for public education.

With this scheme in operation, the present, vast, surplus land-revenue of metropolises would be no longer available for urban politicians to waste—either as excessive salaries and corrupt contracts for themselves, as voluptuous social services for their electoral following, or as the basis for piling up appalling debts. When distributed evenly over the State, it would enable rustics to enjoy schools and hospitals as good as those of urbanites. As a result, the former would be tempted neither to migrate citywards for such advantages nor to pawn their local governments in an attempt to equal such advantages at home. When we thus reduce the gratuitous social services of our cities to a proportional basis and cease to subsidize them by tariffs and railway favors, these law-made loadstones—which have since 1864 sucked myriads of people into their lethal slums—will be demagnetized, and our salubrious countryside will again recover its former popularity (Chs. XII and XVIII).

Boston, Massachusetts. In 1930, all real estate was assessed at $2,022 millions which, if we assume 45 per cent is land value, gives $910 millions for the townsite, or $1,160 per capita of the 781,200 population. The net ground rent (at five per cent) is $45.5 millions, the land-value tax—rate 3.06 per cent—is $27.9 millions ($35.70 per capita), and the gross ground rent is $73.4 millions, or $94 per capita. The cost of city government was $76.89 per capita.

Pittsburgh, Pennsylvania. This city is remarkable for having advanced farther towards the Natural tax than any in the country. The Graded Tax law of 1913 provided for the reduction of the tax rate on buildings to fifty per cent of that on land, in five successive steps of ten per cent each, during twelve years ending in 1925. In 1929, land and buildings were assessed separately at their full valuation, but the tax rate on buildings was only 1.25 per cent, or just half of the 2.5 per cent levied on land values. This meant a shifting from buildings to land of $3.5 millions of taxes, of which it was estimated that $2 millions were saved to

owners of improved real estate at the expense of vacant lot holders. About 95 per cent of all home owners pay less taxes by the Graded plan. Between 1914 and 1929, assessed building values increased from $282 millions to $558 millions—nearly doubled—but land values only rose 23 per cent, or from $480 to $574 millions. This showed a marked discouragement of land speculation, for land value fell from 63 to 51 per cent of real-estate value. Besides the city corporation with its Graded plan, there are two other tax authorities, the county and the school district, which together collect as much again as the city but still assess land and buildings equally. The Graded plan thus has much less chance for showing its benefits than if it were applied by all three tax authorities. For this reason, too, no attempt is made to compute the ground rent per capita, as in the other examples with simpler systems of taxation.

Indianapolis, Indiana. In 1930, the townsite was assessed at its true value of $230 millions, which was 48 per cent of its real-estate value; this gives $633 per capita for its population of 364,000. The net ground rent (at five per cent) is $11.5 millions and, if we add the land-value tax—rate 2.88 per cent—of $5.6 millions ($15.38 per capita), we obtain a gross ground rent of $17.1 millions or $47 per capita. The city government then cost $46.81 per capita.

Cleveland, Ohio. Here, the city proper and Cuyahoga County are lumped together. The 1930 census valuation was $1,383 millions for real estate which, land being 42 per cent of real estate, gives $581 millions for the site value, or $484 per capita of the 1,201,455 population. Since there were 383,402 landowners, this gives a holding of $1,260 each. The net ground rent (at five per cent) is $29.1 millions, the land-value tax—rate 2.675 per cent—is $15.5 millions ($12.90 per capita), and the gross ground rent is $44.6 millions, or $37.17 per capita. The cost of government was $45.31 per capita for city and county.

St. Louis, Missouri. In 1930, all real estate was assessed at $1,085 millions, which (on the basis of seventy per cent) gives the true value as $1,550 millions. Lacking the assessment of the land separately, there will be assumed for it the same proportion of real-estate value as in Chicago, which is 45 per cent. This makes the true value of the townsite $698 millions, or $850 per capita for its population of 822,000. Therefore, the net ground rent (at five per cent) is $34.9 millions and, if we add the land-

value tax—rate 2.57 per cent—of $17.9 millions ($21.78 per capita), the gross ground rent becomes $52.8 millions, or $64 per capita. The cost of city government was then $34.3 millions, or $41.82 per capita.

Chicago, Illinois.—In 1930, all real estate of Chicago and Cook County together was assessed at $2,831 millions, which (on the basis of 37 per cent) gives its true value at $7,650 millions, of which 45 per cent was land. Thus the site is worth $3,442 millions, or $864 per capita for its population of 3,982,000. This makes the net ground rent (at five per cent) $172.6 millions and, if we add the land-value tax—rate 2.19 per cent—of $75.4 millions ($19 per capita), the gross ground rent becomes $247.6 millions, or $62.16 per capita. The city government then cost $212 millions, or $53.24 per capita.

The recent tax history of Chicago furnishes an amazing example of an ohlocracy in action. The State of Illinois obtains revenue by taxing the real estate of its 102 counties, as valued by the local assessors. This scheme tempted the latter to undervalue their counties, and the State Equalization Commission found it impractical to rectify the evil without making a complete revaluation of all the real estate in each county. The evident remedy for this imbroglio was the transfer of all tax-assessing duties to the State as the only unbiased authority; but this simple change is improbable under our present governmental structure which always favors special interests rather than the commonweal when the two conflict, provided the former are politically entrenched. In 1927, a partial revaluation of Chicago real estate showed that the assessed valuations were grossly unjust, as they varied from one to one hundred per cent of the true figures. Reductions had been made according to the vote-getting ability of favored landowners, who perverted the assessors' estimates through the partisan precinct-captains. As a result the State Tax Commission declared the quadrennial revaluation of 1927 void; then—with the aid of civic leaders—in the Assembly it overcame the opposition of the Chicago bosses and obtained a law for a complete revaluation of Cook County real estate, to begin in 1928. This work was completed in 1930 at a cost of $3 millions but, indirectly, cost $4 millions more, owing to the long legal battle in the courts to compel the landholding plutocrats to accept their new assessments. This struggle not only left the city's employees and creditors unpaid, often for months, but uncovered many a polit-

TABLE 4. RENT AND EXPENSE OF SIX UNITED STATES CITIES

Col.	1	2	3	4	5	6	7	8
	Population, thousands	Ratio of land to real estate, per cent	Gross rent, $ per capita	Cost of govt., $ per capita	Ratio of cost of govt. to gross rent, per cent	Natural tax, $ per capita	Ratio of natural tax to gross rent, per cent	City debt, $ per capita
New York	7,000	47	90	97	108	33	36.4	429
Chicago	3,376	45	62	53	86	19	30.4	214
Cleveland	900	42	37	45	120	13	34.5	210
St. Louis	822	(45)	69	42	66	22	34.0	93
Indianapolis	781	(45)	94	77	81	36	38.0	196
Boston	364	48	47	47	100	15	32.5	110

ical cesspool and proved once again that Chicago—next to New York—had the worst municipal government of any civilized metropolis.

THE LIBERATION OF TOWNSITES

For freeing our townsites from the plague of speculation, we have simply to increase the Natural tax—gradually and uniformly—until it absorbs the gross ground rent at the end of the Transition period (Ch. XXVIII). Then our townsite owners no longer will be legally privileged to pocket public income for private use, and will be restricted to their only socially useful function as land users.

In the eight columns of Table 4 have been abstracted, from the previous calculations for six cities, the essential figures for Natural taxation. Column 3 gives the gross ground rent, Column 4 the cost of government, Column 6 the present Natural (land-value) taxation, and Column 8 the debt—all per capita. Column 2 relates the assessed value of land and real estate, Column 5 relates the cost of government to rent, and Column 7 relates the Natural tax to rent.

At first sight, the erratic variations in Column 5, between cost of government and rent, seem to negate the theory that they are connected, until we consider the following explanations of such discrepancies.

1. Those cities which still continue the aristocratic English custom of urbanizing farmlands, out of their general treasury, may legally spend incredible sums; especially when such additions are not restricted to the real needs of growth but include speculative suburbs. Forsooth, in some cities realtors not only urbanize their developments from current taxation but run up monstrous debts besides, by means of bond issues for "public improvements"—bridges, parks, boulevards, schools, etc.—whose secret purpose is to make their lands more valuable; consequently, 2,000 of our cities are now on the verge of bankruptcy. Of the other cities no data was found on this point, but St. Louis follows the democratic custom of making the benefited landowners pay most of the cost of urbanization, and so also has the lowest percentage in Column 5.

2. The rents of Column 3 have been figured on a basis of "true" land value, yet the fact that each city has its own special

method of valuation offers a good chance for discrepant results. Thus, Cleveland's land is evidently underassessed (at 42 per cent of its real-estate value), because in Column 5 its governmental cost is much higher in proportion to rent than the much worse-governed New York and Chicago.

3. Another difference, which may help to explain the high figures of Column 5 for Cleveland and Indianapolis, is that some cities assess the franchise values of public utilities as "land" while, for taxing purposes, others assess them separately as "personal" or "other" property.

4. The varying quality of city governments, from the shameless corruption and waste of New York and Chicago to an efficiency in St. Louis as high as may be expected from our present ohlocratic political system (Ch. XVIII).

Another fact revealed by Table 4 is that the four cities with large foreign-born populations are much more reckless in contracting debts than the native cities of Indianapolis and St. Louis. The last two have almost equal debts per capita while, of the foreign cities, Boston, Cleveland, and Chicago have twice as much, and New York reaches the shocking figure of four times as much as the native cities. Such doomful results would have long ago caused us to abandon human-body suffrage and the Montesquieuan system, had we been politically guided by science instead of by silly sentimentalism and godless greed (Book III).

Another revelation of Table 4 is the prodigality of our city governments, even when compared with those of forty years ago. In 1890, the "local" (both city and State) government of Boston, with a population of 448,500, cost $22 per capita or about half of the $79 it does now, after allowing for the then greater value of money; also, then it cost only 48 per cent of the rent, while Column 5 shows that now the cost is 81 per cent of the rent, or 69 per cent greater.

The next problem to consider is whether the Natural tax would ever suffice to pay Boston's share of all taxes—local, State, and national. In 1890, it would have, for then the Federal Government only cost $300 millions a year, or $5 per capita, so on the basis of population of our Articles of Confederation, Boston's share was only $2.1 millions. But figuring it on the fairer and more practical basis of ground rent, Boston's share was then under $4.5 millions which, added to the $10 millions for local costs, made only $14.5 millions, or 69 per cent of the gross ground

rent of $21.15 millions, as estimated by Shearman in *Natural Taxation.*

In 1925, the Federal Trade Commission estimated that United States land values—privately owned—totaled $100 billions. Since the Boston townsite is worth $910 millions (1936), it comprises 0.91 per cent of national land values and should pay this percentage of the Federal budget. If we assume that the latter is $4 billions for normal years, Boston's share would be $36.4 millions which, added to her $60 millions of city tax and her direct State tax of $2 millions, make a total of $88.4 millions, or $15 millions more than her present gross ground rent of $73.4 millions.

Within forty years, therefore, Boston has doubled its cost for local governments and tripled it for Federal Government, if measured in equalized money; also, its total tax levy has risen from 69 per cent to 121 per cent of the ground rent—a rise for which the Federation is chiefly responsible, owing to the dire disaster of the World War (Ch. XV). Respecting "reasonable" taxation, Shearman states: "The average annual cost of *necessary* government can never be greater than the average annual value of its land. To say that it can is a contradiction in terms, for the cost of the privilege of living in any particular community is exactly measured by its ground rent." By this criterion, Boston is paying, by taxation, 21 per cent more for government than it is worth, and has contracted a debt of $153 millions besides.

If we assume that in Table 4 we have six representative cities, the achievement in them of the full Natural tax would consist of three steps: a revaluation by uniform Federal regulations during the one-year Initial epoch; the attainment everywhere of a 35 per cent tax rate on the gross ground rent (Column 7) at the end of the Adjustment epoch; and the increase of the latter Natural tax rate, by two per cent annually, till it reached 95 per cent of rent at the end of the thirty-year Recovery epoch (Ch. XXVIII). To avoid confusion during the Recovery epoch, the tax rate should be figured on the gross ground rent (actual or potential) instead of on the net land value as now. Otherwise, some landowners unfamiliar with algebra would fancy themselves cheated; for a growing tax rate on net land value would have to be marked up much faster, in proportion, than one on rents, in order to yield the same revenue, since the former would steadily decrease while the latter remained constant. Finally, when the city had absorbed 95 per cent of the gross ground rent, a lot would cost a buyer

nothing except for the value of its improvements. To remove legal obstacles to this procedure, the clause now inserted in some long-term real-estate leases, obliging the tenant to pay all future tax increases, should be cancelled as contrary to L.L. principles (Apps. 4-5).

During the Transition period, the cost of city government can be lessened by the Cures—as easily as that of State and nation—in the following eight ways: 1. Elimination of graft and incompetence by the merit system of appointment. 2. Censure of bond issues by Public-debt voters. 3. Practice of Natural instead of Crooked taxation. 4. Public light, heat, power, water, and transport furnished by controlled public utilities. 5. Competitive, instead of labor-monopoly, wage scales on public works. 6. Fewer extensions of streets, sewers, piping, and pavements, due to cessation of vacant-lot gamblings. 7. Free, instead of monopolized, land will permit: clearance of crime-breeding slums, more public markets for cheapening food, better school and museum buildings for education, and more parks for health. 8. The intelligent public control of townsites (instead of control by selfish realtors) will facilitate the limitation of skyscraper heights, and the sanitation of tenements—thus avoiding street darkness and congestion, and filth-fostered diseases.

In 1890—says Shearman—the value of our city real estate was sixty per cent in land and forty per cent in improvement. In 1930, Column 2 of Table 4 shows that land value had fallen so as to comprise only 42 to 48 per cent of that of real estate. This fall is due partly to the rise in the tax rate on land value and partly to a relative increase in building costs. All such changes do not lessen the prime merits of the Natural tax—as given by Shearman—but simply require, for supporting our costlier governments, a higher percentage of the ground rent than in 1890.

To inaugurate this plan in one State alone, the governor would first appoint a State land-valuation commission, which would proceed by a uniform method to revise the assessments of all townsites. As many townsites in a State are now underassessed, the revaluation alone would procure a sizable increase in the land-value revenue, which would be further amplified by applying to them all, at the end of the Adjustment epoch, the uniform tax rate of 35 per cent of the ground rent. Appeals from the commission's valuation would be heard by the State administrative court, whose decisions would be final.

CHAPTER XXX

Free Soil

Dear land and tenancy. When the keen French observer, Alexander De Tocqueville, visited us about 1850, he wrote: "In America there are, properly speaking, no farming tenants; every man owns the ground he tills . . . Land is cheap and anyone may easily become a landowner." How different was this situation from that of 1910, when 37 per cent of all our farms were tenant-operated, as compared with 28 per cent in 1890, or an increase of 32 per cent in twenty years. This rapid rate of increase in tenants was about double of either the period preceding 1890 or succeeding 1910, for the obvious reason that the 1890's marked the time when good arable land for homesteading ceased to be available in the public domain.

While no nation-wide investigation of tenancy ever has been made, as early as 1902 the Federal Industrial Commission, from its studies in a rich section of Texas, reported: "The economic conditions of tenant farmers is very bad; they are badly housed, ill-nourished, uneducated and hopeless. They barely eke out a bare living and often move annually to another farm in the forlorn hope that something better may turn up. Without a large family, a tenant cannot hope to succeed or even break even, so his wife is heavily burdened by raising numerous children to a future which will be no better than that of their parents, if as good."

Tenancy had become the prevailing method of cultivating the Southwest as early as 1910 and, by 1915, tenants were operating 60 per cent of the farms in 82 counties of Texas and 68 per cent of the farms in 47 counties of Oklahoma. While inferior in every way to farm ownership from a social standpoint, tenancy is not essentially an evil if conducted under a system which protects the tenants and the soil; but, as the Southwestern system fails to do either, its increase menaces the nation. It is of the type called share-tenancy, under which the tenant furnishes his own seed, tools, and teams, and pays the landlord 33 per cent of the grain and 25 per cent of the cotton. Besides, there is a tendency

to increase the landlord's share either by cash bonuses or through higher percentages of the crops. As a result, the tenants can earn only a lean living, and few succeed in laying by a surplus even with the work of a large family to supplement their own effort. Having no interest in the enterprise beyond the crops of a single year, the soil is rapidly exhausted and conditions become steadily worse.

Practically all white tenants are native-born, yet this pitiless tenant-system tends to deteriorate the human stock and to make each generation less efficient and ambitious than its forebears. A large proportion of tenants are hopelessly in debt and pay exorbitant interest rates. Over 95 per cent are borrowers, and 75 per cent borrow regularly every year. The average rate on all farm loans is ten per cent, and small tenants often pay fifteen per cent or more despite State usury laws. Moreover, over eighty per cent of tenants are always in debt to the merchants supplying them and pay dearly for their credit at rates ranging from twenty to sixty per cent. Since many leases are merely oral annual contracts, they make no provision for compensating tenants for their improvements and so fail to provide for the upkeep of the farms. The final evil is the popularity among landlords of absenteeism, which means their residence in cities, where they avoid not only all productive labor but any direct responsibility for the overwork or distress of their tenants.

Dear Land and Mortgages. Another social menace which has grown fast since 1890 is that of farm mortgages. Statistics show only 28.2 per cent of mortgaged farms in 1890, but 31.1 per cent in 1900, 33.6 per cent in 1910, 37.2 per cent in 1920, and 42 per cent in 1930, or an increase of 49 per cent in forty years. The chief cause of this increase has been the steady rise in the price of farmland as shown in the following table, compiled from the United States Census reports for 1910 and 1930.

Of the total United States area of 1,900 million acres, the percentages which were merely titled as "farmland" are shown in Column 1, and those which were actually plowed or "improved" are shown in Column 2. In Column 3 are given the numbers of farms and in Column 4, their average areas. In Column 5 are the average values per acre of "real estate" (land and buildings) and in Column 6, per acre of the bare land. Column 7 gives the percentages of the total real-estate value which are due to the

TABLE 5. DATA OF UNITED STATES FARMS FROM 1850 TO 1930

Col.	1	2	3	4	5	6	7
Year	Per Cent of U.S. Area		Farms		Ave. Value, $/Acre		Ratio value of land to real estate, per cent
	Farm	Plow	Number, millions	Ave. area, acres	Real estate	Land	
1850	15.6	6.0	1.449	203	11.14	7.80	70
1860	21.4	8.6	2.044	199	16.32	11.42	70
1870	21.4	9.9	2.660	153	18.26	12.76	70
1880	28.2	15.0	4.009	134	19.00	13.30	70
1890	32.7	18.8	4.565	137	21.31	14.92	70
1900	44.1	21.8	5.737	146	19.81	15.57	79
1910	46.2	25.1	6.362	138	39.60	32.40	81
1920	50.2	N.R.	6.448	147	69.38	57.36	82
1930	51.8	21.6	6.289	154	48.52	35.40	73

land. For the last four dates (1900-1930) the figures of Column 7 were found in the cited Census reports but, as the Census gives none for dates before 1900, the figure used by T. G. Shearman in 1894 has been copied there, which is seventy per cent.

Column 6 of Table 5 shows a 46 per cent rise in nominal farmland value from 1850 to 1860, which was probably mostly

due to the lessened value of money caused by the new flood of gold from California and Australia during that decade. Thereafter during forty years, the total rise is only $4.15 an acre, which is $1.04 per decade, or under eight per cent. The big rise comes after 1900, when the value more than doubles and reaches $32.40 in 1910. The amazing value of $57.36 in 1920 can be explained by the lessened value of money (due to the World War inflation) added to the huge export demand for our crops. Yet, when these two sporadic war factors were eliminated in 1930, the fact that the average land value still stood at $35.40 an acre indicates that we must now face the constant factor of land scarcity as the overshadowing price raiser, which first became menacing in 1900.

Instead of high-priced farmland being a blessing, as our superficial spread-eagle spouters are wont to declaim, it creates a vampire which sucks the blood of all our working farmers and allures only those perverted "farmers" who fancy they can "get rich without working" by competing with such human parasites as land speculators and monopolists. How few of these yokels have won recently at this perverse game, played in the farmland boom of the World War, has been exhibited for the past decade by the frantic cries of their Farm Bloc at Washington, that the United States Treasury should use its billions for saving such gambling fools from the natural results of their own folly. For instance, in 1918, the same farmland which had sold in 1868 at $10 and in 1898 at $50 was selling in the Midwest at as high as $500 an acre. This meant that a quarter section was valued in 1918 at $80,000, as compared with $8,000 in 1898, and that where the purchaser had paid only $100 per acre in cash and had given a mortgage for $400 at six per cent, he would have to earn a surplus of $24 an acre just to pay the mortgage interest, a feat only possible with war prices for his crops.

The tendency of rising land values is to absorb all the fruits of a working farmer's labor beyond a poor living. A United States Department of Agriculture survey in the 1920's of 6,000 farms of "more than average size" gave a unit value of $16,400, of which $10,800 was the price of the bare land. This price meant an annual rent for a tenant of $648, at six per cent, and rendered it impossible for a farmer's son to buy a small farm gradually, by saving his earnings, as had been easily feasible at the land prices of 1888. Also, it made it practical for none but the rich to be farmland owners, and tended to replace the former

forty to eighty-acre farms, worked by their owners, by 160 to 640-acre farms, worked by tenants and owned by corporations or idle absentee landlords living in distant cities, as do their aristocratic counterparts in "effete" Europe. Only the purblind can blink this situation, which became inevitable from the very day that our inept ancestral lawmakers attempted to base a democratic republic on the allodial land tenure of the decadent Roman empire, and then initiated the policy of squandering our wonderful public domain as if it were as inexhaustible as ocean water (Ch. XI).

Desert Land. Even rocky hills, cut-over forests, and lands with scanty rainfall have steadily gone up in value. As our frontier moved westward it gradually entered the semiarid plains formerly called the Great American Desert. This wide belt which follows the east foothills of the Rockies from Canada to Mexico has ruined myriads of our farmers, who were squeezed out of the good lands by advancing values and who then plowed up these pastural plains which are unfit for regular cultivation; not because this "Desert" is not fertile but because it was cursed by drought for seven years out of ten, sufficient to cause crop failures. And though this original situation has been recently alleviated somewhat by the development of "dry" farming, it never can be completely cured. This last statement was well proved in 1934, when drought turned these plowed plains into an American Sahara furnishing endless streams of dust (representing the fertile topsoil from immense areas) which were carried by high winds as far east as the Alleghenies.

This Desert is naturally a fine pasture, but the small rainfall makes the land of such small sustaining power that mostly it is just barely worth fencing, and so is "marginal" land normally yielding little or no economic rent (App. 1). If our good lands were fully occupied there would be no need for anybody to plow the Desert for crops. It could be resown with grass, over which would range great herds of livestock for the national meat and leather supply. Here and there would be possible some irrigated oases, where prosperous farmers could grow vast crops of forage to carry the Desert livestock over seasons of cold and drought.

EXTENT OF FARMLAND MONOPOLY

The unspeakable sufferings of our Desert farmers, since 1890, have not been due to a niggardly Nature nor to over-

population and the consequent full cultivation of our well-watered arable lands elsewhere. After the exhaustion of our public domain, the "scarcity" of good farmland, which made it too high-priced for a farm-laborer or for a poor farmer's son to purchase, was a purely artificial product due to our atrocious system of Crooked taxation, which favors the farmland speculator and the tariff-monger at the expense of the producing farm-worker (App. 2). Table 5 shows that even in 1930 only 42 per cent of our total area enclosed as "farms" was improved. And in Table 6 have been quoted a few of the many existing examples where vast areas of our possibly productive farmland are now enclosed by owners who do not cultivate them at all, but who may use them partially for pasture or for wood while awaiting the huge speculative profits expected later, when ripe for sale to farmers.

In Table 6, the first nine examples are comparisons for whole states, but the last example compares the farms of the whole State of Michigan with the monopolies of its upper peninsula alone. Column 1 gives the number of improved farms, with average acreages as shown in Column 2 and total areas as in Column 3. The number of land monopolies is shown in Column 4, their average acreages in Column 5 and their total areas in Column 6. In Column 7 are the ratios of the total area of improved farms to the total area of monopolies. In Florida, New Mexico, and California, the improved land totals only a fraction of the monopolies; in Arkansas, Colorado, Michigan, and Washington, it is appreciably more than the monopolies; while in Lousiana, Oregon, and Texas, the two areas are nearly equal. Many other states also, including Alabama, Georgia, Idaho, Kentucky, Minnesota, Mississippi, Missouri, Montana, North Dakota, Nevada, Oklahoma, Utah, West Virginia, and Wyoming, long have been plagued by land speculators who plan to "reap where they have not sown" at others' expense.

Of the total area of the continental United States it is officially estimated that eighty per cent, or 1,500 million acres, is usable for agriculture. Since the Census of 1930 showed only 987 million acres enclosed as farms, there remains a balance of some 500 million acres of potential farmland now held by private speculators, as the land still left in the public domain—aside from forest reserves—is mostly on sterile deserts or mountains. Many such speculative depletions of our national heritage are the work of our wastrel lawmakers, whom our foolish Montesquieuan system

TABLE 6. UNITED STATES FARMERS *vs.* LAND MONOPOLISTS IN 1910

Col.	1	2	3	4	5	6	7
State	Farms			Monopolies			Ratio total area farms to monopolies, per cent
		Area			Area		
	Number	Each, acres	Total, million acres	Number	Each, acres	Total, million acres	
Arkansas	214,678	38	8.076	265	12,600	3.318	245
Florida	50,016	36	1.805	290	65,341	18.949	10
Louisiana	120,546	48	5.276	270	19,700	5.315	99
New Mexico	35,676	41	1.467	12	88,117	10.574	14
California	88,197	129	11.390	35	523,600	18.326	62
Colorado	46,170	93	4.302	14	240,000	3.355	128
Oregon	45,502	94	4.275	68	71,640	4.585	93
Washington	56,192	113	6.373	155	33,100	5.635	124
Texas	417,770	65	27.360	14	2,300,000	31.960	93
Michigan	209,960	62	12.832	136	47,760	6.495	199

still allows to prosper both as politicians and financiers despite their shameless use of public office for private profit and national loss. The balance is due to reactionary supreme courts which have made a practice of favoring private property "rights"—no matter how baseborn—beyond the commonweal (Chs. X & XXII).

United States Monopolies of British Nobility. Because our illiberal land laws are inherited from both Roman plutocracy and British landlordism, the splendid chance they offered for exploiting our farmers did not long escape the notice of foreign scouts. For instance, about 1860, a visiting Duke of Marlborough wrote home to his friends: "Here you have 60 millions of Anglo-Saxons, who work like beavers developing your property, if only you own real estate here." Apparently the Duke's cronies took the hint, as is evidenced by the following data of British landholdings in the 1870's. In Texas, whole counties were rented to myriads of tenants by the Texas Land Union Syndicate No. 5, which owned three million acres and was controlled by eight British lordlings. In Florida, one company of British nobles held two million acres, Lord Houghton alone had 60,000 acres, and a Scottish outfit held 50,000 acres. In Mississippi, a company of five nobles owned 1.8 million acres, and B. H. Evans of London had 700,000 acres. In Kansas, the British Land Company held 320,000 acres, and Alexander Grant of London owned 35,000 acres. In Missouri, an Edinburgh firm owned 300,000 acres; in both California and Arkansas the English Land Company had 50,000 acres; in Wisconsin, an earl's syndicate held 110,000 acres; in West Virginia, M. Effenhauser of Halifax owned 600,000 acres; and, mostly in Illinois, Viscount Scully had three million acres. Besides, in scattered holdings, the Marquis of Tweedale held 1.75 million acres, three London syndicates had 2.28 million acres, the Duke of Sutherland held 125,000 acres, Lord Dunmore had 120,000 acres, William Whalley of Peterborough had 310,000 acres, the Dundee Land Company held 247,000 acres, and B. Newgas of Liverpool owned 100,000 acres. These listed former British holdings aggregated seventeen million acres; but later they became even larger and more menacing (because of the pressing need of our greater population for cheap land), for as late as 1910 an area of 20.647 million acres (as large as Ireland) was owned here by only 29 foreign landlords and corporations, which thus were able to plunder our workers annually of vast sums of tax-free economic rent, without giving anything in return except paper receipts (Ch. XXVI).

Reclamation Graft. An instructive object lesson of the gross ineptitude of our present Federal Government to handle any practical farm problem is furnished by the thirty-year history of the "Reclamation" Act, which has involved the irrigation of

many dry valleys in the West by huge dams built with public money—to be recovered later from the farmers who would utilize the newly watered lands. Instead of restricting the reclamation expenditure to the improvement of public lands, many of these costly works were located by traitorous legislators above private arid lands, held by their local backers with the object of getting rich at national expense. As a result, the new settlers, who got farm irrigation with the obligation to repay their proportional quota of the project's cost of construction, were unable to do so, after having advanced large sums extorted from them for their raw land titles by the local speculators. This dilemma was soon solved by the guilty legislator, who would proceed to logroll a bill through Congress for releasing the defaulting settlers from their contracts to repay the cost of irrigation works. As usual, some Federal taxpayer was the loser, and so he ought to have been, if one of our blinkered United States Constitution-worshipers (Ch. XXIV).

Farmland Valuation. Two methods have been used for assessing farmland for taxation: by public officials, and by landowners. The first method is commonly used here; it entrusts the assessment to local farmers elected as county or town "assessors," who estimate the different values of farmland in their districts from the prices quoted in recent selling and rental contracts. The second method has been widely used abroad. In Paraguay, the law allows each landowner to value his holdings for taxation but protects the exchequer against undervaluation by permitting the State to buy any private property at its owner's own valuation, plus fifteen per cent as indemnity for the forced sale. The self-assessment plan also has been widely used in Australia and is especially adapted to farmland, whose large areas and low unit values often make its assessment by paid experts a much more costly and dilatory method with no compensating advantages. In order to avoid the disadvantage of purchase by the State as the only sanction for the accuracy of self-assessments, it is suggested that any citizen also be allowed to purchase any property, at the same price, but providing by law that such sales to individuals will not be obligatory except in cases where undervaluation is notorious. In conclusion, it should be emphasized that the Natural system prescribes that farmland should be valued solely for its superior natural advantages, due to original fertility or favorable location for marketing, and there should not be included any

values caused by its owners' investment of capital or labor for improving fertility, drainage, transportation, or irrigation.

THE LIBERATION OF FARMLAND

In planning the application of Natural taxation to farmland, one should start from the present levies. The United States Census reports that the total value of all farm property (land, buildings, and chattels) in 1930 was $57,246 millions, and if all this were taxed at the 1929 rate for farm real estate (1.27 per cent) it would yield $687 millions. The total value of farmland alone in 1930 was $34,930 millions, yielding a net ground rent (at five per cent) of $1,746 millions and a tax levy (at 1.27 per cent) of $444 millions; these summed give a gross ground rent of $2,190 millions. On this basis, the land-value tax is 20.2 per cent of the gross ground rent, and the cited total for the general-property tax on farms ($687 millions) is 31.37 per cent of it.

If, at the end of the Initial epoch of the Transition period, we exempt all farm buildings and chattels from taxation and collect only 29 per cent of the gross ground rent, we then shall be collecting a lesser total of public revenue from farms than is done now by a full levy of the general-property tax. From this start, we need only raise the tax rate by two per cent a year to reach the projected uniform rate of 35 per cent of the gross ground rent at the end of the three-year Adjustment epoch. Thereafter, we should continue to advance the tax rate by two per cent yearly, in order to attain the final fixed rate of 95 per cent of rent at the end of the Transition period, and so permanently to assure in the future the inestimable boon of Free Soil (Ch. XXVIII).

Effects of Liberating Process. The uniform revaluation of all rural land and the first tax levy of 29 per cent of its ground rent, which would occur at the end of the Initial epoch, would not adversely affect the owners of well-improved farms, for then they would pay no more in direct taxes and often less than they do now. But it would thoroughly wake up such land monopolists as are listed in Table 6, who no longer could afford to hold idle their vast holdings and so would be obliged to develop them for production, sell them for what they would bring, or let them revert to the public domain whence they never should have been segregated. Any of these possible procedures would break the noxious monopoly of farmland and lower its present speculative price for would-be purchasers; it would also lessen the stran-

glehold which many landlords now have on their tenants, who would then enjoy the alternatives to hopeless tenancy of a free homestead from the public domain or a cheap private tract bought on time.

As the tax rate on ground rent is slowly advanced during the Recovery epoch, some farm owners—whose land is now worth much more than their improvements and chattels—may have to pay more directly as a Natural tax than they do now as a general-property tax. Yet most genuine working farmers—as distinguished from "farmers" whose main business is land gambling—still would be ahead, because of their vast savings in both working expenses and cost of living, resulting from the gradual abolition of crooked taxation during the same epoch. For instance, the extortion from all our consumers, due to the 1923 tariff on iron and steel products, amounted to $2,282 millions annually and, as our farming population is 25 per cent of the total, its proportional saving by free trade would be $570 millions on ironware alone, or enough to pay a tax of 1.63 per cent on the total value of farmland in 1930 (Table 9). Moreover, the proposal to expend the surplus ground-rent revenue of townsites on the rural districts, on the basis of population, would again restore to farmers their fair share of the total social increment, of which they have been deprived since the Civil War by political policies which subsidize cities at their expense (Ch. XII).

Thus farms could again compete successfully with cities as attractive residences for manual laborers, and so would resolve two of our most serious social problems—the urban proletariat and the scarcity of farmhands. This last change alone should reconcile all farm owners to swearing off from their easily besetting sin of land gambling, especially as more farmers lose than win at this game, when they play it against such professional land sharks as are many rural lawyers, merchants, and bankers. Finally, the Natural tax would make possible the restoration of that unrivaled brooder of early Americans, the subsistence farm, whose successful operation can be readily conducted by any industrious intelligent farmhand, provided he be not handicapped at first by costly land and, ever after, by excessive prices for his purchases, because of law-fostered trusts.

In 1930, our rural population numbered 30.2 millions, of which 3.6 millions were farm owners and 2.7 millions tenants. For hired farmhands the Census gives no figures, but a fair estimate

would exceed three millions. Thus, the landless farm tenants and laborers must outnumber the landowning voters in our average rural districts by fifty per cent. Notwithstanding, the votes from the farming counties overwhelmed the approving majorities of the cities, in each referendum which has been held in our Northern states, since 1910, for the exemption of buildings and chattels from taxation. Such results should surprise nobody who realizes that Republican farmers have formed the immovable bulwark of protectionism ever since 1864, although any mere economic tyro should know that our rustics are always the victims and seldom the profiteers of this modern witchcraft delusion (Ch. XXXIV).

Before these cited referendums, the rural districts were canvassed by artful spellbinders—hired by urban land speculators, but not from altruistic motives. These sophists scared the farmers by saying: "If all taxes are levied on land you'll be ruined, because you own most of it." They failed to explain that the increased land taxation was not to be on areas, but on values, and that farms possessed but a small fraction of the values of townsites, without speaking of mines, oil wells, or public utilities. For example, the townsite of Greater New York is thirteen times as valuable as all the farms of New York State; verily, it has the same value as 25 per cent of all United States farms. The Boston townsite is 7.7 times as valuable as all Massachusetts farms, the Chicago townsite is worth fifty per cent more than all Illinois farms, and the Pittsburgh townsite is worth eight per cent more than all Pennsylvania farms. Forsooth, there are few of our other Northern states where two or three of the best townsites are not worth more than all their farmland (Ch. XXIX). Yet evidently these comparative valuations have hitherto quite escaped the perspicacity of our village wiseacres.

CHAPTER XXXI

Free Timberland

THE UNSCIENTIFIC ILLIBERAL scheme of distributing our public domain as unrestricted private property and its further depravation by incompetent or corrupt legislators has nowhere shown

more lamentable results than for timberland. Of our immense original area of 822 million acres, the location of 681 millions was east, and 141 millions, west, of the Mississippi River. To create farms, a total of 150 million acres of forest was uprooted and burned, mostly east of Kansas. The thick Atlantic-coast forests long have been mere memories, yet Pennsylvania was still the chief lumbering State in 1860. The early 1890's ended the white pine reserves of Michigan, and the late 1890's cut off those of Minnesota as well as many sections of the vast, Southern yellow-pine forests. With this century, began the wholesale slaughter of the unrivaled Douglas fir trees (whose height ranges from 150 to 350 feet) of the Pacific Coast, and now they form over half the supply of the Middle West, although they must be transported over 1700 miles and two mountain ranges to reach the Chicago market.

As early as 1920, we had left only 140 million acres of virgin timber, or one-sixth of our original acreage; besides, there were 110 millions of second growth and culls—big enough to saw—and 130 millions of sparse smaller trees. Three-fifths of our original timber was gone and two-thirds of our original forest area had been culled, cut over, or burned; more than eighty million acres had been devastated and, for productive purposes, were useless. Of the salable timber then being felled or destroyed, about 75 per cent came from the remaining virgin forests and the balance from second growth. The cut of every class of timber exceeded the growth, and even young trees too small for the saw were being cut three and one-half times faster than their replacement; indeed, we were cutting all kinds of trees four times faster than their renewal. Fire and destructive lumbering, working together, have razed and often also have spoiled vast areas of forest lands which were either unsuited for anything but growing timber or too far away from markets to make farming profitable. Moreover, the bulk of our states is now unable to supply its own wood and so has to rely on the few states which still possess large forest reserves.

PROFITS OF FOREST MONOPOLY

The wild forests, which now furnish nearly all the lumber we use, may be compared to mineral deposits in that the valuable material has been prepared for harvest by Nature alone. On the contrary, the forests which furnish much of the wood used in

western Europe are those planted and cultivated by man, and may be considered merely as agricultural crops, with their harvests deferred for years instead of for months. The cultivated forests furnish such small and distant profits that they are seldom operated except by governments, but the unearned harvests of wild forests have given rise to many of our huge private fortunes.

While 75 per cent of our country's forests were publicly owned in 1870, by 1910 about eighty per cent had become private property. The three chief methods of despoilment were: enormous land grants by the Federation to concessionaires of railways, wagon roads, and canals; direct sales in unlimited quantities by the Federation, under land-settlement laws, at $1.25 the acre; and direct sales in 160-acre tracts by the Federation, under the "Timber and Stone Act," at $2.50 the acre.

The history of the robbery of the nation by land grants to the public-utility concessionaires has been given (Chs. X-XII); and to this was due the loss of most of the public forests of the Pacific Northwest, the richest of the globe, where one acre of land will often produce 100,000 board feet of commercial lumber. The sales under the land-settlement laws occasioned the loss of the second-best zone of forest land, the Southern pine of the Gulf states; and much of this land, sold a few years ago for $1.25, is now worth above $50 the acre. The Timber and Stone Act was passed ostensibly as an aid to settlers, but its net result in 1910 had been a loss to the nation of twelve million acres of valuable timberland, of which eighty per cent had been transferred by the "settlers" directly to speculators. Lands reasonably worth $240 millions at the *date of sale* were ceded to the sham settlers by the Federation for $30 millions, or for one-eighth of their value.

Unchecked land speculation soon flowers as oppressive land monopoly, and this has happened in the case of our timberlands. By 1911, the 1,802 larger owners had 88,580,000 acres—an average of 49,000 acres or 77 square miles apiece—while the largest owner, the Southern Pacific railway, owned the greater part of a strip of forest sixty miles wide and stretching for 680 miles along its line from Portland, Oregon, to Sacramento, California. Of the 1,013 billion board feet of standing timber then in the Pacific Northwest, which comprised 45 per cent of all private forests, one-half was owned by 37 companies; and the holdings of the three largest owners, the Southern Pacific railway, the Northern

Pacific railway, and the Weyerhauser Lumber Company, were nearly 25 per cent of the total.

The natural results of the growing timberland monopoly began to exhibit themselves, after 1890, in higher prices for lumber and land. By 1910, the stumpage value of standing timber had advanced from ten to fifty cents up to two to five dollars per thousand feet, an increase of ten to twenty times; proportionate rises in the value of timberlands changed many erstwhile hungry speculators into millionaires. The market value of all private standing timber was estimated in 1911 as $6 billions, excluding the value of the bare land. Not only has the nation parted with this colossal value for little or nothing, but its private monopoly has meant a steadily growing burden, as the population and the consequent demand for timber increase.

THE LIBERATION OF TIMBERLAND

For the past half century many far-seeing patriots have pleaded with forest owners to consider the interests of society, as well as immediate profit, in their methods of harvesting timber. Since few have heeded such friendly advice, the time has now come for the strong arm of the law to take control of lumbering and to enforce conservation measures for the welfare of all consumers of wood, which is an essential raw material for farming, transportation, mining, and manufacturing, and needed for the comfort and safety of every citizen. Owing to the fact that the timberland monopolists are now able to control at their pleasure the few remaining forested states, it is evident that all large private forests and their harvesting should be henceforth controlled by the Nation and handled for the commonweal in the manner to be described:

In considering timberland, a sharp distinction should be made between wild fertile land that will be well suited to the plow when the trees are removed and permanent forest land on steep hillsides. In the latter case, the trees are the only possible crop, and their sudden removal would mean the rapid denudation of the soil and the loss of its power even to grow trees.

Public Temporary Timberland. Like public pastureland, this should be exploited on lease by responsible lumbermen. In some uniform forests, an exclusive lease of a certain tract could be given; in others, containing several varieties of valuable trees, a separate permit for exploiting each variety might be better. The

leases for cutting trees should be given in those parts of the temporary forests which would be needed first for farming-homesteads, so that when the colonist arrived to carve out his home he would find all the valuable trees removed and thus would have less labor in clearing the land. Meanwhile the State would have enjoyed the proceeds of the timber stumpage, which otherwise would have been lost in the colonist's clearing fires.

Private Temporary Timberland. Where the private forest is only scrub or brush of little value, the Natural tax should be applied on the land value in the way explained for farmland (Ch. XXX). But where it contains much valuable timber it should be declared under the control of a public forest bureau and taxed in the same way as permanent private forest. When the owner wishes to use or sell the land for farming, he would be permitted to cut off all his timber on paying the stumpage tax, and thereafter the bare land would be taxed as the agricultural.

Public Permanent Timberland. This land will include all the Federal and State forest reserves which may be necessary to protect the watersheds of the rivers and to hold the scant soil on the hillsides. The ancient reckless destruction of such protective forest has ruined for human habitation large areas in Asia, North Africa, and Spain. The care of forest reserves is already provided for in our Federal laws. Considerable public revenue can be obtained from the reserves, both by leasing the pasturage and by selling the ripe timber to lumbermen.

Private Permanent Timberland. All private forests that need to be conserved permanently, for the protection of watersheds and hillside soils, should be declared of public use and be placed under the control of a public forest bureau, so that the landowner can cut no more trees in them without a permit.

In the case of wild forests, the landowner would be allowed to cut the ripe timber each year according to plans approved by the forest bureau, and on the stumpage he collected (equivalent to economic rent) he would be assessed the Natural tax by the Federal Income-tax bureau. This tax would begin at the local rate in the one-year Initial epoch and reach 35 per cent of the stumpage at the end of the three-year Adjustment epoch. It then would be increased at the rate of two per cent yearly until it reached its full 95 per cent at the end of the thirty-year Recovery epoch (Ch. XXVIII). In case it proved impractical to harvest the trees annually, the landowner would be required merely to pay the

direct Natural tax on the value of the bare land in order to provide some revenue for the county government and to prevent speculation. Later, when some trees were cut, this land-value tax could be credited as an advance on the stumpage tax collected by the Income-tax bureau.

The last plan would be applied also for planted and cultivated forests, which often have to mature for forty years before the first cutting. Here, the economic rent would equal not the gross stumpage but the net stumpage remaining after deducting the cost of cultivation. Consequently, ground rent would be found by dividing the net stumpage by the number of years between harvests, and then discounting from this quotient an allowance for the interest on the many annual payments made necessarily before the stumpage could be collected. The same method applies to the calculation of the ground rent to be assessed by the county for taxing wild forests (where these are not partially harvested annually) and is equivalent to its estimation for farmland.

The proposed Federal or State control of all permanent timberlands will do much to lessen the enormous annual fire losses they now suffer, which may be reckoned at 7.5 million acres—or twice the area cut over for lumber—with a value of $400 millions. The origin of these fires is chiefly human; fifteen per cent are due to defective spark arresters on railway locomotives, fourteen per cent to campers' carelessness, thirteen per cent to reckless burning of brush, twelve per cent to malicious arson, and only nine per cent to lightning, which is Nature's sole incendiary (except for volcanoes). The very valuable, private, virgin forests of the Pacific Coast are now all protected by lumbermen's associations, but these are hampered by inadequate funds. Equally important for our future supply are the cut-over lands of the Great Lakes, the South, and the Alleghenies, where fire protection is usually inadequate or nonexistent; repeated fires in these struggling second-growth forests destroy all seedlings and extinguish all hope of renewal.

Tree pests rank next to fire as forest enemies and cause a yearly loss of $100 millions. Moths and butterflies eat up the foliage, which forms the lungs, whose loss suffocates the trees. In 1897, butterflies stripped the pines all across southern Idaho. Beetles bore through the bark and deposit their eggs; these hatch into larvae which chew the green sapwood around the trunk, and so cut off arteries carrying its circulating sap, and kill the tree.

Within a recent decade, beetles in the Pacific states ruined ten per cent of the yellow pine on a million acres and, in 1922 alone, damaged 250 million feet of sugar pine. The spruce bud-worm is another dire destroyer for, between 1910 and 1920, it killed 75 per cent of the balsam and fifty per cent of the spruce of Maine. All these pests appear in cycles which are controlled partly by weather conditions, partly by natural friends or enemies, and partly by the insect's life history. Science can doubtless greatly lessen the ravages of all such pests when once all our timberlands are carefully handled by public experts.

Livestock are also great enemies of forests in various ways: first, sheep-hoofs strip the shallow roots and expose trees to sun scald and beetle attacks; second, cattle trample down the young growth which protects the seedlings, and sheep also consume these wholesale; and third, hogs are the bane of young, Southern long-leaf pine, for they grub up and eat its succulent roots. Even our national forest reserves still suffer from stock depredations, owing to the fact that many neighboring herd-owners are loath to relinquish their former grazing privileges, and so they lobby in Congress to obstruct the present policy of the Government which aims to stop all grazing where it may harm the growing trees.

With the new taxation, the Forest Bureau should introduce the Corsican system of hill farming in the Appalachian and other well-populated mountains, where now cleared slopes are planted only with annual crops of beans, maize, etc., at the cost of infinite labor and of sure soil denudation. Instead of such misfit crops, the Corsicans plant on their hills only trees, which require no plowing, conserve the soil, and yield bountiful harvests of nut and fruit-foods for man and beast.

It is a hopeful sign that some large corporations have recently begun to cultivate forests as is done in Europe. Several railways are laying out large plantations near their lines for producing ties; the Pennsylvania system is a noteworthy example. In the South we have the great Southern Lumber Company, which is managing its 78,000-acre tract so as to maintain a "perpetual operation" for its sawmills at Bogalusa, Louisiana, which occupy 4,000 men. Another similar plantation is developing at Crossett, Arkansas. And at Longview, Washington, the Long Bell Lumber Company has begun to substitute the cultivating for the former "mining" system, in order to furnish logs for permanently maintaining its wonderful mill-town.

CHAPTER XXXII

Free Mineral Deposits

Profits of Mineral Monopoly. The author has often heard it remarked, "There is $10 invested in mines for every $1 taken out," but such a statement is absurdly untrue when one considers that we alone have a gross, annual, mineral output of some $3 billions, of which many hundred millions represent dividends to mine owners. The quoted statement is probably true as to the balance sheets of the many gullible purchasers of wildcat mining stocks with which nonmining regions are generally flooded, but the total loss of these unfortunates compares in size with the profits of the producing mines as do minnows with whales.

In Table 7 (Col. 4) are shown the total dividends paid, up to 1916, to certain of our metal mine owners in ten different localities. It has been necessary to go back twenty years for statistics, because subsequent consolidations of ownership have made current statistics less easy to unravel. Moreover, even so, data was lacking to permit elucidating the exact proportion between these huge profits and the actual cash spent in the development and the equipment of the mines; but in every case the original cash expenditure was only a small fraction of the enormous mineral royalties of the cited companies, and most of their expensive equipment then existing had been paid for from previous earnings. Column 6 shows the average dividends for each year of activity.

In Butte, the whole copper output had been taken from some 2,500 acres of mineral ground for which our shrewd (?) Federal Government received only $5 an acre. The enormous dividends of $200 millions were not the total received by the owners of this natural treasury but only those paid, within an average period of the previous 25 years, by the six leading companies; and the district still contained a vast quantity of valuable ore after producing over $1.5 billions of metals since 1880. In the Michigan example, the original investment of the stockholders was only $1.25 millions, so that the total gain had been over a hundredfold, averaging a rate of 250 per cent for 41 years; while

TABLE 7. PROFITS OF UNITED STATES MINES

Col.	1	2	3	4	5	6
Item	Companies	Location	Chief metal	Total profit (thousands)	Active years	Yearly profit (thousands)
1	6 Butte Co's.	Montana	Copper	$200,000	21	$9,500
2	Calumet-Hecla	Michigan	"	124,000	43	3,000
3	Phelps-Dodge	Arizona	"	38,000	7	5,400
4	Calumet — Ariz.	"	"	21,000	14	1,500
5	United Verde	"	"	34,000	23	1,500
6	Homestake	South Dakota	Gold	33,500	34	1,000
7	Goldfield Con.	Nevada	"	27,500	9	3,000
8	Portland	Colorado	"	10,000	20	500
9	Bunker Hill	Idaho	Lead	15,500	22	700
10	Silver King	Utah	Silver	13,000	26	500

the stock had sold as high as $1,000 a share, or at 8,000 per cent profit on the original investment. The other examples also show remarkable gains from mineral-land monopoly and, like Butte and Michigan, originated the huge fortunes of many of our multi-millionaires.

Except for the Michigan example, these quoted metal mines

were originally located on the public domain, under the Federal Mining Code of 1872. But, in our older Eastern states, the land laws imitate those of Britain and confer on the surface owner the right to all minerals beneath his holdings; this system affects most of our coal and iron reserves as well as some of those of lead, zinc, salt, oil, gas, and other nonmetallic minerals. In developing our deposits of iron, coal, oil, and gas under these British landlord laws, the custom has prevailed that our mining companies do all the mineral finding and extraction and pay the surface owner for his minerals in the form of a royalty on the output, either in cash or in kind. This system turns our mineral-land owners into pure industrial parasites, "reaping where they have not sown," and perverts the only moral and practical justification of private property in land, which is to enable a sower to guard and cultivate his crop till he can enjoy its harvest.

A notorious example—among hundreds that might be quoted—of the absurdity of our Eastern mineral-property system lies in northern Alabama, where (half a century ago) the great Birmingham coal and iron beds became commercially exploitable. The surface landowners were thereby enabled to sell their mineral holdings for $50 millions, or enough to employ 500 laborers for fifty years at the yearly wage of $2,000. For this huge sum the landowners did nothing (for the minerals were obtained solely by the exertions of labor, aided by machinery) except to "graciously grant"—just like an Oriental despot—the legal permits for opening the mines. If these parasites had any more moral right to their huge gains than had the medieval robber-barons (who levied toll on passing merchants), nobody but a knavish lawyer could detect it.

Another remarkable example of the gains of such parasites at the expense of our national heritage is the Mesabi district in northern Minnesota which, fifty years ago, was a cut-over forest with its land valued at $1 an acre. In 1890, rich iron ore deposits were discovered, and subsequent explorations proved that the productive belt was 100 miles long by one-quarter to two miles wide and contained several billion tons of ore, lying in flat shallow deposits, easily mined. In most cases the landowners did no mining work at all; the mining companies leased the ground, found the ore bodies with diamond drills, and paid a royalty of twenty to fifty cents a ton for all the ore they extracted.

It was not uncommon for a forty-acre tract to produce four

million tons of ore, on which the landowner got a royalty of $1 million, or 25,000 times his original investment of $40—an increase of 2,500,000 per cent. The only offset to this huge public folly of subsidizing the idle is the fact that the State of Minnesota retained the ownership of its Federal grant of school lands (instead of selling them for a trifle like other states) and, in consequence, has received for three decades an annual mineral royalty of $500,000 or more from its Mesabi property. But this sum is small when compared with the private royalties from the Mesabi district which have often reached $8 millions in a single year.

Of the profusely watered capital of the United States Steel Corporation, amounting to nearly $1.5 billions, C. M. Schwab testified in 1901 that $700 millions represented the value of iron ore "properties." Of these, the bulk was undeveloped mineral lands on the Mesabi range.

The present capitalization of this and other trusts owning metal mines—like the Anaconda, Kennecott, American Smelting, and St. Joseph—gives no clue to the original cash invested, if they have been reorganized since they struck the original bonanzas. It is a common device in the "high finance" of mining, as well as of other monopolistic companies, to capitalize earnings as fast as they accrue. The buyers of such "reorganized stock" purchase little real capital, but mainly the tribute-collecting power of land monopoly; and the low rate of interest which the inflated shares yield conceals from our exploited people the tremendous value of this power.

In our oil industry, there have been few figures published of the actual profits of the largest wells, but in all cases they have been fabulous in proportion to the cash spent in developing the ground. For instance, one gusher had a net operating profit of $9,000 daily, on its daily output of 30,000 barrels—assuming the oil gave the net profit of thirty cents a barrel—and it maintained this high rate for many months. Although statistics of the gains accruing from such gushers are hard to obtain—being kept dark by their owners for obvious reasons—that there have been enormous profits in oil-land monopoly can be easily shown by a study of the Standard Oil Company, whose amazing dividends have all arisen either from owning the wells or else from bottling up the well owners and absorbing most of the profits by means of monopolizing their transport-ways to market (Chs. XII and XV).

THE LIBERATION OF MINERAL DEPOSITS

For the progressive application of Natural taxation to mineral deposits, until they again become public property, the author begs leave to offer a plan, in four parts, which would be applied by State and nation (Ch. XXVIII): 1) Separation of surface from mineral rights, 2) mineral areal tax, 3) mineral output tax, and 4) abolition of Crooked taxes.

1. *Separation of Surface from Mineral Rights.* This requires the separate classification of surface and mineral property in the official tax lists. It would involve no change in ownership and would simply separate all present land titles into two portions; one, of all surface rights, and the other, of all rights over the minerals specified in Part 2. There would be no need for separating land rights in existing deeds or records and such separation would be required only for all sales postdating the new statute. The separation law should follow Australian practice in declaring mining a public use, and arrange a cheap, quick, and simple procedure for the acquirement, at its appraised value, of such surface areas as would be necessary for the extraction of minerals lying under separate surface ownership.

2. *Mineral Areal Tax.* This involves an Areal tax on all the underground rights in a State, whether any mineral is supposed to exist under any given area or not. The areal tax should be high enough to stimulate the development of minerals and to discourage speculation of either the holdup or the monopolistic types. But it should be low enough to allow active operators profitably to carry a reasonable mineral reserve for the future and to have no compulsion to exhaust their ground by wasteful methods. This tax should be assessed and collected by each State, but under control of the Federal land-valuation bureau.

The exact rate per acre to achieve these ideals would naturally vary with every individual deposit, but such refinement would be needless and in practice it would suffice to classify all mineral deposits into two groups: (a) would include all deposits in place, of gold, silver, lead, copper, zinc, tin, iron, and other metals; and, (b) would comprise the surface placers of gold, tin, and other metallic minerals, and the deposits in place of combustibles (coal, petroleum, gas, etc.), refractory clays, tripolite, marble, sulphur, phosphates, and salines.

As a General annual rate for the areal tax, $4 per acre is

suggested for Group (a) and $2 per acre for Group (b). These rates are slightly lower than the labor tax of $5 per acre now exacted from holders of Federal metallic claims. Special higher rates should be fixed for unusually rich lands, like the Mesabi iron range or the Scranton anthracite field, and Special lower ones for unusually lean lands, like the Southern clay-ironstones and the Texas lignite districts.

In order to give present landowners sufficient time for the exploration or sale of their mineral rights, the full areal rates should be reached only after an Exploration period of ten years, meanwhile increasing the tax annually ten per cent of the final rate. The payment of Group (a) tax would conserve all rights to both groups, but the payment of Group (b) tax would protect the rights to that group alone.

The inauguration of the areal tax would result in a scramble among landowners either to develop their own minerals or to sell them. This scramble not only would speedily reduce the price of minerals in the ground but would also reduce the price for the consumers, since it would raise the quality of available marginal land and thus decrease the cost of production (App. 1).

For mineral rights of no present commercial value, the surface landowners would usually refuse to pay the areal tax. Such rights, if no purchaser were found at the annual tax-sales, could be resumed by the State without expense. These valueless rights would include both land of no geological probability and land of a submarginal quality. The resumed land of the latter class would be available for future development by the public-leasing system, and even now would act as a check on private land monopoly by being freely open for leasing to prospectors.

Not only could the Federal Government resume large areas of commercial valueless mineral rights in the territories by the areal tax, but it could at once recover vast areas of valuable underground rights in both states and territories, by adopting the suggestion of A. C. Veatch:

> "If Congress should enact at this time that in every case, both in the past and future, where the purchaser of land from the Government made a non-mineral affidavit, that all minerals belong to the Government, it would leave each man with exactly what he swore he was getting and exactly what he paid for. Such an act would be eminently just. In individual cases it would be less severe than the attempt that is

now being made in the Western states to recover to the Government, by lawsuits, mineral land acquired under the agricultural-land laws. In these cases the Government seeks not only the mineral values but the surface values as well. It endeavors to take from the patentee everything; it asserts that the patentee has been a perjurer and has defrauded the Government.

"Under the plan here suggested all such points of difference and all such charges vanish. The oath is regarded not as a perjured statement, but as an honest indication of intent and desire. The claimant's statement that he was acquiring land only for agricultural purposes is made binding on him. The charge of fraud likewise falls; the Government has under this solution not been defrauded; it has sold the agricultural values and received the usual price therefor. The patentee retains what he has bought; the Government what it did not sell. This is a solution of the matter of Western 'mineral-land frauds' which can but appeal to all men as entirely fair."

3. *Mineral Output Tax.* But in the case of mineral lands, no accurate valuation can be made except in the two special cases of surface deposits, and of coal, oil, iron, and other bedded deposits, which can be economically explored by boring. For the sake therefore of uniformity and simplicity, it is deemed advisable to assess mineral lands on their rents, rather than on their selling values, and to offset by the areal tax the consequent encouragement of speculation.

The proposed Output tax, being a tax on rent alone, will not be levied on the gross but on the net output of mineral; and it will therefore correspond to the royalty now collected by private landowners from those mining operators who furnish everything for production except the land itself, as in most cases in oil-gas fields and in the iron ranges of Lake Superior and the zinc districts of Missouri and Wisconsin. The Output tax would be the same fraction of the "true" royalty as the surface-land tax would be of its ground rent. The tax would be paid entirely by the landowner, except in those leased mines where his royalty is less than the true royalty, in which cases the benefited lessees would pay their proportionate share too.

The true royalty of any mineral deposit is the net profit remaining after interest and sinking fund on the cost of betterments (as well as operating and maintenance expenses) have been deducted from the gross earnings. It does not include any deduc-

suggested for Group (a) and $2 per acre for Group (b). These rates are slightly lower than the labor tax of $5 per acre now exacted from holders of Federal metallic claims. Special higher rates should be fixed for unusually rich lands, like the Mesabi iron range or the Scranton anthracite field, and Special lower ones for unusually lean lands, like the Southern clay-ironstones and the Texas lignite districts.

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tions for interest or amortization on any sums that might have been paid to former owners for the minerals themselves. In other words, it is the unearned income, or Rent of the Trinitarian diagram, and in order to make its calculation accurate it would be necessary for all mineral producers of any size or permanence to keep their accounts by a uniform system, prescribed by and open to the inspection of the public tax-commissions.

4. *Abolition of Crooked Taxes.* The existing taxation of the capital used in the mineral industry would be gradually ended, as explained for the betterments on surface lands; meanwhile, the new Output tax would be proportionately advanced, until at the end of the 34-year Transition period it would absorb 95 per cent of the whole royalty (Ch. XXVIII). Thus our mineral deposits again would be liberated, and a genuine "equality of opportunity" would become for the mining community a permanent reality, instead of an iridescent dream.

General Effect. If this plan were immediately inaugurated, the mineral producers would pay the Government no more taxes than at present, and they would be relieved, both as producers and as consumers, of the vast tribute now wrung from them by land speculators and monopolists. Except for the nominal areal tax, there would be no further taxing of mines in the development stage, nor of producing mines that actually yield no net profit above operating costs, interest, and amortization of betterments.

The plan thus would indirectly subsidize prospectors to perform the needed service of opening new mines, and public revenue would not suffer, for it would dig deeply into the huge net incomes of the bonanza mines, which are now greatly undertaxed.

The resumption by the State of low-grade mineral rights, through the areal tax, would throw a vast area open to prospectors. This resumption and the tax would also make more ethical the work of public geologists, whose efforts now, mostly paid for by taxes on capital and labor, conduce only to the financial benefit of private landowners. Under this plan, public aid might be rationally and justly offered to prospectors, as in Australia, where rewards are paid for the discovery of new districts and where public drilling plants and testing mills are maintained.

The general effect on mining of a movement toward the Natural-tax system would be to increase both wages and interest, not only by throwing all taxes onto rent but by increasing the gross output, due to the higher grade of marginal land available

as a result of the release of big speculative holdings now idle. The only class that would feel the change would be holdup speculators, whether poor or rich; the poor forestallers would have to go back to honest work, while their rich counterparts would be forced henceforth to employ their talents and money in production, as their tribute-levying on the activity of others would be profitable no longer.

Conservation of Minerals. "Conservation" may be defined as the securing by our citizens of the greatest economic good that can be derived from any class of natural resources, without wasting these for inferior uses which can be supplied adequately by another less valuable class. Owing to lack of public control, the waste of certain of our resources—especially fuels—hitherto has been stupid, sinful, and stupendous. Our coal deposits are by far the largest of any nation's, and have been recklessly exploited for quick profits so that often forty to fifty per cent of the original bed has been left in the ground in such broken condition that it never can be economically recovered. In the richest coal field—the Appalachian—where there are usually several parallel, horizontal beds close together, a lower one has been mined often so ruthlessly as to break up one or more of the overlying beds by caving, and render it impractical ever to mine them.

For a half century after Colonel Drake's first commercial oil well was struck at Oil City, Pennsylvania, in 1859, the accompanying gas (which often rises abundantly in a well along with the oil) was allowed to blow away, and thus enough gas was lost to furnish us with light and fuel for many future generations. Vast quantities also were burnt off as perpetual torches, from wells yielding nothing but gas; and, even now, when the oil-well gas is usually processed for recovering casinghead gasoline and the gas from the gas wells is piped long distances to market, such savings occur in only a portion of the older fields. Elsewhere, a shameful squandering of nature's mineral bounties—which never can be renewed on this planet—still goes on, heedless of the rights of posterity. Thus, at present, in the new Texas Panhandle field, a billion cubic feet of gas are blowing away daily, after only five per cent of its energy has been saved in casinghead gasoline; this quantity would supply all Texas domestic gas consumers for seventeen years, and those of the whole United States for nearly a year.

In view of this continuous and irretrievable loss of our min-

eral wealth—due to our idiotic property laws—it is evident that patriotism requires immediate action, for no land title can justify the tolerance of wicked waste for anyone but a case-hardened attorney. Conservation therefore should be begun under existing police powers, just as soon as the Political Cure has begun to install legislatures which care more for our mineral heritage than they do for the menaces of coal or gas wasters.

Each State, as well as the Federation, will then have a technical mineral commission for guiding both old and new mineral developments, from such standpoints as: commercial need, minimum waste, safety of workers, and social previsions for mineral community. Old projects which fall below a commission's standards will be shut down till they effect a reform, and new ones will be denied a permit for work; because no civilized government should allow any of its enterprises, in their greed for gain, to persist in that antisocial violation of our children's future which hitherto has been possible under our anarchistic regime (Ch. XXV).

As our supply of fuel has as much a public interest as that of electric power or telephones, the Federal Mineral Commission should have power to regulate it in all branches and to prevent such dislocations as that now in soft coal, which since 1920 has enough mines to produce 700 million tons annually when the market needs less than 500 million. As a result, hosts of mines have been wholly or partly closed and coal miners have been idle much of the time, in spite of belonging to an aggressive, and often predatory, union (Ch. XXXVI).

CHAPTER XXXIII

Free Franchises

UNDER THIS TITLE are included all rights of way or use, either for land or water, which carry with them the sovereign power of eminent domain. Because the power of condemning private property for these enterprises is included in their franchises or concessions, they are dubbed "public-utility," or "quasi-public." According to their sphere of action, these franchises may be granted by the Federation, a State, or a city.

PROFITS OF PUBLIC-UTILITY MONOPOLY

When public utilities have started in a sparsely settled country on gratuitous rights of way, they will enjoy an enormous profit later if a dense population comes into their territory and they are allowed to keep their original rates for service; because their gross receipts per mile of distance increase much faster with a growing clientage than do their operating expenses. If their prices for service are not strictly regulated in the public interest, public utilities can thus drain the lifeblood of any community.

Crooked taxation creates land monopoly which, when aided by modern machinery, always leads to millionairism. But a principal reason why our plutocracy, after the Civil War, developed so much faster than that of semifeudal Germany was the former's control of public utilities; for these added the profits of a price monopoly to those of an ordinary land monopoly.

Nowhere the evils of unregulated public utilities have been more evident than in our railways. Not only did our railway kings get vast unearned increments from their private control of rates for service, but as railway directors they robbed small stockholders with impunity through betrayal of their interests. In 1860, these "kings" were struggling concessionaires who invested all their savings in their projects, but in their political, not in their construction, departments (Chs. XI-XII).

The huge bonuses of land and money, which these concessionaires received gratuitously from the legislatures (Federal, State, or local) for comparatively small sums, are not to be explained alone by the cheapness of venal legislators, nor by the indifference of the citizens who had later to pay the bills. The chief reason was the fact that the few "honest" legislators were themselves mostly speculators in the lands along the proposed routes, and saw no harm in diverting public property to help the value of their townsites, forests, or minerals. The State received in return for these huge land bonuses no bonds or shares in the railway companies, and scarcely any reduction in rates for the transportation of soldiers or mail.

While the railway concessionaires delayed, or even avoided entirely, the obligations that they had undertaken in exchange for the extravagant public subsidies, very rarely did they lose anything by these defalcations. And the reason for this good luck—aside from their corruption of legislatures and courts, and their gifts of free railway passes to all with political influence—was

their plan of selling their bonds and stocks as widely as possible among middle-class investors. Thus, the concessionaires, without losing control of their railways, gained in each town a group of enthusiastic and respectable supporters which had more desire to increase its own unjust profits than to protect public rights. The same scheme has been successfully employed, since 1890, in sustaining the political power of our lawless industrial trusts.

All franchises may be grouped into two divisions: land franchises, and water franchises—though some enterprises, like the electric transmission of hydraulic power, combine both land and water rights.

FIRST DIVISION—LAND FRANCHISES

These include routes for surface transportation of freight and passengers, like overland railways and street tramways; also routes for surface or underground transmission, by wire or pipe, of fluids like electricity, petroleum, gas, water, steam, or air.

By comparing public utilities with the Trinitarian Diagram, we find that the wealth produced is the transport-service provided or the fluid delivered. And that, of the three factors of production, the Capital is represented by the cost of construction, including grading, rails, pipe, wire, and structures; the Labor by the force of operatives in charge of trains, pipe lines, or wire systems; and the Land by the right of way for rails, pipes, or wires which the enterprise occupies. Owing to the fact that long rights of way such as are necessary for trunk-line railways, or oil pipe lines, and exclusive rights of way for occupying the streets of a city with rails, pipes, or wires are difficult to get and expensive to develop, there are no such automatic regulators of price for public utilities as are the competitive producers on marginal land which regulate the price of food and minerals (App. 1). For this reason, public utilities are called "natural" (price-fixing) monopolies, and the fact that they are essential arteries for all commercial life has given them a dominant place in modern industrial society.

Railway Problems. In 1900, our rating system was still a mass of inconsistencies; it had hundreds of freight classes and numberless varieties of rates, such as: Competitive-point (Water or Railway carriage), Way-station, Export, Import, Producers', and Consumers'. It had grown up out of the chaos that resulted from the insane attempt by state legislators completely ignorant of

economic science to maintain competition among natural monopolies.

The final result of such anarchistic rate-making was the concentration of our factories and population in a few favored cities; the building up of national illegal monopolies to plunder the consumer—like the Beef Trust and the Standard Oil Company—at the expense of local enterprises; and finally, the very result which the system was supposed to prevent, the concentration of control of the nation-wide railway system into the hands of a dozen New Plutocrats.

The Hepburn Act, which conferred effective power on the I.C.C. (Interstate Commerce Commission), was the means not only of putting a stop to railway rebating but of beginning a general rationalization of the whole decadent rate system, which has not yet been completed. To aid scientific rate-making, Congress in the 1910's passed the La Follette Railway Valuation Act for obtaining property values, as a basis for figuring just earnings for the owners. This valuation is not yet completed, though it has already cost $200 millions (1936).

In the valuation of railways—as in all public utilities—two classes of property must be considered: Land; including rights of way, terminal yards, and building sites; and Improvements; comprising grades, track, and structures. For Land, there are three possible criteria for guiding estimates: cost when purchased, present value on the basis of adjoining land used for townsites or farms, and value for its special purpose as a continuous strip reserved for transportation between two localities. For Improvements, there are two criteria: original cost of construction, and present cost for duplication, minus deterioration.

For Land, the third criterion is impractical because it is itself dependent on the desired rate scale, so the second criterion was adopted in the La Follette Act on the pretext that railway owners have as much right to pocket the social increment of rising land values as have owners of townsites or farms. Naturally, this decision means larger earnings for public utilities than would the adoption of the first, or Logical Liberal criterion, which requires that all land values accruing in any class of enterprise become public property at the end of the Transition period.

For Improvements, the second criterion favors the owners if construction costs have advanced since the railway was built, and favors the public in the contrary case; it places the owners

in the same position as those of private structures—like office buildings—whose earnings are determined by rentals fixed by free competition. As a contrast, the first criterion places the equity owners, or stockholders, in the same box as bondholders or money lenders, whose cash investment is guaranteed irrespective of the fluctuating costs for operating and maintaining the railway. Hence it seems better for the commonweal, because it can obtain capital cheaper by offering it greater security—like government bonds—and, by thus reducing fixed charges, enable the public to profit in the form of lower rates for service.

Since 1915, our railway owners have suffered many vicissitudes. Though they were bled white by the Adamson Act and by a severe macadoodling during the World War, they were able more than to recuperate by copious transfusions of blood from the United States Treasury (Chs. XV and XXXV). Then came the Esch-Cummins Act of 1920, which proposed to fix rates so as to gain annually six per cent net on the official valuations, and forcibly to subtract half of the surplus earnings of the rich railways for loans to the poor ones. That no such subtraction has occurred—though many years have elapsed—is because aggregate net earnings have never reached even the lower rate of 5.75 per cent fixed by the I.C.C.; the average rate for 1920-1930 was 3.81 per cent and for 1931-1935 only 1.76 per cent. The four chief reasons for this default on expectations are: (a) faulty criteria for valuation, (b) unfair and excessive taxation, (c) extortions of labor monopoly, and (d) competition of motor vehicles.

(a) *Valuation.* By adopting the above-mentioned second criterion for railway land, the Valuation Commission included all social increments in its results and so inflated them. The same thing happened when it used the second criterion for improvements, because the costs of construction since 1918 often have been double those for previously built railways.

(b) *Taxation.* Our local taxation of railways as real estate, irrespective of their earning power, often causes unjust and ruinous results; thus, for the first four months of 1935 they were taxed $80.5 millions, despite the fact that this caused them a deficit of $52 millions after paying fixed interest charges.

(c) *Labor.* By 1919, railway labor had forced its wage rates 157 per cent above the 1913 level. During the decrease in living costs and railway earnings of the Jazz Decade, no wage reduction occurred, because Congress was intimidated by the Railway

Union lobby which only consented to a temporary ten per cent cut in wages in February 1932, after over two years of the depression. In 1934, Congress passed a Railway Pension Act which augmented the cost of the previous private pension system by $60 millions (later to grow to $300 millions). None the less, in April 1935, the labor monopolists forced the companies to restore the war wage-scale although, as a whole, they had operated with a loss for three previous years and thirty per cent of them were verging on bankruptcy.

Even now (1936) the labor cormorants are still hungry and demand a thirty-hour week—without loss of pay—which would mean $400 millions extra a year. Next, they have framed various bills for increasing the number of railway workers and their compensation for injuries, which would pillage their employers—or railway users—of over $800 millions more. Such madmen have now become a social menace and would do well to ponder, before it is too late, the final fate of the foolish fishwife of Grimm's tale, who dared to demand more, even after the obliging flounder had granted her wildest wishes till already she had become Pope (Ch. XXXVI).

(d) *Motor Vehicles.* Since the 1910's, the mass production of motor vehicles and the growing network of new highways have deprived the railways of much of their former earnings. At first competing only for short distances, buses and trucks now carry passengers and packages wherever there are good roads, and only defer to their rivals in the case of low-grade freight. Since the auto units are smaller and cheaper, they are more easily adapted to a fluctuating traffic. Another advantage is their lesser vulnerability to tax assessors and labor monopolists, because they are not franchise monopolies with inherent power to fix rates, like railways, but are fiercely competitive and so immune to similar political pillaging.

In order to enable the railways to perform their proper public functions, their prevailing tax and labor injustices can and should be removed, for they are not natural, but law-created, burdens. When the Political Cure shall have created a government able and willing to effect such a removal, railways will again recover their prosperity; because rail cars have a life of 21 years, or thrice that of autocars, and lower operating costs than their rivals, either for a ton-mile or a passenger-mile, for all but short irregular hauls. In 1935, our system had 246,000 miles of railway,

54,000 locomotives, and 2.4 million rail cars, with a total valuation of $25 billions; their rivals had 920,000 miles of improved roads and 24 million autocars, with a gross cost of $35 billions. Either system is by far the largest on earth.

One of the New Deal's good features has been its coordination of all our railways (for rate-making by the I.C.C.) so that their national network can be considered as a whole. The new plan proposed here will enable the I.C.C. to practice effectively a rate-fixing policy which will include social, as well as strictly commercial, objectives. A crying need is certainly the abolition of the standing discriminations in favor of our metropolises—on the "competitive-point" pretext—in order to stimulate the depopulation of these national monstrosities by reversing the evil process through which they have been created; the reform will raise howls from land-gambling harpies but these soon will be silenced by the happy shouts of myriads of city children restored to Nature (Ch. XII).

Other Public Utilities. The nominal capital and gross revenue of our public utilities, in 1932, were as follows:

TABLE 8—UNITED STATES PUBLIC-UTILITY FINANCES

PUBLIC UTILITY	CAPITAL (in millions) (of dollars)	REVENUE
Steam Railway	$24,078	$4,500
Electric Railway	$ 5,500	$1,300
Electric Light & Power	$12,400	$2,137
Telephone	$ 4,750	$1,200
Manufactured Gas	$ 3,087	$ 442
Telegraph	$ 294	$ 83
TOTAL	$50,109	$9,662

Table 8 shows that the total capital of these giant enterprises exceeds the whole wealth of all but a few countries. Although the capital of electric light and power enterprises is only half of those of steam railways, the former dominate the utility picture in politics, as well as in technology, for they have "investments" in both the big parties and they have an unequaled mass propaganda. Except for the cited power of the I.C.C. over both steam and electric railways, any effective public control of other utilities hardly had been felt up to 1928, except for sporadic cases

of mild discipline in several states. A visible result of this inaction was the fact that our domestic consumers used only thirty per cent of the electric current yet paid 61 per cent of its producers' revenue. Owing to the failure of the private companies to follow Edison's advice to "keep prices so low as to discourage competition," large city-owned plants are now operated at Seattle, Tacoma, Los Angeles, Springfield, Ill., Jamestown, N.Y., Holyoke, Mass., and Jacksonville, Fla., not to mention 2,000 other smaller ones. Moreover, Nebraska, Wisconsin, Washington, and Oregon have authorized public producers to hitch together and so to develop electric superpower systems. Finally, since our courts have decided that public utilities can be regulated by government—without estopped by the Fourteenth Amendment's "due process" clause—about twenty per cent of our total productive and transport capacity already has been included in the "regulated" classification, and nearly every State has a regulating commission.

SECOND DIVISION—WATER FRANCHISES

These include rights to use streams and lakes for power, water supply, canals, or irrigation; and to use streams, lakes, and the seacoast for the construction of docks or harbors. Where the water power, port, or canal is used merely as an auxiliary to a mining or railroad enterprise, its franchise rent would appear and be taxed along with the net profits of the mine or railway and there would be no need for a separate tax. A similar thing would occur where irrigation water was used and owned by farmers, for its franchise value then would appear as an added value to the land it watered, and thus be taxed as a part of the farmland value.

It would only be where water powers, water supplies, port works, etc., were operated as independent public utilities which sold their services to the general public, or operated in connection with factories (not belonging to mines or railways), that they would be put under the control of the public-utility commissions and be taxed separately on their franchise rents.

Waterfalls. All rivers which flow through more than one State should be controlled by the Federation for navigation, power, and irrigation. This will avoid such squabbles over conflicting State rights as held up for many years the construction of Hoover Dam on the Colorado River. In the future, unoccupied waterfalls should be granted to citizens only as leasing franchises which re-

quire development within a reasonable time, according to officially approved plans, on pain of cancellation. L.L. principles also require that a "power" tax be levied on waterfalls, in order to discourage speculation, for often they have commercial value in their natural condition, just like mineral deposits (Ch. XXXII). This tax would be collected by the government—Federal or State —which controlled the river.

The power tax should be applied to all franchises, old or new, and be assessed on the theoretical power of the conceded water. For existing undeveloped franchises there should be a ten-year Exploring period for reaching the full power tax, which may be gradually applied by yearly increments of ten per cent each on the quantity of water power conceded; for existing developed franchises the full tax should be levied at once, in the manner described below.

For assessing the power tax, all waterfalls may be divided into three grades, whose annual tax rates per theoretical horsepower would depend on steepness of the waterfall, and would be as follows: grade eighty to 100 per cent, rate fifty cents; grade twenty to eighty per cent, rate thirty cents; and grade under twenty per cent, rate ten cents.

A waterfall, as developed, might include all three grades and its power tax would be calculated accordingly. To cover the cases of varying requirements, all waterfall franchises should be divided into two classes: (a) Industrial, and (b) Public-utility.

(a) Industrial franchises would include those developed by mining or other enterprises for their own use and, when *non-exclusive*, a concessionaire need only pay the power tax on the quantity of water necessary to supply the machinery in his actual power installation. In case the dam and canal of the first comer interfered with the use of a waterfall by subsequent concessionaires, the former would be obliged to allow the latter the use of such works on the payment of a fair rental.

(b) Public-utility concessions would only be *exclusive* when a concessionaire would guarantee sufficient capital for the development of the whole waterfall—should demand arise—and would operate under rates fixed by the public-utility commission. In order to allow an exclusive concessionaire an opportunity gradually to build up a sale for his power, at the start he would be required to pay a minimum power tax on only twenty per cent of the available average horsepower of the waterfall. There-

after, the tax each year would be assessed extra on only the power sold beyond the minimum quantity.

THE LIBERATION OF PUBLIC UTILITIES

Experience has proved that utilities should be given exclusive franchises for the territory they serve. The many foolish attempts of our governments to create competition for regulating their charges, by chartering rival enterprises, has been always costly, wasteful, and in the long run futile. Since an exclusive utility franchise means not only the legal rights of the ordinary land monopolist but an additional power to fix prices at pleasure, the consumer must be protected against extortion by a rate-fixing public-utility commission. The social results of its task will depend on the criteria which the commission may adopt for: 1) Valuation of property, 2) Financing of company, 3) Division of gross receipts, 4) Rate-fixing policy, and 5) Grant of franchise.

1. *Valuation.* This already has been discussed for railways, where it was shown that L.L. principles prescribe that only the actual cash expended for land and improvements be counted as the original cost, in order to remove public utilities from the field of speculation, as far as practical, and so to guarantee investors their principal, in return for their acceptance of a correspondingly low rate of interest.

2. *Financing.* This should be strictly regulated by the commission according to its approved valuation. New issues of "watered" bonds or stocks, designed for concealing from a utility's workers and consumers its real rate of return on the cash investment, should be prohibited, and at the first favorable opportunity, old issues should be scaled down to a factual basis. Thus truth will be substituted for deception and the citizenry will be protected against the machinations of would-be New Plutocrats.

3. *Division of Receipts.* After meeting the cost of new supplies, equipment, etc., the residue must be distributed seriatim among workers, taxing units, and investors. The Cure prescribes that the share of the workers be determined by a wage scale fixed by the Administrative court of the franchise-granting government, according to an L.L. labor law of compulsory arbitration. Thus society will be no longer injured by devastating utility strikes, nor will these enterprises be subject any longer to the extortions of labor monopolists (Ch. XXXVI).

The practical application of the Natural tax to utility pro-

perty would be divided into two parts: the first would affect their holdings of the four other kinds of land values—city, farm, timber, and mineral—which would be taxed the same as for ordinary landowners (Chs. XXIX-XXXII). The second, or franchise value, would affect the property peculiar to utilities, such as water concessions, rights of way, and other land occupied for their special requirements, above or below ground. While the taxes paid on the first class of land should be classified as operating expenses, those chargeable against the second class are to be reckoned as franchise taxes, directly dependent upon the rates charged for service.

The annual franchise rent can be readily calculated by subtracting from an enterprise's net operating income the sum required for the interest on, and amortization of, its official valuation. The Natural tax should then be applied and increased during the 34-year Transition period till at its end it reaches 95 per cent of the franchise rent (Ch. XXVIII). Here, as for mineral deposits, the assumed interest rate could be increased in proportion to the risk of the enterprise.

4. *Rate-fixing Policy*. Since franchise rent will fluctuate with the rates charged for service, a utility commission must choose between high rates for yielding large franchise rents, and low rates for relieving consumers. The latter policy, however, often has two contrary reactions: the first may cause so much more demand for the output as actually to increase franchise rents; and the second, in such cases as lessened tram fares, may fail to help consumers because it enables suburban landlords to raise the ground rents for their tenants. A policy which often has proved effective, for encouraging an enterprise (e.g., the Boston gas utility) to improve its plant in order to cheapen production, is to allow it to share with government and consumers in the savings yielded by the betterment. For some things, the need for immediate lower rates is not ambiguous but urgent, for example telegrams, for which during generations the Telegraph Trust has maintained prices as exorbitant as were those of the Express Trust before the establishment of the United States Parcel Post in 1913.

5. *Franchise Grants*. New ones should be granted only in conformity with L.L. principles. Once the existing legal obstacles to the revision of old charters have been removed by new constitutions (Apps. 4-5), the charters also can be released from the dead hands of jurists as reactionary as those in the notorious

Dartmouth College case (Ch. X). Jefferson's assertion that "The land belongs in usufruct to the living," must ever be the basis of L.L. property laws which, therefore, prescribe that no franchise should endure more than 1.5 generations, or fifty years. Hence, all old utility charters should be reduced to a fifty-year life as a limit, so that at their expiration they can be revised again to suit the then prevailing situation. Otherwise, soon we will be enchained as much by all sorts of perpetual chartered wrongs as were the decadent kingdoms of ancient or medieval times.

The present charter revision should also oblige all public-utility corporations to appoint a government representative on their boards of directors; thus, utility commissions could obtain easily from the inside—instead of painfully from the outside—all the financial details which are needed for prescribing regulations and rates intelligently. Last, but not least, all common carriers now owned by manufacturing or mining companies—like the Steel or the Oil Trusts—should be divorced and incorporated separately as "utilities," so that they may be managed equitably for all customers, instead of being able, furtively, to buttress the monopolies of their present possessors by granting them special traffic favors.

Public Ownership. This is a favorite remedy of reformers—even nonsocialists—against the political corruption, small public revenue, and high rates of service consequent upon our existing privately-owned utilities. Public ownership has now the following merits: a government can borrow money at a lower rate than can a private company; civic purity is imperiled less, because a private owner has a constant temptation first to secure an unfair franchise and then to shirk his obligations by using bribery; the data for rate-making can be obtained more easily; the consequent increase in the number of public employees helps offset the tendency of those occupied in private business to neglect civic duties. On the contrary, public ownership tends to a lower operating efficiency because: a private owner must pay from his pocket all losses due to blunders, waste, and negligence, while the management of a public system need only charge its deficits to the taxpayers; and a private owner is less exposed to the extortions of labor monopolists who now can readily intimidate our defenseless legislators (Ch. XXII).

While the last weakness of public ownership will be unknown in L.L. legislatures, the former never can be completely

abated, because there is nothing equal to the property instinct for developing individual caution and thrift. Hence, the Cures will largely cancel the cited merits of public ownership, especially the fourth, which in view of the excessive bureaucracy of the New Deal now seems really a demerit. In the future, therefore, there can be no fixed rule for a choice between the two systems, so each case must be decided for itself.

Wherever there are physical obstacles to the furtherance of the commonweal by government regulation alone, public ownership will be advisable provided the necessary capital be available. The same occurs, too, for special services like the telegraph, which can be most efficiently operated and controlled as a part of the national post-office system. We now suffer from the highest telegraph rates of any civilized nation (nearly all of which have postal telegraphs). The public ownership of this essential means of communication should be delayed not longer than the end of the Transition period when, the water having been wrung from the Trust's stock, its shareholders can be bought out at a fair price. Experience has also shown that there is a decided advantage in locating public electric plants at strategic points, so that the actual cost of producing and distributing current can be exactly determined for use as a yardstick in the control of the rates charged by private utilities.

CHAPTER XXXIV

Free Trade

THE IMPORT TAX not only increases prices on imported foreign goods for the native consumer, but also enables the native producers of similar articles to raise their prices, and thus, often, to collect for their private benefit the whole tax from our citizens. As a result, the native consumer has two burdens instead of one: he pays a tax on foreign goods to help his government, and a tax on domestic goods to help the business of certain favored fellow citizens.

A high import tax is therefore called a "protective" tax, on the plea that it protects native producers against foreign competi-

tion. Assuming that it is sometimes advisable for a nation to pay subsidies in order to meet the extra cost of establishing desirable new industries, theory shows the import tax to be an unfair and an expensive way of paying the subsidies, and experience shows it to be a dangerous one. The import tax is unfair, because it makes the masses, the chief consumers, pay the subsidy instead of the propertied classes; it is expensive, because it is augmented by interest charges before the goods can reach the consumer; and it is dangerous, because it builds up, among the favored industries, politically powerful vested interests ready to fight for perpetual subsidies.

Chapter XII gave the history of our increase of import duties from the general rate of five per cent, imposed in 1789 (by the "protectionist" Alexander Hamilton) when the country was young and its industries were really "infant," to the general rate of fifty per cent—ten times as great—levied by the Dingley tariff a century later, when the same industries had grown to giant size. This strange paradox should teach a statesman two important lessons. The first is political, and proves the correctness of the criterion of Chapter XXI, that "the balancing of rival interests is the ideal for a suffrage system"; because the destruction by the Civil War of the former effective opposition to Northern manufacturers' greed enabled these—with the aid of their new "Republican" party—to plunder our consumers at pleasure, long after their original pretext for protection had become invalid. The second is economic, and exhibits the folly of a nation adopting a free economy, in theory, and then obstructing its practical operation "for fear it won't work." As a natural result, the early infant recipients of this "temporary" pap were later to grow big enough to capture the government which fed it, and make the pap-supply permanent.

With the exception of two short intervals when the Democrats reduced the tariff—the Wilson law of 1894 and the Underwood law of 1914—our New Plutocrats have striven successfully for ever higher tariffs. And this despite the fact that the trust-making boom, consequent upon the Dingley tariff, almost eliminated competition among our protected manufacturers and placed domestic consumers at their mercy. The protectionists reached the limit of traitorous and insane egotism with their New Era tariff walls, which were built so high as finally to stop the Allies from making further payments to us in goods—the only means

they had—on their $11-billion debt. Yet those responsible for this disaster—tariff-mongers—are not worried, because they figure that they form so small a fraction of the losers—taxpayers—as to be far ahead on striking a final balance. However, when we also consider our private investors who have loaned abroad another $11 billions—whose repayment is likewise blocked by the tariff—the political backers of this suicidal policy deserve only execration from all good citizens (Chs. XVI-XVII).

There are two schools of protection: the first advocates Permanent protection and claims that a nation can never abolish its tariff without disaster; while the second advocates Temporary protection, as a necessary means to enable new industries to overcome the extra expense of building up an organization and training labor for work in a strange environment.

Permanent Protection. This system is absolutely irrational from any liberal viewpoint. If all industries could be protected alike by the tariff, so that all prices would be equally raised, it would simply mean a fall in the purchasing power of money. Because a family with $20 a week as earnings and a $20 cost of living would be no better off than with earnings of $10 a week, where it only cost $10 for the same living.

If only a few industries are protected it means that they are receiving a bonus on their output at the expense of all domestic consumers. If an industry can be conducted profitably without this bonus, the tariff is merely public taxation for private benefit; and this means solely the benefit of the industries' owners, since the general raising of workmen's wages by protection is not only disproved by theory but by such incontestable facts as the rate of wages in prewar free-trade Britain, higher than in highly protected France, Germany, and Russia. The only exception is where trade unions—traitors to their class—have been strong enough to bargain with their protected employers to "divvy up," in return for their political support in Congress for protectionism. If tariff-mongers had had a sincere desire for maintaining a high wage scale, would they not have begun to restrict immigration in 1864, instead of waiting till the Quota plan was forced on them over half a century later?

Owing to our tariff walls, to build ships here costs twice as much as in Britain, and thrice as much as in France or Germany; and so, to "keep our flag on the ocean" our Congress passes ship-subsidy laws which make taxpayers pay the losses caused by

protectionism. Before the Civil War, when we practically enjoyed free trade, our merchant marine covered the Seven Seas without need of subsidies; but in 1935 we were silly enough to pay a few steamship owners, for "carrying the mails," ten times what the service was worth, or $30 millions.

If an industry's owners must always have the tariff bonus in order to avoid bankruptcy, the industry had better be abolished, as its continuance is a net loss to the nation. To demonstrate this assertion let us assume two islands in midocean, one inhabited by farmer *A* and the other by farmer *B*. *A* finds that a year's labor will enable him to raise twenty tons of wheat or ten tons of potatoes, while *B* on his island can raise twenty tons of potatoes but only ten tons of wheat. By *A* raising only wheat and *B* raising only potatoes, and then mutually exchanging half their crops, each farmer finds himself at the end of the year possessed of ten tons of wheat and ten tons of potatoes.

But one winter the farmers quarrel and cease to trade and, as they need both wheat and potatoes, each proceeds the next summer to spend half his time on each crop. In consequence, from this year's labor, *A* has ten tons of wheat but only five of potatoes, while *B* has ten tons of potatoes but only five of wheat. Thus, by their quarrel, the farmers have fully obeyed the protectionist slogan: "Make everything at home, don't waste your money on foreigners," and yet each finds himself 25 per cent worse off than under free trade.

As an urban example, we may take a department store, where a new unprofitable department is equivalent to a "protected infant industry." It is clear that the innovation can be sustained only from the gains of the older departments, and that its existence represents a regular loss to the store until it becomes so self-sustaining that its subsidy can be abolished. Even a commercial novice would realize that a surplus of such parasitic departments would soon bankrupt the best business. What blinds the eyes of the dupes of protectionist propaganda to this self-evident truth is that they have been coached to think in terms of money instead of value, and so fancy that buying domestic products—no matter how costly or inferior—must always represent a national gain over the alternative of buying foreign-made articles for which specie must be exported in exchange.

Temporary Protection. Provided the proposed industry is adapted to the country's natural resources and laborers, a tem-

porary subsidy may be excusable on the plea that the domestic consumers can soon obtain the product cheaper from the new industry than from foreign producers. But it is always difficult to determine beforehand what new industries it will be safe to abort by public aid, and many serious mistakes have been made, even by honest protectionists, in the bringing to life of industries as hopelessly dependent for existence on perpetual subsidies as the raising of bananas in Iceland or the breeding of polar bears at the port of Key West.

The only safe plan for subsidizing "infant" industries is to pay them a bounty on their output, taken from the proceeds of a direct tax on land values. It will then be to the interest of the landowners to abolish the bounty just as soon as the industrial infant is weaned. On the contrary, the withdrawal of any subsidies secured by an import tax, increases the taxes of the direct taxpayers, to supply the loss of the import tax, and thus makes it to their interest to help the subsidized industries to resist the abolition of the protective system.

Incredible as it may seem, the first political corruption of our war veterans was due to protectionists, as history proves. When the Civil War started, there were 10,000 names on the pension roll and a total of only $90 millions had been paid for all previous conflicts. In 1866, five years later, there were 127,000 pensioners with an annual pension budget of $15.5 millions. Despite the fact that the monthly pension had been raised from a maximum of $8 in 1861 to $25 in 1864, and many fraudulent claimants had been included, the zenith of "natural" (nonpartisan) pension expenditures was reached in 1874 with a budget of $31 millions, and it then began to decline till it reached $27 millions in 1878.

It was then that the G.A.R., a worthy veterans' organization, and the school of pension sharks that followed it, attracted the cupidity of the Congressional protectionist lobbies, which at once went into action. Soon the G.A.R. rolls had been sufficiently padded by the selfish and corrupt veterans to become (officially) a mere political tool of the conspirators and their new allies—the professional pension attorneys and examiners. This new tool came just in the nick of time for the conspirators, who had been transformed by the high "war" tariff of 1864 from ravenous lobbyists into millionaires, and who had no desire to yield to the growing public clamor which demanded that duties be reduced to a peace basis.

The first offspring of this foul union of conspiracy and national gratitude was the passage of the Arrears Act of 1878, which provided that all Civil War pensions already granted, or to be thereafter granted, should commence with the date of the soldier's death or of his discharge from United States service. This meant a lump sum of $1,000 and up, as a "back pension" to every pensioner on the roll as well as to all future claimants. The result was the doubling of the pension budget, which advanced to $57 millions in 1880. Lax rulings and fraud kept the budget merrily climbing, but not so fast as the tariff revenue; and in 1888 the large treasury surplus impelled Cleveland to write his famous tariff-reform message.

"Don't worry about the surplus, just wait till I get at it," said Corporal Tanner, a G.A.R. leader. Sure enough, when President Harrison appointed Tanner as pension commissioner, the surplus soon vanished and has never since reappeared; because Tanner's methods of devouring new surpluses, with fresh pension grants, became thenceforth standard protectionist practice. In the 1890's, the pension budget reached $144 millions; by 1909, or 44 years after the Civil War, it had become $162 millions, or ten times what it was in 1866, and five times what it was in 1874, the peak of uncorrupted pensioning. Meanwhile, the pension roll had been made a secret document with nearly a million names; and with malice aforethought, for now with 40,000 pensioners in each of the doubtful and pivotal states of New York, Illinois, Ohio, Indiana, and Michigan, their benefactor—the Republican party—could always elect "our President," except when the party split in two, as in 1912.

Of all the countless sufferers from the protective fraud of 1864, our farmers—still numbering one-fourth of the nation—form the largest class. Except for a few specialties like wool (Ch. XVIII), whose raisers have been able to profit from the tariff as much as any manufacturing magnate, most farmers are losers, because they must sell their products at prices set by a free-trade foreign market and must buy manufactures in a home market where prices, since the 1890's, have been fixed mostly by illegal tariff-fostered monopolies (Ch. XII). Although the New Deal's payments to farmers for destroying crops and livestock must be condemned by sincere statesmen as both needless and wicked, the method at least has the merit of frankness, for both beneficiaries and victims are publicly known; on the contrary, only economic

students can penetrate the cunning hypocrisy of the protective-tariff racket, or can smoke out its New Plutocrat manipulators and their horde of predaceous allies. When our farmers can both buy and sell in a free-trade market they will be restored to their pre-Civil War equality with other occupations, and the present unhealthy drift of our population towards metropolises will be arrested.

In the great crisis of 1893, when the demand for goods declined, prices fell in almost all markets and output was checked. As a result, existing stocks of goods were reduced, costs of production descended with the price of raw materials, and soon it became possible to resume work on an increasing scale with a good prospect of making profits. Thus, the balance was restored through the automatic operations of domestic markets which as yet few producers could control. But 36 years later, in the crisis of 1929, the long reign of the protective tariff had enabled many of the manufacturing trusts—formed behind its walls between 1898 and 1904—to attain their ideal and control the home market. They were therefore able, as export demand fell off, to keep up the prices for their output by reducing its quantity proportionately, and to maintain the hourly rate of wages for their operatives by lessening their weekly working time. As a contrast, the non-trust rural occupations like farming and mining had no means of adjusting their output to a declining foreign demand, so both their prices and the wage rates of their workers had to fall. This decreased the purchasing power of the latter for manufactures—at their pegged high prices—and still further aggravated unemployment for urban labor. Thus, the former rapid, automatic readjustment by means of a general deflation has now become so obstructed as a result of illegal monopolies—largely based on protectionism—that recovery from crises is a much longer and more painful process than ever before.

Unlike medieval Spain choked by *alcabalas*, and modern France obstructed by *octrois*, we enjoy free interior trade over the largest and richest territory on earth; this explains why we suffer very much less, economically, from the inherent evils of protectionism than the many other less well-endowed nations which, mistaking the flea for the dog, have foolishly duplicated our tariff walls. Since the World War, like an insidious, contagious disease, protectionism has infected Europe, where each nation's tariff wall now abuts on those of two to five other coun-

tries. Also Britain, which in 1845 repudiated the crass superstitions of Mercantilism and by adopting free trade became the commercial center of the globe, again returned in 1932 to the worship of the economic Baal.

Even in 1932 we were the world's greatest exporter, as we shipped out three-fourths of the cotton, one-sixth of the wheat, and half of the tobacco taken by other nations, and this despite the highest import tariff of our history and the cessation of our New Era loans to foreign purchasers. Before so many other peoples also contracted our tariff madness, we were producing 67 per cent of the world's petroleum, forty per cent of its coal, over fifty per cent of its pig iron, steel ingots, castings, and copper, and 95 per cent of its automobiles. Now, with nationalism rampant, each country yearns to be self-sustaining and to shut out by tariffs, quotas, and embargoes all imports from abroad. As a result, world trade has dropped thirty per cent in quantity and 65 per cent in value, and there is an ever fiercer competition for the trade of the few nations which are still so "backward" as to desire any commodity imports at all, and are still so stupid as not to have learned the medieval dogma of Mercantilism: "Export merchandise, but import only the precious metals, if you wish to profit by foreign trade."

It seems preposterous, but both our big political parties now hold the senseless theory that we should equalize by a tariff law the cost of production here and abroad. For this object are the costly researches of the Federal Tariff Commission, which tries to determine our precise disadvantages in producing a long list of articles—from Swiss watches to Argentine linseed oil—in order to fix a tariff high enough so that our consumers can pay the difference and enjoy the luxury of "buying American" in all commodities. Thus, we engineers shouldn't cavil at paying double prices for optical lenses, if by so doing we can support their German makers in New York instead of Jena.

The alluring Republican bait for vote catching, "We limit protection on each article to the actual difference due to low wage-scales abroad," was again cynically repudiated in our postwar tariffs. For example, the Fordney-McCumber Act on many items levied duties which equalled or exceeded our whole labor-cost for their production, so foreign makers could not have competed had they paid no wages at all. A few such ferments squeezed from our consumers and bestowed on the Steel Trust

"infants"—in order to help transform their copious stock-water into milk—are shown below in percentages of the totol United States cost of fabrication.

In brief, this vicious tariff enabled our iron manufacturers to collect from our consumers an annual private toll of $1,580 millions through its light-product items and $702 millions more through its heavy-product items, or a total of $2,282 millions, while together they all yielded the Government the paltry revenue of $7 millions.

As a natural result of such tariff blossoms on the upas tree of our New Plutocracy, international commerce dwindles, transport lines fail, and the huge sums spent in the past from public funds—and, strange to say, still being spent—for making harbors, canals, and tunnels, and for subsidizing ships, airplanes, and cables between nations, are thereby thrown away. The crowning infamy of protection is that it enables our trusts to charge for their products more here than abroad (Ch. XVI).

New import taxes act as international irritants and lead to reprisals and "tariff wars"; these are the next thing to military wars and often have led to armed strife in the past. Now that four nations—Britain, France, Russia, and the United States—monopolize sixty per cent of the globe's land surface and a much higher percentage of its natural resources, the other great military powers—Germany, Italy, and Japan, whose fecund peoples are now deprived of the former emigration outlets abroad for their surplus—are feeling that pressure which it has been customary to relieve by war. The recent invasion and capture of Manchuria by Japan and of Abyssinia by Italy—largely defrauded of her share of World War booty by Anglo-French rapacity—is a Belshazzar warning we would do well to heed by speedily razing our tariff walls. Such friendly action might shame England and France into making a treaty with Germany for mutually abolishing tariffs and returning her former colonies. White civilization has now a choice between a rapid approach towards free trade or a second world war and a new Dark Age (Ch. V). This unavoidable dilemma has not been grappled with by the nations' delegates at Geneva, because they are mostly political quacks, war profiteers, social climbers, or nincompoops; else long ago would they have seen the fatal signals of approaching doom given by postwar armaments. Already in 1933—before Germany rearmed—the military

TABLE 9. IRON RATES OF UNITED STATES TARIFF OF 1923

(In per cent of United States Total Cost of Fabrication)

Article	Labor cost	Import duty	Excess duty	Article	Labor cost	Import duty	Excess duty
Silicon pig-iron	9.3	40.0	30.7	Door locks	21.1	40.0	18.9
Manganese pig-iron	"	49.3	40.0	Builder hardware	32.1	40.0	7.9
Bar steel	22.2	27.0	4.8	Saddler "	24.8	42.5	17.7
Structural iron	22.3	25.0	2.7	Other "	27.2	40.0	12.8
Wrt. iron pipe	19.2	27.0	7.8	Enamel ware	25.7	31.0	5.3
Tin plate	5.9	8.0	2.1	Stamped "	23.4	40.0	16.6
Fence wire	28.0	28.0	0	Tubs and sinks	30.5	40.0	9.5
Woven wire	29.0	29.0	0	Nails and wire	14.8	16.0	1.2

forces of the nations had risen 32 per cent in personnel and 146 per cent in annual cost, as compared with 1914.

The Old Man of the Sea—protectionism—disguised as a war auxiliary, first jumped on Uncle Sam's back in 1864 and has been there ever since, growing more exacting and burdensome as time passes. While he enriches many New Plutocrats—along with their political and labor-union abettors—he does so largely at the cost of our poorest classes; moreover, he causes a huge annual loss for the nation by keeping alive a host of parasitic industries with tariff pap, provided at the expense of profitable ones. Also, the foreign reprisals caused by our isolation policy furnish the alluring political bait which is used effectively by munition lobbyists for hooking the finest budget fish ever seen at Washington. Forsooth, since our Tariff Act of 1932, we have spent $300 millions annually to maintain our armed forces, or the same as either Japan, Italy, or Britain, and have been excelled only by France which spent double, and Russia which spent quadruple, that sum. Even worse, and as a grievous satire on the "Good Neighbor" policy of the New Deal, our war budget for 1937 reached the staggering total of $1 billion, or one-fourth as much as that of the entire world beside. And this despite the fact that both the European and the Asiatic cockpits lie over 3,000 miles from our coasts.

It is one of the inherent features of protection that its duties invariably tend to become higher and higher. At home, each higher tariff law raises commodity prices; this causes labor strikes to raise wages, until an approximate equilibrium is reached on the new and higher wage levels. Abroad, they lessen our ability to compete with other nations having lower price and wage levels and less import duties. Our practical ideal therefore should be universal free trade, with the whole world a wide-open market for interchanging goods, so that international commerce may ebb and flow, whither it will, as unhampered and untethered as within our own borders.

It is proposed that Uncle Sam be allowed for completing this radical change—from barbarous obstruction to civilized freedom—the full Transition period of 34 years (Ch. XXVIII); because, after his 72-year addiction to protection, he can no more quit safely his poison overnight than could De Quincey—most notorious slave of opium—abandon suddenly his own infernal drug. During the Transition, wages, commodity prices, and property

valuations will all gradually fall from their present high levels to something approaching the British basis. But, meanwhile, there would accrue the immense compensative advantage of again conforming to equitable price levels, based on supply and demand between different occupations, and of restoring that healthy equilibrium between factory and farm which was long ago upset by the folly of protection.

Having refuted—so it is hoped—this economic "witchcraft delusion," its abolition is clearly a pressing need. Yet our industrial confusion resulting from decades of senseless tariff tinkering is now so great that it is impractical to offer here any detailed program for tariff reduction. So now will be formulated only some general principles for its guidance. First, it seems an incontrovertible axiom that no duties should be revised except downwards; for, if a drunkard may increase or decrease his drams as he fancies, can he ever reasonably hope for a complete cure? Second, duties which permit trusts or rackets to fix prices here, irrespective of the costs of production, should be early selected for decapitation; such are those on aluminum, lead, iron and steel, sugar, glass, lumber, explosives, anthracite, fur, clothing, various textiles, and many kinds of machinery. Third, duties which permit certain domestic producers to profit unduly at the expense of the life necessities of millions of poor consumers are a negation of democracy, and so should also suffer a speedy extinction; such are those on coal, mercury, zinc, petroleum, leather, drugs, wool, salt, fruit, meat, eggs, and dairy products. Fourth, duties are best lowered in a manner which will increase our exports simultaneously with our imports; for this purpose, individual reciprocal treaties such as were being negotiated by Secretary Cordell Hull are very effective because in return for our lowering the tariff on things a nation wishes to sell us, the latter agrees to lower her rates on articles she must buy from abroad. And fifth, while it is advantageous to extend our foreign markets by reciprocity treaties as we slowly reduce our duties, it is by no means essential, because the permanent protection of any commodity always signifies either class injustice or national loss; the former occurs when its producers are unduly profited at the cost of its consumers, and the latter when its production can continue only if subsidized from the profits of other industries. Fiinally, all protective-tariff legislation which authorizes a government—organized for maintaining impartial justice—to force

the nation to contribute for the purpose of making the business or labor of a favored group more profitable is morally indefensible, for it violates the commandment "Thou shall not steal."

As soon as we secure honest, capable, L.L. Congresses (App. 5), it will be easy for them, during the Transition, to advance in such a wise, cautious fashion that the passage from the darkness of protection to the sunlight of free trade can be achieved without harming any nationally desirable business.

CHAPTER XXXV

Wages, Prices, and Labor Monopoly

WAGES AND HOURS have been the chief concern of the modern labor movement, which may be said to have begun a century ago with the legalization in Britain of trade unions. In the simple days of production by hand labor which prevailed everywhere till the late eighteenth century, the question of a fair wage was easy to answer, for it was self-evident that no worker could hope for a greater wage than the value of his own output. If one cobbler could make two pairs of shoes daily while his mate made but one, even an apprentice might calculate that, while the first deserved just twice the wages of the other, he could not hope for a day's pay larger than the selling price of two pairs of shoes less the cost of the material to make them. But in a modern shoe factory, organized to realize on the economy of machine production by a minute division of labor, the problem of apportioning to each worker his rightful share of the total output is far from simple; to solve it requires both a practical knowledge of shoemaking and an intimate acquaintance with political economy and social ethics.

Modern industry is *nominally* conducted on the competitive system. The price of commodities is fixed by competition between the various producers in the market place; the price of labor is set by competition between several workmen for the same job. Similarly, the interest on capital is fixed by competition between its owners for the notes of an entrepreneur. In the many industries where this basis of a fair field and no favor for all competitors actually prevails, the problem of an equitable di-

vision of the annual gain between masters and men is greatly simplified. If the owners be allowed the competitive rate of interest on their capital, and the men be granted the competitive rate of wages for each class of work they do, it is clear that any surplus remaining, after making proper allowances for the insurance, depreciation, and amortization of the capital, can be easily divided between masters and men on some mutually satisfactory basis, wherever both sides are sufficiently intelligent and fair-minded. That such is the case has been proved by many profit-sharing experiments in both Europe and America.

Unfortunately for the industrial peace and the attainment of an ideal society, the profits of many enterprises are not limited strictly by free competition, notwithstanding the opinion to the contrary of many superficial economists. Therefore, the plausible factory policy, "Telling the truth and sharing the profits," has only a limited range as a social palliative, for it is clear that the mere sharing with the workmen of unearned profits will not right the wrongs of those mulcted by such an enterprise. Moreover, the less the profits earned by industrial efficiency, the less the owners have need for the enthusiastic cooperation of their employees, and the less liable will the former be to make the latter the sharers of their financial secrets.

It is the prevalence of this anachronism—vast quantities of unearned profits in a supposedly competitive society—that has often made the militant labor unions useful and even essential for gaining for the workers some share in the wealth due to improved methods of production. In spite of considerable success in raising nominal rates of wages for their followers, few labor leaders understand political economy, and therefore they are liable to make impossible demands on employers or else to gain an increase of wages at the expense of an increase of commodity prices, and thus perhaps injure the mass of workers more in their consuming capacity than in their benefit as wage earners. For scrutinizing the possibility of raising wages by union effort, all industries may be divided into six classes: 1) Universal competition, 2) National competition, 3) Local competition, 4) Legal monopoly with competitive prices, 5) Legal monopoly with monopolistic prices, and 6) Artificial or illegal monopoly.

Class 1. *Universal Competition.* This may be illustrated by cotton-cloth manufacture in any free-trade country, like Britain in 1931, where a world-wide competition keeps the difference be-

tween the cost and the selling price of the product so small that the employer has little or no surplus above the necessary cost of his capital and supervision; and, if by increase of wages he raises the selling price of his cloth, he will lose his customers. Unions, therefore, must increase the daily output of their members if they wish higher wages in this class of industry. As in such an endeavor the financial interests of the employer coincide with those of the men and the community, we have here no natural obstacle either to the introduction of industrial democracy or to the opening of the books to the general public.

Class 2. *National Competition.* This may be illustrated by woolen-cloth manufacture in any country protecting it from foreign competition by an import duty, as in the United States. In this class the possible surplus for raising wages would be the difference between the existing cost of production and the foreign price plus transport and duty, because a combine of all the employers could advance the selling price of its cloth to this latter sum without danger of losing the home market. As soon as our woolen mills have sufficient capacity to supply the domestic demand, their selling price will be set by competition amongst themselves and will tend to fall below the price of imported cloth. While the status of free competition prevails, our protected manufacturers will have just as much to gain by industrial democracy and no more to fear from their balance sheets becoming public property than have their counterparts in a free-trade country. It is only when they abandon competition and combine so as to fix their price with reference to the protective tariff wall that they can acquire an unearned profit, and must needs become autocratic and mysterious in order to defend themselves from prying labor leaders on the one hand, and from tariff-revising statesmen on the other.

Class 3. *Local Competition.* This is illustrated by the building trades of a city, where the only limit to an advance in the prices for construction is the danger that contractors and workmen will be brought in from a nearby town to do the work. There is therefore a strong temptation for local contractors to form a combine, so as to advance their prices to this natural limit and thus to gain an unearned, or monopoly, profit. Such a combine, in order better to defend itself from underbidding "scab" contractors and from holdup strikes by labor leaders, has found it usually advantageous to establish the closed shop and to divide its loot with

its union workmen. In some cases, especially in plumbing, the supply houses also are in the combine and will sell their goods only to its members. Among our metropolises, New York, Chicago, and San Francisco have been notorious for such building rings which have stopped at no means, fair or foul, to maintain this monopoly. As such a ring greatly increases the cost of houses, it means higher rents for everyone, including the workers, of whom only a small fraction belongs to the building unions and gets a compensatory wage. As a contractors' combine shares both its profits and its secrets with its workmen, it may be considered as the application of industrial democracy to predacity, the public being the prey.

Class 4. *Legal Monopoly with Competitive Prices.* This is based on the ownership of any class of land except that of public utilities. In the popular concept nothing is a monopoly that cannot set the price of its product but, technically, the exclusive possession of natural resources, conferred by land title, represents a monopoly irrespective of the land's relation to commodity markets (App. 1). Any enterprise of this class, therefore, which owns superior land and employs many workmen—such as numerous mining and lumber companies—often will yield a monopoly profit (rent) which will arouse the cupidity of labor leaders if they discover its existence. Any share of this profit which a labor leader can secure for his followers will mean a net increase in wages, since here the rent is not due to a monopoly price but to the superiority of the productive factor (land), and therefore the cost of commodities is unaffected, be the rent's recipient landowner or laborer.

It is thus to the interests of this class of enterprises, as landowners, carefully to conceal from their employees all details of capitalization and income, while, as producers, their interests may lie in the opposite direction tending to improve their labor efficiency by profit sharing. The greater the rent in proportion to the total profit, the more will the former policy outweigh the latter in the practices of an enterprise. As rent is an unearned income authorized by law, the great landowners are much less vulnerable to militant unionism than are the illegal monopolists of Class 6. In the United States, before the World War, it was only where the rich landed enterprises employed a large proportion of the voting population, and this was well organized—as in Western mining districts—that they were obligated to pay out any con-

siderable share of their rental profit in the form of higher wages.

Class 5. *Legal Monopoly with Monopolistic Prices.* This includes three Subclasses of property: (a) Special lands of limited area, so that the world's price for their product can be fixed by any owner who may have acquired control of the bulk of them; for example, the African Diamond Trust and the Canadian Nickel Trust. In countries with a protective tariff, it suffices for one owner to acquire control of the domestic lands in order to fix prices independent of national competition; as instance the Aluminum Trust owning all our bauxite deposits. (b) Public utilities such as railways, telegraph and telephone, oil, gas, and electric transmission lines. Here, owing to the franchises required and the cost of duplication, an enterprise can largely fix its own prices for service at "whatever the traffic will bear." This condition prevails except at "competitive points," where two or more enterprises may offer the public the same service, and in countries where the rates charged by public utilities are strictly controlled by charter or by government commission. (c) Patents for invention, as granted by the United States, confer a monopoly upon the grantee for the manufacture and sale of an article, and consequently free him from competition in fixing his selling price (Ch. XXXVII).

From the above, it is evident that the unearned profits of Subclasses (a) and (b) proceed partly from the legal advantages conferred by the ownership of superior land (mines or rights of way), and partly from the power of charging prices for the output, independent of the natural regulator called competition. In Subclass (c) the unearned profit proceeds from the latter power, for any reasonable royalty paid to the inventor should be regarded merely as a fitting reward for his services to society. The relation of labor to the enterprises of Subclass (a) duplicates its relation to those of Class 4, in so far as the unearned profit proceeds from superior land; where such profit proceeds from the enterprise's power to fix prices, any share of the profit obtained by labor will result in a higher price to the consumer, whenever such increase will mean also more of an annual income for the owner. The latter statement likewise holds true in the case of enterprises of Subclass (c), owning patent rights. So, in both cases, the gain of the monopolists' workmen may mean a loss for the consumers. The public utilities of Subclass (b) resemble Subclass (a) in their relation to labor, and have a relation to the public similar in kind but widely different in degree. On our railways,

a general increase of wages, since 1916, has meant the ruin of thousands of investors in their securities; and, should the investors be compensated by a corresponding increase in rates for service, the public must meet the expense in the form of dearer commodities.

Class 6. *Artificial or Illegal Monopolies.* These may be formed from enterprises of Class 2 or 3, as already described; the largest and most profitable ones, like the Standard Oil, the Beef Trust, and the United Shoe Machinery Company, have owed their power chiefly to the ownership or control of monopolies of Class 5, by which they have gained advantages not enjoyed by their rivals. A recent demonstration of this fact is afforded by the various independent oil refineries that have sprung up in the United States since a few years ago the pipe lines of the Standard Oil group were pronounced common carriers.

In normal times, artificial monopolies of a temporary nature have been features of the commodity exchanges. These "corners" of the market also have depended for success upon secret alliances with the legal monopolies of Class 5, through which they have enjoyed special favors, usually in transportation. In wheat, the coups commonly have been made by speculators controlling a string of elevators closely identified with some railway system.

Between 1914 and 1921, the war's dislocation of production rendered it easy to corner many commodities that formerly were too plentiful to permit such an operation. This game became so simple and profitable that few merchants could resist the temptation to take a hand, and there was coined a new word, "profiteering," to describe it. The hue and cry due to this merciless mulcting of consumers drove politicians nearly frantic, and the profiteers were combated by remedies as wide apart as jail sentences and overall clubs.

In so far as the unearned profits of enterprises of Class 6 are concerned, they accrue regardless of efficiency in labor, and therefore there is nothing to be gained directly by the introduction of profit sharing. But operating as the owners do, in defiance of both common law against combinations and the Sherman Antitrust law, many of them realize their political weakness and have been shrewd enough to pay their workmen the best of going wages so as to avoid strikes and their frequent accompaniment of dangerous investigations of business secrets by meddling politicians.

The above remarks have proved, it is believed, that labor unions often may increase their members' wages without augmenting either their production or the cost of living. A successful attack on unearned profits by militant unionism will never increase living costs where the profiteers belong to Class 4, and seldom will they increase living costs when Classes 5 or 6 are involved. Nevertheless, it is evident that the increase of wages gained by labor unions, through the plunder of monopoly profits, does nothing to abolish the iniquity of private monopoly but merely increases slightly the number of its beneficiaries. Indeed, it tends to aggravate the evil in two ways: first, by enlisting the political support of unionists in defending and extending the plunder of consumers by monopolists, as is glaringly visible in the case of tariff-favored manufacturers and building contractors; and second, by encouraging the turning of union organizations into selfish labor monopolies, as unscrupulous and predatory as their monopolistic employers.

The most successful modern union leaders are those who best understand how to create and maintain a labor monopoly, and discipline it into a militant organization for use against employers. For this purpose there are four favored devices, namely: a limitation of the number of apprentices, so that only a few favored youths can learn the trade; a high fee for membership, so that rural or foreign artisans already instructed will find difficulty in entering the city union; a contract with all employers to establish the "closed shop," so that nonunionists cannot obtain employment; and the prescription of nonunionists as "scabs"—as much beyond the pale of decent society as ever were heretics during the sway of the Spanish Inquisition (Ch. VII).

Like their capitalist models, the labor monopolists also limit the output. Instead of speeding up production because of high wages, they often follow the policy of slowing down. Thus certain bricklayers, who formerly laid 800 bricks a day when getting four dollars, now are allowed by their union rules to lay only 500, in return for triple the wage. They work on the purely selfish principle of "a maximum of pay for a minimum of work," and the inevitable result of this is to make commodities scarce and dear. All this tends to impoverish the bulk of the working classes who are outside of the unions, as well as the millions of the middle class of small farmers and merchants, who must gain their living in a fiercely competitive market.

Not satisfied with their gains as industrial monopolists, our labor tycoons had much success, after 1916, in fishing in the troubled sea of national war politics. It is said that during this period Samuel Gompers was the only outsider besides Secretary Tumulty who was permitted to visit President Wilson without being announced, and this privilege proved very costly for the Federal taxpayers. In the war shipyards, the union exactions soon raised the cost of shipbuilding to several times the normal rate. The union loot of the railways began with the passage of the Adamson Bill, in December 1916, which under the guise of an eight-hour law raised the wages of trainhands by 25 per cent. In 1917, the railways were first Federalized and then "macadoodled," which meant a year later that the annual average wage had been advanced beyond $1,400 as compared with less than $700 before the war, and a host of useless employees had been given jobs. In spite of the fact that the macadoodling had been supplemented by a large increase in freight and passenger rates, it caused an annual deficit of more than $500 millions which had to be met by the taxpayers. Yet Gompers was not satisfied, and in the spring of 1920 he demanded a new railway wage-scale, of which the minimum rate for the cheapest section-hand would be $2,500 yearly; but fortunately for taxpayers the election of Harding halted this new raid on the Treasury.

CHAPTER XXXVI

Refugees, Rackets, and Regulation

THE TOTAL MEMBERSHIP of our trade and labor unions fluctuates —falling in crises and rising in booms—but at its apogee in 1920 was under five millions, or fourteen per cent of the vote in the presidential election. The fact that such a small fraction of unionized voters has more political influence here than has a much larger proportion in Britain may be explained by the greater weakness of our political structure for resistance to aggressive minorities (Book III).

The A.F. of L. (Gomper's creation) is now a loose voluntary federation of 109 national and international unions—each

autonomous in its own field—and 1788 affiliated Federal unions, all aggregating a membership of three millions of mostly skilled and semiskilled workers. The Federation deprecates, officially, the use of penal methods for maintaining its coveted labor monopoly, but as much forbearance cannot be claimed for many of its branches. The latter seldom have been punished for their crimes, because our ohlocratic local politicians always cater to the "labor" vote. For the same reason, in letting contracts for local or national public works, it is usually compulsory to specify: "All labor must be paid at the union scale"—no matter how extortionate that may be. Here again, our honest taxpayers who "have no time for politics" are made to pay through the nose for their civic negligence.

While the A.F. of L. supports in theory (like its British prototypes) our existing political and economic system, we have other large unions that are frankly subversive and revolutionary. The first of the latter to become prominent was the I.W.W. (Industrial Workers of the World), which was formed at Chicago in 1905 by the coalition of several industrial unions opposed to the A. F. of L., including the large Western Federation of Miners. When this withdrew in 1907, the residual I.W.W. split in two, only one part—the "direct-action" faction—retaining the original name. Its objectives and tactics were founded on those of French anarchistic syndicalism, which condemns the State and its political institutions and proposes that society should be governed by an industrial-labor dictatorship. It aims to form the O.B.U. (one big union), composed of all those class-conscious workers who desire to seize all means of production in order to abolish "wage slavery." Meanwhile, it considers all employers as exploiters and therefore permanent enemies, with whom no contract is binding and whose property or persons are entitled to no respect. Its favorite weapons are sabotage and the general strike; by the latter it hopes some day to create such social confusion as to overthrow the bourgeois State and inaugurate a workers' paradise. Syndicalists may also use the boycott and the union label, which are at present the favorite weapons of the conservative unions, as alternatives to the strike.

The chief supporters here of the I.W.W. were unskilled or semiskilled laborers—mostly immigrants—not eligible for admission to the craft unions. After the imprisonment of 94 of its leaders for opposing the World War, and its outlawry by the

"criminal syndicalist" legislation of many states, its membership dwindled so much that it ceased to be dangerous as a union.

Of the cited union membership in 1920, four occupations—mining, transport, building, and manufacturing—furnished 83 per cent; the small balance came from the ranks of clerks, public employees, domestic servants, and learned professions. In 1927, of our then 30.5 million industrial workers, 2.8 millions belonged to the A. F. of L. and 0.7 millions to the railway brotherhoods, the I.W.W., the Amalgamated Clothing Workers, etc. Besides these national independent unions with 3.5 millions, there were a million members in the company-controlled unions. Yet all these members together totaled only 4.5 millions, which was but fifteen per cent of the industrial workers, twelve per cent of the total vote cast in the presidential election of 1928, and nine per cent of all our gainfully employed.

These statistics suffice to prove that labor unionists comprise only a small fraction of our proletariat; they form a larger fraction of skilled workers alone, though millions of these are also unorganized. Hence, when union tycoons—like William Green of the A.F. of L. or John L. Lewis of the United Mine Workers—assume to speak for manual workers in order to indoctrinate the public as to "labor's rights," or bully Congress into passing their bills, they are really much less representative of our masses than are the pilot birds of the rhinoceros; because the latter guard the whole herd impartially while the former chirp only for those who pay them.

How different from those of such existing unions were the ideals of our first large and genuinely native organization, the Knights of Labor, which was founded in 1869 "to unite all wage workers, irrespective of race, creed and color!" As its first objective was "to make industrial and moral worth the true standard of moral greatness," it had little chance of ultimate success in competition with immigrant Gompers and his political labor-subsidiary for New Plutocracy, which gladly abetted tariff-mongers, trusts, and war profiteers—when it paid to do so—and maintained a closed shop for barring heretics from its privileged preserves. Even worse would have been the Knights' discomfiture long ago, had they survived, to contend with the frankly predatory and seditious unions—like the I.W.W. or the clothing workers—which scoff at our moral code, as a bourgeois imposture, and dub religion "the opiate of the poor."

Quite like their protectionist allies, our labor monopolists have long used plausible sophistry to justify their self-seeking policies, which since 1914 have been growing ever more anti-social and rapacious. Two of such fallacies appeal strongly to a public quite ignorant of economic science, namely: labor is not a commodity; and the laborers in each industry should share directly in its technical advances, because "high wages make prosperity."

The first fallacy is an impudent attempt to divorce the wage scale from a worker's productivity but, as it has been shown already (in the author's comparison of the medieval cobbler and the modern shoe factory), this can be accomplished only by robbing other producers, or consumers, for the benefit of favored groups. The second fallacy's application would distribute the increased output of any invention among its operators as higher wages, instead of among the whole body of consumers in the form of lower prices. This idea was one cause of the crash of 1929. Between 1919 and 1924, our manufacturers succeeded in augmenting the average material output of their manual workers by 37 per cent; instead of allowing the free play of competition to decrease their prices proportionately, they gave the main advantage to their hands as wages, which rose from 175 per cent to 200 per cent during 1922 (on a scale of 100 per cent in 1914) and stayed there till 1929.

This procedure with manufacturing labor enabled the other three much unionized occupations—mining, transport, and building—also to maintain their excessive war scales of pay. As a result, the prices for nonagricultural products stayed around 160 per cent from 1921-1928, as compared with 130 per cent for farm products. Naturally, the domestic market for fabrications dwindled, owing to the lessened purchasing power of our farmers, but their foreign market held as long as it was buoyed by our loans abroad. When the latter ceased in early 1929 the collapse soon came, for most of our manufactures long had been too dear to compete in the foreign market, except when we loaned the money for their purchase. Thus the excessive wage scales of the four unionized occupations not only did not "make prosperity" general in the Jazz Decade but unbalanced so completely our domestic exchanges as to magnify the collapse at its end (Ch. XVII).

The principles enunciated in the chapters on economics in-

dicate that there are only two methods of producing a general rise of real wages in any country: by a general reduction in prices, which enables the same money wages to purchase more essentials for living; and by an increase in the total material output of wealth, which makes available a larger quantity for division among its producers. Any schemes for raising wages which do not utilize one or both of these methods should be properly classified as frauds, either quite futile, or merely designed to favor one group of people at the expense of another, as are all those of protectionism and labor monopoly.

A general price reduction may be effected in two ways: by deflation of the currency, and by decreasing the absolute costs of production. While a deflation of currency increases its value and so lowers prices, it has also the serious social effect of enriching all creditors at the expense of all debtors, and is thus never justifiable except as an emergency measure to restore normality after the inflation of a long war. On the contrary, a decrease of productive costs—wage rates remaining constant—need work no class an injustice and may be achieved in several ways. The favorite plan at present is to reduce the quantity of labor required, either by more scientific management or by using more labor-saving machinery; the latter involves the drawback of a greater investment of capital, and both create unemployment, at least temporarily, until the discarded laborers can be occupied in other work.

As a contrast, the two L.L. measures for lowering costs avoid the drawbacks of those just cited. The first, Free Land, will abolish the present taxation of productive labor and capital (hoarded labor) which always must be reflected in higher prices for the product. The substitution of the abandoned taxation by the collection of economic rent for public revenue will not affect the new price situation, since it is a verified axiom that rent does not enter into price. Besides, Free Land means the ending of land speculation and monopoly, which assures access to better marginal lands and a proportional increase of the average output per worker. In other words, Free Land, by preventing the drones' present thefts of honey from our industrial hives, will leave that much more to be divided among the bees (Chs. XXV-XXVII).

The second measure, Free Trade, allows producers to secure their raw materials from the world's cheapest markets and so

enables them to reduce to a minimum the prices of their products. The stereotyped protectionist objection, "These foreign purchases will stop our own production of such materials," is irrelevant; because, as we could not long pay for more imports with money, we would be obliged to do so with merchandise, whose fabrication would soon put back to work the previously discharged hands.

The success of the scrip currency scheme for alleviating unemployment—when it was tried in some cities before the arrival of the New Deal Santa Claus—was usually due to its removal of the labor-monopoly obstacle to a free local exchange of services. When a carpenter could obtain a suit of clothes from a tailor by building the latter a wood-shed, or a farmer could have his plow repaired by handing a bag of beans to a mechanic, the idle again could go to work for each other to satisfy their mutual needs, without worrying about the observance of extortionate union wage scales.

Labor unionism cannot improve wages in general and can only benefit minorities, often at the cost of majorities; for example a single Northern artisan has a wage of $1.50 an hour, but there are a million whole families of Southern cotton pickers which are glad to get $1.50 for a long day. Hence, for the public good, it seems advisable to restrict union predacity, until a nearer approach to L.L. economic goals shall have rendered any further militancy needless, and labor societies again can confine themselves solely to friendly and benevolent objectives.

As a start, the Clayton Act should be amended to permit the legal suppression of unprincipled unions, as "criminal conspiracies," and all monopolistic practices of the conservative unions. For the latter not only are most undemocratic but long have been effective aids to New Plutocrats in their intrigues for inducing our artisans to support protectionism, and so to betray the interests of our consuming masses.

Labor monopoly can be readily suppressed by attacking, one after another, the four common devices for its attainment (Ch. XXXV). The first, which makes artisans scarce, can be negatived by a law compelling the employment of any reasonable number of apprentices for each journeyman, and supplementing it by conducting public trade schools at strategic points. The second, which restricts union membership by high entrance fees and extortionate dues and fines, can be readily blocked by requiring

all intercompany unions to take out State charters and all interstate ones to obtain national charters, just like commercial corporations (Ch. XXXVIII). While its members are liable for misdemeanors, an unincorporated union cannot now (1936) be sued for civil damages; this legal immunity encourages the usual gay irresponsibility of its leaders to the public as to the effect of strikes, and to its membership as to the expenditure of its dues.

The third device, which bars nonunionists by closed-shop contracts with employers, can be remedied by outlawing such documents. In 1900, at Butte, the miners' union and the mine owners had a mutually satisfactory contract that went as far towards a closed shop as a sound public policy should ever permit. The wages and hours were specified for each class of employment, yet the management was free to hire and fire labor as it chose. For procuring a job, an applicant needed no union card but, while working, was required to pay his share of union levies, for the "check-off" system was in operation, and from the monthly payrolls the dues were all deducted by the management and delivered to the union's treasurer.

The fourth device, which classifies "scabs" with cur dogs, must be attacked on several fronts, as a barbarous menace to those L.L. fraternal principles essential for civilized living. Just as it is reasonable to permit workers to continue a legalized militant unionism during the Transition period, so is it also to allow them to retain the use of their chief weapon—the strike—in those cases where no serious social interest is involved. In the contrary case of public utilities, labor relations should be controlled by permanent courts of compulsory arbitration with power to fix hours, wages, and other working conditions, because such items are dependent on the rates for service which are to be fixed by public commissions (Ch. XXXIII). The new Administrative courts, designed for applying compulsory arbitration to all public-service employees, can serve also for those of public utilities. When Congress is once freed by the Political Cure from its long thralldom to the railway-union lobby, there will be no danger of any further mulcting of railway shareholders by labor monopoly, for wage scales no longer will be fixed under duress.

Later, as this system is perfected and the need arises, the Federal or State Administrative courts—each in its jurisdiction—can apply compulsory arbitration to the labor disputes arising on the larger public concessions for working fuels and forests, whose

operations are of a quasi-public nature. But in this class of enterprises, with an output sold in competitive markets, wages must be adjusted by the courts within this special restriction so as to balance the interests of operators, workers, and consumers. Both Australia and New Zealand have had long experience with compulsory arbitration from which we can learn much at the start of our system.

Unbiased wage fixing is especially needed in Pennsylvania, where the profits of the Anthracite Trust long have been shared with the United Mine Workers Union. This culminated a decade ago, when the Union secured a new contract with a wage scale ten per cent higher than the World War peak and 170 per cent above the 1913 level. In April 1936, although living costs were then only forty per cent above 1913, the old contract was renewed at the same rates of pay for a seven-hour as for the previous eight-hour day. But here, luckily, our consumers had the alternative oil, gas, coke, and soft coal fuels, and thus were able to resist this anthracite racket, whose sales gradually dropped from 85 milion tons in 1923 to 48 million in 1935. Meanwhile, the number of employed miners dropped from 160,000 to 106,000, and the yearly payroll from $466 to $235 millions. This incident demonstrates that free competition can bust a trust even when it is helped by a labor racket, and that the same rebuff which happened fortuitously to Anthracite can be applied purposely to Steel, Lead, Aluminum, etc., simply by removing their sheltering tariff walls.

For all other private enterprises with no special public interest, the State should intervene in labor disputes mainly as a peacemaker. Many experiments have proved that voluntary local courts of Conciliation—formed by an equal representation of masters and men, and with a technician for a president, approved by both sides—often can harmonize the contestants. At present, the legal codes of our 48 states differ widely as to the control of strikes. In forming a new labor law for guiding the Administrative and Conciliation courts, we can do no better than to imitate the far riper British experience, as exemplified in the Trades Disputes and Trade-Union Act of 1927. This outlaws all strikes other than those having as object the furtherance of a trade dispute within the industry in which it occurs; that is, all "sympathetic" strikes are illegal, as well as any designed to coerce the govern-

ment—either directly or by damaging the community—and no union funds may be spent to further them.

The British Act declares that no public employees may strike, because they accept with their jobs an undivided allegiance to the State. It also guarantees every private worker his freedom of action by outlawing: a general strike, threats to make anyone stop work, and forced contributions to a trade-union or political party. The Act is enforced by the ordinary police and courts of justice; it was passed as a result of the revolutionary general strike of 1926 and has given general satisfaction in its operation.

Following this model, our Conciliation courts should have the power to pronounce on the legality of strikes and the aggrieved party have the right of appeal to the Administrative court. In "legal" strikes, the former courts should be authorized, when conditions require it, to inspect the employer's books and to report their findings to the press in as far as they affect the controversy. Thus public opinion would be informed as to the merits of the case and could exert its potent influence, intelligently, to promote a fair settlement. During a strike, L.L. principles prescribe that an employer is entitled to police protection for resuming work, whenever he has found enough hands—whether old or new—who are willing to accept his terms, and that strikers have no right to go farther than moral suasion in securing adherents for their cause.

The "principles" will doubtless horrify communists, and even those parlor socialists who preach that "property is a social function" and "a worker has a vested interest in the job"; but such doctrines confuse two distinct kinds of property: land and labor-products. While it is proposed to make the former property a "social function" by gradually nationalizing economic rent, this transformation should make the latter property an even more sacred possession of its owner than it is now, and warrant its protection against all would-be violators, even labor leaders.

As to the relative merits of national and company labor unions, opinions naturally differ, and it may surprise some labor sympathizers to learn that their protégés often are opposed to the former because of their high entrance fees and dues, their politics and racketeering, and the danger of incompetent or criminal leadership. Besides, unless the check-off system is in vogue, the national labor union's resident agent must depend for

his salary—ranging normally from $200 to $400 monthly—on the voluntary payments of his local members, many of whom often neglect to contribute when conditions are satisfactory. This dilemma forms a constant temptation for the agent to stir up things—by fresh demands on the employer—so that his followers will realize they are getting some advantage from their dues. On the contrary, there is no such incitement to trouble in the case of company unions, for their officials' salaries are dependent on the membership; even the common rebuttal, that "such officials must necessarily be mere tools of the employer," has no practical basis in those many enterprises that are wise enough to treat their hands decently.

Another demerit of the Federation and its national unions is the huge annual salaries drawn by their chiefs. Thus, the A. F. of L. pays $12,000; the musicians, stage hands, and teamsters pay $20,000; the stationary engineers and ironworkers pay $15,000, the elevator builders and mine workers pay $12,000; the bricklayers, electricians, lathers, plumbers, railway clerks, and commercial telegraphers pay $10,000. Each of these union chiefs assumes charge of the interests of from 20,000 to 300,000 members, whose working incomes range from $1,500 to $3,000 a year. Naturally, with such salaries the chiefs are much in the same position as those of our trusts and, to hold their jobs, find it easiest to satisfy their followers by adopting a policy without reference to social morality.

CHAPTER XXXVII

Mental Freedom and Patent Rights

IN THE LAST two chapters, it has been shown how our manual laborers not only need free land and trade but liberation from union Frankensteins. The latter were created originally by and for labor in general, but now have fallen mostly into the grip of small and crafty oligarchies which use them solely as tools for self-aggrandizement without regard for the rights of outsiders, civilized moral codes, or economic science. It now remains to consider the application of the Economic Cure to brain-workers,

who man such learned professions as teaching, engineering, preaching, writing, law, medicine, and scientific research.

Brain-workers of course would enjoy the lower living costs of an L.L. society, and the greater opportunities for employment caused by the larger number of possible entrepreneurs after the breakup of existing monopolies. Best of all, they would regain what they prize more highly than any material boon—the liberty of self-expression. When special privilege gets control of an industry, it is soon made clear to its brain-workers that they must either resign their mental freedom or their jobs. It is purely a commercial question: What can be the gain from the services of even the brightest brain-worker compared with the possible abolition of monopoly profit through his political activity?

That this is no imaginary condition is fully demonstrated here, for our New Plutocrats have muzzled the press, the pulpit, and the universities. To support publicly the Economic Cure would mean a professional hara-kiri for the average preacher or professor; and for many a lawyer, journalist, doctor, or engineer, it would be scarcely less perilous, as the author has confirmed by several personal experiments. The bloated beneficiaries of monopoly now dominate the intellectuals of the whole country, as completely as the Slave Power ever did those of the Southern states before the Civil War (Ch. X). But when such legalized injustice has been outlawed by the Economic Cure, all employers who need brain-workers will have nothing to gain and everything to lose by attempting to suppress their mental freedom.

For a long time, most of our universities have been dominated by New Plutocrats through their boards of trustees, which the New Plutocrats nominate directly for privately endowed institutions and indirectly—through political bosses—for tax-sustained ones. As our ingenuous local communities are fond of consulting the nearest college faculty when confronted with a technical problem, they might easily do so in connection with the perilous subjects of economics and politics, whose popular taboo is now as essential for the continuance of our reigning monopolists as was ever that of theology for their medieval ecclesiastical archetypes (Ch. VII).

Thus, in making new teaching appointments, college trustees must ever be on the lookout for heretics and constantly vigilant in detecting any signs of nonconformity among professors al-

ready on the faculty. The latter, with such a sword of Damocles hanging over their heads, seldom tempt its fall by deviating at all from the rigid lines of economic-political orthodoxy marked out by their mentors. Because they well know that if a professor be dismissed for such heresy he will be blacklisted by all plutocratic institutions—both educational and business—and so will find it difficult anywhere to make a living from his profession.

In their usual system of control by nonteaching trustees—selected for political or financial glamour rather than educational wisdom—our universities are far behind those of medieval Europe. The latter were at least in charge of their teachers and students, and unhampered by outsiders—a scholarly freedom which is worthy of emulation now.

For liberation, a college faculty must first have organization, not for material ends, like labor unions, but for self-protection against bigotry, ignorance, and greed. The existing national professorial committee for investigating suspected causes of dismissal for "heresy" is a good thing, but a bolder policy must be adopted before the existing wholesale intimidation of college faculties can be abolished. An effective weapon will be the boycott, whenever its declaration against an institution could cause both its desertion by its old faculty and its embargo against getting any new one until the ban were removed. As a milder weapon, but perhaps more effective—because constant rather than sporadic—could be established the regulation that the trustees of no affiliated college should dare to dismiss any of its teachers without the consent of a standing committee, elected by the faculty for handling such dilemmas.

By the last safeguard, the usual subterfuge of trustees—that their intended victim was "incompetent, lazy, or unpopular"—could be readily unmasked, and the facts made public for the discomfiture of such modern inquisitors. As a further precaution, it would help if the faculty committee also had its say on all new teaching appointments, because such a body could detect and reject unworthy candidates at the start. For L.L. ideals do not require that a college teacher should be free to become a mere party propagandist, or incite to vulgar crime (like a Bolshevik), but they do postulate that he should have the right to present both sides of controversial questions without fear of favor.

Finally, academic freedom never can be attained until teach-

ers are appointed for moral as well as mental merits. A candidate with an uncontrollable "fashionable" family, or one who prefers the fleshpots of Egypt to a life of plain living and high thinking, will never be aught but a poltroon in the ranks of a professors' union at war with intolerant trustees.

Yet the problem of making our college departments of economics and politics as fearless in their utterance of scientific truth as those of physics and engineering lies deeper than even their release from the interference of dishonest politicians or bigoted trustees on the outlook for heresy, though of course this release is a first step for any attempt at reform. At present the teachers of economics are generally pure theorists who have graduated directly from their studies into teaching, and know nothing of those struggles of humanity which go on beyond the walls of the college cloister. They must have comfortable houses, elaborate meals, and artistic surroundings as essentials of their lives; they naturally have as social friends many of the privileged and even predatory class, and often find them decent and law-abiding in their family relations. So the cause of the oppressed masses finds little response among such college teachers, for it seems too far away to be real or important; its espousal would be certainly troublesome and might lead even to ejection from their only means of gaining a livelihood worth having. But when such professorial aspirants must prepare by a practical apprenticeship, and gain their living by manual and mental labor in various factories and businesses, or governments, before starting to teach, we then shall see as great a change in our college departments of economics and politics as occurred in those of engineering, when the original pure theorists were replaced as professors by successful practitioners.

Our American professors of economics are now closely akin in training to the native engineers of Spanish America. The latter are scions of the feudal aristocracy and consequently carry out in their engineering course all the peculiar caste ideas of their families regarding the degradation of manual labor. As such branches of engineering as mechanical or mining cannot be mastered except by the practice of much dirty and disagreeable manual labor, the Spanish youth never get beyond the hopelessly incompetent stage in these professions. In civil engineering, in which work can be done by learning only the cleanly roles of the draftsman and surveyor, the young aristocrats do better, but

even there their fear of personal contact with the raw material and the oily machinery of engineering are such handicaps to practical achievement that nearly all such work in Spanish countries is entirely dependent on the foreign expert for its accomplishment.

A practical method for our brain-workers in business to preserve their mental freedom, not only from New Plutocrats and their bailiffs but from the ever growing menace of the imported organizations for labor monopoly which now disturb the country, would be to join with liberty-loving manual workers and organize a new national federation of L.L. unions, which would urge the incorporation into law of the whole Economic Cure (Book IV).

Patent Rights. Our existing copyright law, which confers on authors a monopoly for the publication and sale of their literary products, seems both socially useful and innocuous, for it encourages creative talent and does no injury to others. As a contrast, the exclusive property in new inventions, now granted by our patent laws, is a powerful auxiliary for the maintenance of the illegal monopolies of many of our trusts. As flagrant examples of past or present abuses—among a horde known to students—may be mentioned patents for telephones, electric equipment, shoemaking machinery, and aluminum furnaces.

Granting that there is really no basic invention and that the best anyone can do is to cap and complete a structure of devices and ideas left by his predecessors, the problem becomes how to encourage inventors without injuring society. The proposal to establish public laboratories, where would-be inventors might test their ideas, would be beneficial up to the point where it attracted attention as a source of political pork. The arbitrary period of seventeen years for the life of a patent is meant to protect our public from a possible undue mulcting by the patentee. Sometimes this period is too short to enable the inventor to perfect his invention; sometimes it is long enough to create huge fortunes for various individual monopolists, among whom the inventor himself is rarely included. There seems no reason to oppose the extension of the life of a patent to that of its inventor, provided only that property in patents be modified in its nature.

And just here enters a practical condition of which few have taken note, namely, the effect of a patent grant on existing industries. The grant, which means a rich reward for its owner,

may imply appalling losses to many established trades. For instance, any invention which renders obsolete the previous devices for the same purpose will destroy the business of the makers of the latter unless they can obtain a license for its manufacture, use, and sale. Under present laws this is quite liable to happen, for the inventor can restrict his license to a single factory, and that a new one. This is certainly unfair to established interests and quite unessential as a means for rewarding the inventor; in fact, it has often the opposite effect, for the established factories, driven to the wall, begin to "infringe" the new patent, and then begins a long struggle of the inventor against the piratical litigation. In such cases, there seem only two alternatives for the poor inventor: either to be intimidated into selling his patent for a nominal sum through a forced compromise, or else to jump down the throat of some kind, capitalistic whale, who, in return for legal defense, will want the whale's share of the proceeds.

Technically, a patent is a monopoly, despite the common opinion to the contrary. A monopoly does not consist necessarily in the complete control of a certain commodity, so as to fix its price, but the exclusive possession of any means of producing the commodity which is not open to all on equal terms. At this point, an objector remarks: "Manifestly, royalties or compensation that would be satisfactory to the inventor would not meet the demands of a heavily capitalized company, and if a royalty charge is made to meet all conditions the royalties must, necessarily, be large. If the royalties are excessive, no fault should be found with the inventor; and no fault should be found with the companies controlling the patents, for they are doing what other companies do under similar conditions." He may be right from the standpoint of those monopolistic manufacturers and their inventive protégés who act on the motto, "The public be damned." Nevertheless, our public is gradually finding itself economically, and some day may refuse to be longer mulcted of excessive royalties for lack of equitable patent laws.

To sum up, there are six weighty objections to our patent grants in their present form: 1) they grant a manufacturing and selling monopoly which is out of harmony with our competitive industrial system; 2) they may disturb, injure, and even ruin legitimate established trades; 3) they cause a vast amount of needless litigation; 4) they tend to benefit the capitalist at the expense of the inventor; 5) they fix no limit as to what the public must

pay for the use of an invention; and 6) they fix no penalty for failure to use an invention.

As a remedy for all these defects, many inventors—such as the late Tom L. Johnson, mayor of Cleveland—have advocated the abolition of patents altogether. This might be good policy for a backward nation, which has practically no native inventors and seems unlikely to develop any in the predictable future; but for progressive countries such a remedy would be worse than the disease. The lack of legal protection for their achievements would keep many persons from inventing, while the remainder would be forced to exploit their inventions in secret in order to profit by them. We would then have a recession to the medieval days of secret processes and of "lost arts," because in ancient times a device could perish with its inventor.

Abolition being inadvisable, is a cure of the grave faults in our existing patent system feasible? The writer would reply affirmatively, provided the nature of the grants be altered. Instead of giving a patentee the right to monopolize his invention, let the grant merely recognize his right of property to the extent of permitting him to collect royalty from its exploiters. The New Zealand law is based on this principle and allows anyone to make or use an invention on condition of paying a toll to the patentee. In case the latter is unreasonable in his demands, the rate of toll will be fixed by the courts. This, some may deride as "Socialism," but, in the author's humble opinion, it is merely a rational application of that socialization which differentiates civilization from barbarism—the restraint of individual greed and caprice for the common good.

If we scrutinize the six enumerated defects in the light of the proposed changes, we discover at once that both objections Numbers 1 and 2 disappear, for anyone then can make and sell the new invention, while established trades can add it freely to their existing stock of goods. Thus, much of the incentive to litigation would be eliminated, because the established interests, no longer threatened with loss by being excluded from making or selling the new device, would find it cheaper to pay the patentee his toll than to pirate his ideas at the risk of costly lawsuits. The need of little or no funds for legal battles would save the inventor from falling a prey to the grasping capitalist, while the public would be protected from the excessive royalties by the power of the courts to limit them.

On the new basis, it would be advisable to extend the duration of a patent to the death of its inventor. Such an extension could work no harm to the public, whereas it would stimulate invention by giving inventors both plenty of time to perfect their devices and to enjoy the reward after their perfection. If it be objected that no capitalist would subsidize an inventor when he could no longer obtain a monopoly, it suffices to say that he then could expect to obtain his reward, as now, from a share of the royalties. When the inventor's royalty came before the court for approval, the judge would always consider the cost incurred in developing the invention before giving his decision as to its reasonableness. While fewer patent lawyers would be opulent and fewer capitalists might enter the millionaire class under the new system, there would certainly ensue less risk of loss and surer rewards for inventors, and, consequently, many more inventions of practical utility.

Besides altering it in certain principles, our patent law should have a more scientific administration. Our patent trials now often result in sad parodies of justice, because conducted before judges who may be well trained in the intricacies of legal dialectic but are untaught in that complex technology upon which patent cases often depend.

CHAPTER XXXVIII

Logical Liberalism in Action

IN THE SEVENTEENTH century, the discard of numerous plausible and pleasant superstitions cleared technology's path of the many obstacles which had obstructed former inventors, and made possible, later, the Industrial Revolution. Just as the realities of biology, physics, and astronomy—though often very unflattering to human vanity—have generated our actual mastery of Nature for supplying all physical needs, so will the discard of wishful thinking, in favor of applied science, enable us soon to achieve a social system fit for assuring political safety and economic justice. At present, our existing governmental structure and property laws make these desirable objectives unattainable, except in the imagination of certain blatant "rugged individualists"

who, if not New Plutocrats or other ruthless public-treasury raiders themselves, are their dupes or camp-followers and so equally untrustworthy as national mentors (Book II).

After this preamble, the author may venture to offer the rationale for such L.L. items of the model constitutions as have not been previously explained.

1. *The Federalization of all Interstate Corporations.* During the Trust era of the 1890's, Delaware, Maine, and other small states found it good for their revenues to pass incorporation laws of the loosest character, by which New Plutocrat combines received letters of marque, authorizing them to prey on confiding investors, rival producers, and helpless consumers all over the nation. Untold millions would have been saved these three classes of worthy citizens if "Teddy" Roosevelt had been politically strong enough in his second term to force his project of Federal incorporation of all interstate companies through a machine-made Congress. This proposal would also mean that the Federal law now forbidding "national banks or corporations" to make any political campaign contributions would be applicable to all interstate companies, while now it practically affects only banks (Ch. XII).

2. *War Purveyors.* This clause aims to give the status of a Federal public utility to every corporation—Federal or State—which contracts with the Government to furnish war supplies or services. It authorizes both a Federal member of its board of directors and the subjection of its employees to the compulsory arbitration of the Federal Administrative courts (Ch. XXXIII). While this right would not be utilized except for a purveyor large enough to make the Federal intervention worth while, its mere existence could efface profiteering—either by capital or labor—when an L.L. government ruled at Washington.

3. *War Conscription.* This clause restricts our conscript armies to the defense of the national territory—continental or insular—and prevents either a war of foreign conquest or another crazy crusade in Europe, except with volunteers (Chs. XIV-XV). On the other hand, it is the duty of all citizens—whether selfish and stupid, or brave and brilliant—to defend the homeland; for the bullets of modern warfare are no respecters of persons. Any L.L. government, therefore, should have power to conserve the average quality of its people, through the carnage of possible war, by conscripting its inferior stocks into its armies; otherwise,

its superior stocks would be the chief sufferers because of being the only ones of sufficient patriotism to volunteer.

4. *Abrogation of Contracts.* This clause destroys the nefarious Dartmouth College decision (which has so often kept ruthless rogues from paying the due penalty—either in person or property—for bribery) and enables Congress to revise all public grants which are not in harmony with L.L. principles (Ch. X). Of the latter, one of the most important is that forbidding one generation to enslave the next by legislation; for instance, long real-estate leases which oblige tenants to pay all future increases of taxes. Therefore, all public or private contracts—including the United States Constitution itself—will henceforth be revisable at fifty-year intervals by the corresponding authorities.

5. *Control of Propaganda.* In 1789, when the First Constitutional Amendment forbade Congress to "abridge the freedom of press," it meant something quite distinct from what it does now. Then, newspapers were of relatively small circulation, as only the upper educated class bought them, and were mostly weeklies. Now, especially since the great cheapening of newsprint by the modern innovations of wood-pulp paper, the linotype machine, and wholesale advertising, our urbanites are the daily victims of press propaganda which is directed by special interests, always selfish and often unpatriotic or mendacious. Accordingly, it is self-evident that since press privileges are now abused they should be controlled for the commonweal, as are similar "public utilities" like the radio and movie whose "freedom" is not protected by Amendment I, since they were not invented before 1789. A publisher is now legally responsible for libel, obscenity, and incitement to crime, but suffers no penalty when he misleads any of his ignorant and credulous readers with cooked-up news items and fraudulent editorials. An effective remedy for such cases—made possible by this writer's proposal—would be the compulsory reservation of sufficient space in each daily for the free publication of any corrections or criticisms of the publisher's propaganda which the public director might recommend.

6. *Court Procedure.* The practical futility of our existing penal system is best proved by the fact that we suffer many more crimes per capita than Italy—the worst country in western Europe—despite our gigantic expense of $10 billions yearly for combatting them. Our whole legal system was inherited from eight-

eenth-century Britain but, unlike its originator, we have quite failed to keep it up to date. Forsooth, we can never hope for this basic reform so long as our legislators are dominated by shyster lawyers, who well know what a gold mine for their wretched trade is our archaic court procedure (Ch XXII).

Our use of untrained-citizen grand juries, for studying the need of penal indictments, is a tedious and costly process for which there will be no shred of an excuse with a competent and honest L.L. judiciary as a substitute. For civil trials, the jury "right" granted by Seventh Amendment is a Jacobin travesty of common sense. Even in 1789, it must have cost somebody more than $20 for any jury trial, while now each jury-court averages a daily cost of $185 in New York. Why the loser, or the taxpayers, should be stuck with this senseless expense is a poser for the most devout of our United States Constitution adorers! Therefore, the decision of whether any jury in a civil case will be a help or a hindrance to a just, speedy judgment is best left for the court to decide. This Amendment's final narrow restriction on the revision of jury verdicts as to facts (by higher courts) seems only explicable as a Jacobin revival of the medieval penchant for *infallible* mentors, and was long ago abolished by British legal reform.

In suits against corporations for damages for personal injuries, even an honest juryman seldom has had sufficient experience with swindling tricks to be able to detect fraudulent claims; and also he is liable to be so ignorant of finance and so prejudiced against "corporations" (as such) that he has no compunctions at awarding excessive damages to a plaintiff, with the excuse: "Oh, that railway is rich enough to stand it." Even when juries are abolished for such cases, a final safeguard against any possible extortion—which finally is often paid by a railway's poor customers instead of by its rich owners—is to provide for all courts a reasonable list of maximum compensations which may be legally recovered for various classes of personal injuries. The corresponding lists of Public-debt voters will furnish suitable panels for the choice of jurors in civil trials by the Federal or State courts (Ch. XXI).

Our criminal trials by petit juries are much costlier for the State than those by judges, and are also longer and more liable to corruption and mistrials, which are both demerits very favorable for the evasion of the guilty. Hence, L.L. principles justify the

abolition of jury trials of all those criminally indicted, except for felony, where the very severe penalties prescribed may warrant the option of a defendant, as to trial by jury, in order to give him every benefit of any reasonable doubt of guilt. Yet, there is no better reason for unanimity, in any jury decision, than in a passage of laws by legislatures. Many historians ascribe the partition of Old Poland to the weakness and disorder of her Diet, caused by its absurd rule requiring a unanimous approval of all bills before becoming laws. As a contrast, the more practical United States Constitution, even in the extreme case of its own amendment, only has a maximum requirement of a 75 per cent majority. The latter ratio the author has applied to juries as both a fair one for the accused and a remedy for the endless delays and hazards of our traditional system, which gives every consideration to horrible criminals, but none to their past, and probably future, victims. In criminal trials, the lists of State voters will furnish convenient panels for the State courts to choose jurors from, and those of Federal voters will suffice for the Federal-court jurors.

The Fifth Amendment is another flagrant example of the instinctive dislike of Rousseau for any rigid social discipline (Ch. XIX). Granting that a condemned criminal should be given a new trial whenever fresh evidence of his innocence has been found, does not equity also prescribe that anyone released from an indictment, for lack of evidence, be tried again when new proof of his guilt has been discovered? Is it any wonder that our criminal courts are a laughingstock, when they are so hamstrung by idiotic "Bills of Rights" that they can't even apply a sound old proverb of our pre-Jacobin forebears like: "What's sauce for the goose is sauce for the gander?" For example, the first acquittal of Samuel Insull by a jury trial in 1935 precluded his retrial, no matter what incriminating details of his monstrous stock-juggling (which ruined myriads of innocent investors for a total of $1 billion, and scandalized civilization) might have been found later (Ch. XVII).

That sentence of the Fifth Amendment which forbids that "a criminal be compelled to be a witness against himself" has no sense if given any other meaning than the outlawing of the medieval use of physical torture for the purpose of extorting confessions from defendants. Its perversion to mean that a judge is prohibited from even asking a defendant to give his own account of what happened—for fear the tale might tend to incriminate

him—deprives a judge of one of his most effective probes for reaching the truth, and correspondingly delights all Jacobin friends of anarchy.

The Fourth Amendment originally was merely a legalization of the ancient individual right: "An Englishman's house is his castle." Its extension, at present, to protect corporations and their officers from effective investigation by the police, is a direct incitement to the malfeasance of these legal Frankensteins and so has been abrogated in the L.L. Constitutions.

The Ninth and Tenth Amendments serve no useful purpose; rather they tend to anarchy by exaggerating the power of the people and the states at the expense of the Federation. While the L.L. Constitutions also prescribe these three separate powers, they endeavor to define their apportionment in more detail, in order to leave fewer of them so undefined as to hinder that rapid governmental action so essential in emergencies.

The Eleventh Amendment, which prohibits the Federal courts from ever interfering when a State has been sued by foreigners, is a perilous one, as was proved in the 1900's when California forbade the Japanese to own any land and nearly plunged us into war as a result. One does not need to be an owl-eyed pacifist to decry this Amendment, for any simpleton should perceive that our foreign policy can be successfully conducted only by the uniform authority of the Federation and that the heterogeneous State governments can only meddle with it at the risk of war.

The clauses of the L.L. Constitutions which set a minimum school training as a requisite for admission to legal practice at a State Bar and a somewhat higher prerequisite for practice at the Federal Bar are planned with two objects: to ensure that only lawyers with some cultural background, as well as a technical legal training, henceforth shall be entrusted with the moral responsibilities of court officers; and to discourage the constant creation of new lawyers, because the present supply is so far beyond any legal need that myriads of the surplus (especially the ill-trained) swarm into business and politics to the great detriment of both (Ch. XXII).

Finally, after the many senseless obstacles to our court efficiency which now exist in the United States Constitution have been removed as suggested, it will be a simple matter to reconstruct our entire court procedure in detail after the present Brit-

ish model, which long has been a paragon of consistency and efficiency, to the shame of our ohlocratic hodgepodge of self-contradictions whose sole claim to distinction is its ruinous cost for the State.

The abolition of the present life term for Federal judges and its substitution by a twelve-year term for the High, and a ten-year term for the inferior, courts, are changes designed to give judges a reasonable assurance for their future tenures—as they may be reappointed indefinitely—without tempting them to neglect their duties, because the only legal method for their forcible removal from office is the rather awkward and dilatory one of impeachment. As a contrast, the British judges, who have life terms, are removable by the King on the mere request of the Ministry.

7. *Prisons.* When L.L. legislatures undertake the obligatory codification of all existing laws they can also tackle our penal codes, which are now antiquated as to classification of crimes and badly need revision after the two new principles: penalties should be made inevitable, rather than severe; and penalties should be partly devised for the possible reform of the criminal, rather than as merely crude weapons for punishing and mastering malefactors for the supposed protection of society. This new ideal does not abrogate the death penalty, which is sometimes useful for extirpating a murderous stock (Ch. I).

The L.L. abolition of the appointment of judges, prosecuting attorneys, prison wardens, and parole boards by political machines, and their future selection on the sole basis of personal competence for their jobs, will enable the latest discoveries of psychology to be applied both in the trial and the incarceration of offenders, and will reduce our present plague of crime—due mainly to the practical workings of our wretched political system (Book III)—to manageable proportions.

Some of our Southern states still maintain convict "camps," the labor of whose inmates is sometimes leased, for a trifle, to contractors with political pull; at others, it is used for public road making or coal mining. In both cases the prisoners are usually inhumanely treated and the camp bosses are often in connivance with corrupt judges, who condemn friendless first offenders to long terms at hard labor for slight offenses.

An equally inane, but less cruel, system exists in some Northern states, where the trade-union lobby has passed laws

which forbid the use of prison labor for making useful articles. on the pretext: "Such products will compete with those of free labor." This pretext is a good example of the stupidity—or reckless egoism—of many labor leaders; for it is clear that any prison-made articles, used to supply the needs of State institutions, would save the taxpayers that much expense for their purchase in the market. The sad result of such laws is that apprentices in the prison shops are obliged to destroy any useful objects which they may create while learning a trade. Some years ago, the author saw this destruction in process at the State reformatory of Elmira, N. Y., and was shocked at the arrant violation of the simplest principle of industrial morality in an institution avowing a "reform" purpose.

8. *Asylums.* Here, too, the L.L. principles, that all public employees must be appointed only after civil-service examinations for probing their merits, will cause these always wasteful—and often corrupt—public institutions to be administered as efficiently as are private ones for profit; for the simple reason that where our actual politicians now possess a building, neither thrift nor science are able to prosper there; and if any reader doubts this broad assertion, let him visit a few of such asylums in his neighborhood and be convinced.

The surgical operation for sterilizing either sex has been so perfected that it offers a safe and simple method for preventing the propagation of any defective person, whose posterity would inevitably be so blind, insane, criminal, or feeble-minded, etc., as to be incapable of earning a living by honest work and so to become a lifelong public menace or charge. Although several of our progressive states already have laws for sterilization, the operation is only permitted with the consent of the patient or his relatives. Since L.L. principles prescribe that legislation must have the same regard for posterity as for ourselves, they justify making the sterilizing operation compulsory on the mere order of a district court of justice, aided by medical assessors. It is only critics unversed in social history who will object to this ruling, on the ground of "inhumanity," or "invasion of personal rights."

Some Greek tribes—the most cultured of the ancients—had the custom of exposing all malformed infants to a speedy death. Even those Greek cities which lacked this custom never attempted to raise all such infants to maturity at State expense. Neither do any nations pretend to do so today, except several in

western Europe, of which none carry the practice to such an absurd extreme as ourselves, regardless of the expense involved for hospitalization and solely from the sentimental pretext of Christian "charity." Our taxpayers may be now forced by ohlocratic demagogues to pay the cost of such misnamed charity, but how about the next generation, especially when it finds itself burdened with much larger numbers to support because of our permitting all defectives to multiply rapidly, as most are wont to do? May not such needless extra burdens thrown on our posterity so disgust them with their unreasoning and irresponsible forebears, that they will be tempted to repudiate all charity (both good and bad) and revert to the former ruthless treatment of all defectives? The Greek method is still practiced by the Chinese and all "semicivilized" nations, where most defective infants never reach maturity (for lack of medical coddling) and the small balance that do must either earn their own living or be fed by relatives, because there are few or no public ayslums for their free sustenance. Some of our professional "social workers"—such as Harry Hopkins—may call such nations heartless, but they are really less stupid than ours, which has blocked nature's own method of eliminating the unfit without substituting anything less cruel and as potent in its stead.

The statistics of our defective population are incomplete, except for that part confined in public or private asylums. However, in 1920 the total number of our blind and deaf-mutes was not threatening, as there were only 52,567 of the former and 44,885 of the latter. Besides, as far as the investigations went, only seven per cent of blindness and 38 per cent of deaf-mutism seemed congenital, and there was no apparent tendency for either infirmity to increase relative to the population. As a contrast, the outlook for our problem of mental defectives is very depressing, although there exist no statistics except for those living in asylums, of which in 1922 there were 267,617 of the insane and epileptic and 55,150 of the feeble-minded. Curiously enough, the asylum inmates of all these mental classes increased 78 per cent between 1904 and 1922, or 2.7 times as fast as our total population which only rose 29 per cent. While it is probable that only a minority of the first two classes owe their abnormality directly to heredity—both alcoholism and syphilis being responsible for much insanity and epilepsy, which are chiefly urban diseases—the contrary is the case with feeble-mindedness and degeneracy

which, being usually congenital, can be effectively controlled only by compulsory sterilization or segregation for all social groups.

(The author left off with the notation: "About 4 pp more to finish Ch. 38")

Appendices

I

Rent, Interest, Wages, and Prices

THE ORIGIN OF RENT

IN ORDER TO understand the complicated phenomena of modern industry, it is necessary to reduce any given problem to its simplest terms so that it can be solved without any confusion from irrelevant or unimportant variables. Therefore, for an explanation of fundamental economic relations, here shall be assumed a vacant island in mid-ocean containing 100 acres of Fertile land, 100 acres of Medium land, and an indefinite quantity of Poor land; and the words land, labor, capital, etc., shall be used only in the technical sense given in Chapter XXVI.

As soon as the island is discovered, an immigration of farmers begins from the adjacent mainland. Each farmer comes singly and is allowed to take up only as much land as he can cultivate personally with his family, or ten acres. The occupation of the island then can be divided into three periods: the first period covers the settling of 100 acres of Fertile land by the first ten farmers; the second period, that of the one hundred acres of Medium land by the eleventh to the twentieth farmer; and the third period, the subsequent immigration of Lean-land farmers.

Case 1. In Table 10, Column 2 gives the average value of each farmer's annual net returns from the produce he raises and sells, it being assumed that he works only with primitive tools whose value, as capital, may be disregarded. During Period 1, each farmer is cultivating Fertile land which, as it yields $1,000 net per farm, gives him a yearly wage of $1,000 (Col. 3). Therefore the land is rentless, as no new arrival will pay rent for a farm as long as he can locate as good a one for himself free; neither has the land any selling value, for this is merely the capitalization, at the current rate of interest, of the rent.

TABLE 10. EFFECT OF SETTLEMENT ON RENT

Col. 1	2	3	4	5	6	7	8	9	10
Class of land	Product, one farm	First Period		Second Period			Third Period		
		Wages	Rent	Wages	Rent	Value, at 10%	Wages	Rent	Value, at 5%
Fertile	$1,000	$1,000	x	$500	$500	$5,000	$250	$750	$15,000
Medium	500	x	x	500	x	x	250	750	5,000
Lean	250	x	x	x	x	x	250	x	x

At the end of Period 1 the Fertile land is all occupied and subsequent immigrants find available for free location only Medium land which gives a net yield of $500 per farm. The locator of Medium land will therefore receive as his wages only $500, instead of $1,000, and he may therefore decide to rent a Fertile farm from an earlier immigrant who offers him one for its extra yield of $500 over the Medium farm; for he will have exactly the same returns annually as from his own Medium farm. Thus, during Period 2, a Fertile farm, from its productive advantages over a Medium farm, will yield a rent of $500 and acquire a corresponding selling value of $5,000, at ten per cent.

During Period 3, the twenty-first and subsequent immigrants find nothing left for free location except Lean land and, as this quality only yields $250 annually per farm, the rate of wages on the whole island falls to this sum. This gives to a Medium farm a rent of $250 and a selling value of $5,000, at five per cent; while the rent of a Fertile farm has risen to $750 and its selling value to $15,000 (the reason why the interest rate falls, from twenty per cent in Period 1 to ten per cent in Period 2, and to five per cent in Period 3, will be explained under Case 2).

On this island, the land rent arises from the difference in the natural fertility of the soil. In practical life, an accessible lean farm often rents for more than a distant fertile one, owing to the fact that the cost of transport of the latter's produce to market renders its *net* yield to the farmer less than that of the former. In any case, the power of collecting rent that the owners of superior farms possess is due to the ability to exclude others from land. In civilized countries, this power is conferred on the landowners by the government in the form of a title; though a land title is only paper, its power of exclusion is backed by the whole physical force of the government which grants it. A land title is thus a mere *legal privilege* of *exclusion* which has been granted by the government to certain of its citizens; and such who hold titles to any superior land are able to obtain *unearned* incomes or rents purely from the productive advantages given to such land by Nature or social location. Titles to rentless land also often have some market value owing to the possibilities of getting rent for them in the future, due to improved conditions of production; thus, Medium land is rentless in Periods 1 and 2, but yields rent in Period 3.

Case 2. In Table 11, the same island as for Case 1 is consid-

TABLE 11. CAUSE OF CHANGES IN RENT, WAGES, AND INTEREST

Col. 1	2	3	4	5	6	7	8
Clas of land	Net Product,One Farm			First Period			
	Total	Farmer	Machine	Wages	Interest	Rate	Rent
Fertile	$2.000	$1,000	$1,000	$1,000	$1,000	20%	x
Medium	1,000	500	500	x	x	x	x
Lean	500	250	250	x	x	x	x

9	10	11	12	13	14	15	16	17	18
Second Period					Third Period				
Wages	Int.	Rate	Rent	Value, 10%	Wages	Int.	Rate	Rent	Value, 5%
$500	$500	10%	$1,000	$10,000	$250	$250	5%	$1,500	$30,000
500	500	"	x	x	250	250	"	500	10,000
x	x	"	x	x	250	250	"	x	x

ered. In addition, it will be assumed than an owner of farm machinery has arrived offering to provide any farmer with a $5,000 machine-outfit for his ten acres, on condition that he is paid as much for its hire (less a small commission) as he can produce on unoccupied land, for his own account, by operating it with a hired workman at the prevailing rate of wages. It has been assumed also that the addition of this machinery will enable any farm to double its net product, after paying the cost of fuel, etc.

Then, in Period 1, the total net product of $2,000 is equally divided between labor and capital; the wages of each farmer being $1,000 and the hire of each machine-outfit being also $1,000, will signify an interest rate of $1,000 on $5,000 or twenty per cent.

In Period 2, when only Medium land is open for free occupancy of labor or capital, its total net product is $1,000; consequently, wages fall to $500 and interest to $500 (ten per cent) on each Fertile and Medium farm. Then the owners of Fertile farms can obtain a rent of $2,000 minus $1,000 or $1,000, equivalent to a selling value of $10,000 (Col 13).

In Period 3, when only Lean land is free for location, the possible total net output for labor and capital has fallen to $500 (Col. 2); and as wages are $250, this leaves only $250 (five per cent) for capital. A Medium farm now commands a rent of $500 or a value of $10,000, and a Fertile farm a rent of $1,500 or a value of $30,000.

Table 11 explains the fall of the interest rate from ten per cent to five per cent, a phenomenon that can be noticed during the gradual monopolization of all new countries. It also makes clear why the increased output, due to the aid of machinery, can never ultimately benefit anyone but landowners under our existing property system. The final result of the introduction of machinery on the island was merely a doubling of the rent and selling value of superior lands. This duplication of land value by machinery production explains why the age of steam has produced so many millionaire-monopolists in comparison to previous epochs, and why the United States, which employs more mechanical power per capita than any other nation, is so prolific in millionaires. Table 11 also shows why our age of mechanical production and scientific discovery is marked by a mania for land speculation; since a new invention or discovery may, at any time, enable worthless land to yield rent.

Tables 10 and 11 illustrate the fact that the whole surplus

product of industry—after deducting wages and interest, which are fixed at a minimum by competition—flows to the pockets of owners of superior land in the form of monopoly profit or rent. This means that the whole class of workers (manual or mental) is, economically, in the condition of chattel slavery; because even slaves must be allowed enough wages—in the form of food, clothing, and shelter—to keep themselves and their families alive.

THE ORIGIN OF PRICES

Case 3. On the same island, it will be assumed that there is a town, where reside not only the local merchants and artisans but a transient population from the mainland which comes over for the island's fishing. The townsmen live on the grain produced on the island, of which a year's consumption is always stored in warehouses, as a reserve, so that only as much land need be put into grain each year as is necessary to replenish the reserve. Owing to the uncertainty of the fisheries, the number of fishermen living in town, and consequently the consumption of grain, greatly fluctuates; but this does not stop the farmers, as the land not put into grain can be utilized to raise other crops.

In Table 12, Column 4 (Expense) includes interest, materials, etc., and this item, along with wages, gives the total costs of producing one ton of grain, shown in Column 5: Fertile farms

TABLE 12. EFFECT OF LAND QUALITY ON PRICES

Col. 1	1	3	4	5	6
Class of land	No. of farms	Cost, 1 Ton Grain			Yield, T. yearly
		Wages	Expense	Total	
Fertile	10	$10	$10	$20	1,000
Medium	10	20	10	30	1,000
Lean	80	40	10	50	8,000

7	8	9	10	11	12
1930 — 800T. — $20/T		1931 — 1,400T. — $30/T		1932 — 6,000T. — $50/T	
Work	Rent	Work	Rent per Ton	Work	Rent per Ton
Active	x	Active	$10	Active	$30
Idle	x	Active	x	Active	20
Idle	x	Idle	x	Active	x

having a cost of $20, Medium farms having a cost of $30, and Lean farms a cost of $50. It is assumed (Col. 6) that the grain-producing capacity of each class of superior farms is limited to 1,000 tons, while the eighty Lean farms can produce 8,000 tons yearly. It is also assumed that foreign grain cannot be imported for less than $60 a ton.

Now will be considered the price for grain in the three years of 1930, 1931, and 1932, on the assumption that the consumption of grain in the same years was 800, 1,400, and 6,000 tons, respectively. In 1930, the demand of 800 tons can be easily supplied from the Fertile land and, consequently, the cost of production, and likewise the price, is $20 the ton; but the landowner receives no rent, for there is no surplus after paying the necessary expenses of production (Col. 5), which do not include rent. Therefore, Fertile land is the leanest land it is necessary to cultivate in order to supply the demand of 1930, and is therefore the marginal land of that year.

In 1931, the demand for grain is 1,400 tons and, as 400 tons of this cannot be supplied by Fertile land, some Medium land must be cultivated; it now becomes the marginal land whose $30 cost of production will set the price of grain for the year. There is now developed, on each ton of grain grown on Fertile land, a monopoly profit or tonnage rent of $10, as the cost of production has not changed. Similarly, in 1932, a demand of 6,000 tons requires the cultivation of Lean land as the marginal quality; and the consequent tonnage rent of grain grown on Medium land is $20 and on Fertile land is $30 per ton, the price for the year being $50.

THE EFFECT OF SPECULATION

Case 4. This differs from Case 1 in that the first immigrant is assumed to be allowed to occupy nine Fertile farms, instead of one, and to hold eight of them idle (working one himself) during Periods 1 and 2, with the object of selling them at the enhanced price of Period 3 (Col. 10, Table 10). The effect of this speculation is to accelerate the arrival of Periods 2 and 3; thus, Period 2 will arrive with the third, instead of with the eleventh, immigrant and Period 3 with the thirteenth, instead of with the twenty-first, immigrant. Therefore wages and interest will fall, and rent and land values will rise, in a much shorter time than in Cases 1 and 2.

TABLE 13: DECREASE OF OUTPUT BY SPECULATION

Case 1.—10 Fertile Farms produce	10 x $1,000=		$10,000
Case 4.— 2 " " "	2 x $1,000=	$2,000	
8 Medium " "	8 x $ 500=	$4,000	
10 Superior " " a total of		$6,000	$ 6,000
Loss (with same labor) due to speculation	=		$4,000

Table 13 indicates that, in addition to the artificially rapid fall of wages and interest, speculation in superior land decreases the production of wealth, the loss here amounting to forty per cent of the total in Case 1.

In Columns 1 to 5 of Table 14 is shown the effect of this speculation on prices, assuming the same yearly demands, costs, etc., as in Table 12. But now, in 1930, the demand for 800 tons cannot be satisfied from only the two Fertile farms in activity. The consequent recourse to Medium lands, as the marginal quality, enhances the price of grain to $30 and gives a tonnage rent of $10, from Fertile land (Col. 3), instead of the no rent of Table 12 (Col. 8). In 1931, similarly, the price would be $50, instead of $30, because Lean land would now be the marginal quality for fixing the price.

MONOPOLY AND PRICES

The prices of Table 12 were fixed by the usual condition of free competition between landowners, in which rent is a monopoly profit, it is true, but one which results solely from the lower costs of production conferred by natural richness, or location with respect to the market. But when a landowner can get control of the *market*, so as to set his prices higher than those of Table 12, he adds a *price* monopoly to his legal *land* monopoly; and is then enabled to enrich himself even faster than by the forestalling operations of Case 4, in which no direct control of prices is obtained. In Table 14, the effect of a Partial price monopoly (Case 5) is shown in Columns 6 to 11 and of a Complete one (Case 6) in Columns 12 to 17.

Case 5. The Partial price monopoly can be acquired by the possession of the twenty superior farms. Then, whenever the yearly demand is below 2,000 tons, the monopolist can supply it all by quoting a price just below the $50 cost of production on

TABLE 14. EFFECT OF SPECULATION AND MONOPOLY ON PRICES

Col. 1	2	3	4	5	6	7	8	9
Class of land	Speculation in 8 Fertile Farms				Monopoly of Superior Farms			
	1930—800T.—$30/T		1931—1,400T.—$50/T		1930—800T.—$48/T		1931—1,400T.—$48/T	
	Work	Rent per Ton	Work	Rent per Ton	Work	Rent per Ton	Work	Rent per Ton
Fertile	Active	$10	Active	$30	Active	$28	Active	$28
Medium	Active	x	Active	20	Idle	x	Active	18
Lean	Idle	x	Active	x	Idle	x	Idle	x

10	11	12	13	14	15	16	17
Monopoly of Superior Farms		Complete Monopoly of All Land					
1932—6,000T.—$50/T		1930—800T.—$58/T		1931—1,400T.—$58/T		1932—6,000T.—$58/T	
Work	Rent per Ton	Work	Rent per Ton	Work	Rent per Ton	Work	Rent per Ton
Active	$30	Active	$38	Active	$38	Active	$38
Active	20	Idle	x	Active	28	Active	28
Active	x	Idle	x	Idle	x	Active	8

Lean land, or $48 a ton. Consequently, his tonnage rent on Fertile-land grain is $28 higher in 1930, and $18 higher in 1931 than in Case 3; and he loses control of the price, and fails to benefit over Case 3, only in 1932, when his prices and rents (Col. 11) will be fixed by the cost of production on Lean land, as in Table 12.

Case 6. The Complete price monopoly can be obtained by the ownership of all the grain-raising land on the island or by the control of transportation. For the latter control, it will be assumed that the grain land is all situated in the interior of the island and is separated from the coast by impassable swamps, so that the grain can be shipped out only over a single railway which occupies the whole of a natural causeway running across the swamps to the market town. Then the railway, if it is not limited as to freight rates by law, can set the price at $58, or just below the $60 price for foreign grain, by merely varying the rate on grain according to its price in the interior. Thus, in 1930 the freight rate per ton would be set at $38; in 1931, at $28; and in 1932, at $8. By owning the twenty superior farms, the railway could maintain a constant price of $58 on the coast, without varying the freight rate from $8 a ton, since then it would have no competitor who could produce grain under $50.

The monopolist, by selling at $58 per ton, gains in 1930 an excess price of $38; in 1931, one of $28; and in 1932, one of $8 over the competitive prices of Table 12. If the price monopoly is obtained only by the ownership of all farms, its whole profits will appear in the form of increased rents and selling values for farms; if it is obtained only by the unrestricted railway franchise, profits will enhance only the dividends and quotations of railway shares; if it is due to a partnership between farming and railway monopoly, the profits will go partly to each partner. In any case the consumer of grain is plundered.

MONOPOLY AND WAGES

It is clear that any monopolist who should acquire title to all the productive land on the island would have the laborers at his mercy; because the latter could not then resort even to Lean land without the landlord's permission. On first acquiring his monopoly, if he left a part of the laborers unemployed, the landlord could reduce these to a pauperism which would stimulate, by fear, the humility and industry of those still allowed to labor. Soon some of the idle group, tamed by starvation, would offer

to work cheaper than the prevailing wages, and the active ones then could be discharged to accommodate them. The lower wage scale would mean fewer clothes, poor shelter, and worse food, until finally, after a few repetitions of the labor-competitive process, the prosperous farmer of Period 1 (Case 1) could be reduced to the condition of a starving, ragged, Chinese coolie

To escape the merciless crushing pressure of Complete land monopoly, laborers have only the alternatives of organization, emigration, or revolution under "civilized" land systems. Organization is only of limited application (Ch. XXXV), for emigration the greater part lack funds, and for a successful revolution they lack the knowledge of any better land system.

Therefore, unless some paternal government intervenes or there is some non-monopolizable way of getting a living, like the deep-sea fishing of Norway, the bulk of any nation will soon be crushed into pauperism by the irresistible hydraulic press of the land-monopoly system.

II

Some Principles of Taxation

Natural Taxation. As a basis for the general statements in Chapter XXVIII, to be discussed here will be taxation with reference to the island example of Appendix I.

As the established fiscal systems of pseudo-liberal nations now throw upon the working masses the bulk of the public burdens by means of the taxation of labor and capital, or "Crooked" taxation, it has been assumed in Case 1 (App. I) that the necessary tax budget amounts to $10,000 a year, when 100 of the island farms have been occupied. Since the Crooked-taxation system is equivalent to a capitation tax on each worker, almost irrespective of his income, each of the 100 working farmers must pay a $100 tax to meet the $10,000 budget. The total tax on each class is given in Column 6, and in Column 7 it is shown that Lean-land farmers must pay double the taxes of Medium-land farmers and quadruple the taxes of Fertile-land farmers, in proportion to their gross incomes (Col. 4). In Column 3 it appears

TABLE 15. BENEFITS OF NATURAL TAX FOR PRODUCERS

Col. 1	2	3	4	5	6	7	8	9
Class of land	Data of Farms				Crooked Taxation			
	No.	Product of		Rent of class	Tax, at $100/Farm		Net income	
		Each	Class		Class	% of income	Class	Each
Fertile	10	$1,000	$10,000	$7,500	$1,000	10	$9,000	$900
Medium	10	500	5,000	2,500	1,000	20	4,000	400
Lean	80	250	20,000	x	8,000	40	12,000	150
Totals	100		$35,000	$10,000	$10,000		$25,000	

10	11	12	13	14
	Natural Taxation			
Tax, 100% of rent	Net income		Effect of change	
	Class	Each	Class	Each
$7,500	$2,500	$250	—$6,500	—$650
2,500	2,500	250	— 1,500	— 150
x	20,000	250	+ 8,000	+ 100
$10,000	$25,000			

that, while the gross income of a Fertile-land farmer is only four-fold that of a Lean-land farmer, his net income (Col. 9) is six-fold greater. Crooked taxation thus tends to leave the privileged classes richer, relatively, than before.

In order to raise this budget by Turgot's discovery—the Natural tax on economic rent—it is necessary to tax rent 100 per cent (Col. 10), leaving an equal net income of $250 (Col. 12) for every farmer. As compared with Crooked taxation, the Lean-land farmers have their incomes increased $100 apiece, mostly at the expense of the Fertile-land farmers who each receive $650 less (Col. 14). The Natural system thus benefits the owners of poor land by relieving them of taxation, and makes the owners of rich land support the whole cost of government from their rents or unearned incomes.

Prices. In Table 12, the effect of Crooked taxation would be to augment the necessary items of wages and expenses, by the amount of the tax falling on them, and thus to increase the cost of production for all classes of land. For instance (Table 12, App. I), in 1931 the market demand of 1,400 tons would require the employment of ten laborers on Fertile land and four laborers on Medium land. The tax on these 14 laborers at $100 would be $1,400 and the cost of the 1,400 tons of grain would then be 1,400 x $30 plus $1,400 equal $43,400, or $31 a ton—a $1 increase in price due to taxation. But to raise the budget of 1931 by the Natural tax would simply require the levy of $1,400 against the $10,000 rent accruing on the Fertile land, and could not affect the price of grain.

Speculation. It is evident that Crooked taxation would not interfere at all with the speculator of Case 4 (App. I), since he employs no workmen on idle land and, consequently, there are no taxes to be paid. On the contrary, the potential rent of idle land is assessed for taxation by the Natural system (Ch. V) at the same rate as for active land, and the speculator therefore could not afford to hold his Fertile land idle. He therefore would be compelled either to work it himself or to sell it.

Monopoly. Crooked taxation would not impede at all the monopolist of Case 5 (App. I) for he would only pay taxes in proportion to the number of his laborers. He would have to pay each active laborer at least a living wage plus the capitation tax, but his monopoly profits would not be taxed at all. On the contrary, a 100 per cent Natural tax not only would make it difficult

for him to hold superior land idle, in order to manipulate prices, but it would tax away all his monopoly profits as fast as they appeared. In Case 5, even Lean land would be taxed, since it would yield a rent, with grain at $58 per ton, of $8 a ton. In Case 6, the railway could not be made a tool of price-monopoly under the Natural system, because it would be either owned or its freight rates fixed by the government (Ch. XXXII).

From the concrete effects of taxation given in Table 15, which apply equally to all industries, one can now proceed to discuss the general principles of taxation:

TABLE *16*: FIVE SOURCES OF TAXATION

Source A—From the consumer of wealth
Source B—From the producer of wealth
Source C—From labor
Source D—From capital
Source E—From legal privilege or monopoly

Taxes also may be placed in two classes as regards their assessment, namely: "Direct," or assessed directly against the property or the person, and "Indirect," or levied on a commodity on its way from the producer to the consumer. Moreover, to secure a system of taxation difficult to evade—whose burden will rest on the object and person first assessed, and cannot be passed on to others in a disguised form—the following two "Golden Rules" have been devised:

Rule I: Tax only objects which cannot hide, run away, or be frightened away.

Rule II: Tax only objects which cannot be reproduced; for only then does the tax remain on the owner who first paid it. All taxes on objects capable of reproduction can be shifted from the owner to the consumer (or producer) in the form of higher (or lower) prices. Such taxes also tend to throttle production.

In the following table, the twelve chief kinds of taxation are arranged with reference to their directness, their source, and their conformity with the Golden Rules.

Cost of Collection. First will be discussed the significance of Table 17 by considering the percentage expense of collection. It is clear that this will increase as the tax becomes less conform-

TABLE 17. COMPARISON OF TWELVE TAX SYSTEMS

No.	Kind of tax	Levy	Source (Refer to Table 16)	Rule I	Rule II
1	Monopoly-right	Direct	E	Yes	Yes
2	Inheritance	"	D & E	"	"
3	Income	"	C, D & E	No	"
4	Real-Estate	"	D & E	Yes	Partly
5	Business-license	"	A & B	No	No
6	Poll	"	C, D & E	"	Partly
7	Personal-property	"	A, B, D & E	"	"
8	Sales Monopoly Right	Indirect	E	Yes	Yes
9	Sales Real Estate	"	A & E	"	Partly
10	Sales of Merchandise	"	A & E	No	No
11	Import	"	A	"	"
12	Export	"	B	"	"

able to Rule I, for, if it is easily evaded by its nature, such a tax will require a large force of detectives for efficient collection.

Directness. Next, comparing direct with indirect taxation it is evident that the more direct the tax, the better. First, because indirect taxes tempt legislators to waste the public revenue for their personal ends, since their more ignorant constituents, being unaware that they contribute to indirect taxation, will make no objection to public extravagance. Such a method is a dangerous tool to entrust to the average politician! Second, with indirect taxation, usually levied on objects in transit, it is much less easy to detect any favoritism of tax collectors than with direct taxation of localized property, assessed repeatedly and regularly. Third, because interest must be charged on every indirect tax by the payer, this interest charge increases the price of the article to the ultimate consumer by more than the amount of the original tax alone.

Sources. Comparing taxation as regards its source, from Table 17, of the monopoly-right taxes (Nos. 1 and 8) only the Natural and the patent-right taxes fall on legal privileges, since the ownership of land and of patent rights are the sole kinds of legal monopoly. The inheritance tax falls on Source D or on Source E, according as the legacy consists of capital or of monopoly rights; while the income tax may, in addition, fall on Source C, or labor. The real-estate tax falls sometimes on land alone, but usually on both land and its buildings or other improvements.

The business-license tax falls on the consumer, when all the producers pay the tax; and on the producer, when the latter is subject to competition from differently taxed districts. The poll or head tax falls on Sources C, D, or E, according as the taxpayer lives from his labor, his interest, or his rent.

The personal-property tax may be levied on merchandise or on personal chattels; when levied on merchandise it falls on the consumer, in a purely local market, and on the producer if the market is exposed to differently taxed competition. When levied on personal chattels, it may fall on wealth (i.e., either active or passive capital) and, if this wealth is the household goods of the laborer, the tax will increase his cost of living; or it may fall on corporation shares which often represent monopoly rights. The "general-property" tax is a union of the real-estate and personal-property taxes, and combines the peculiarities of both.

Unearned-Increment Tax. The unearned or social increment is the capitalization of the increment or increase in land rent, so the unearned-increment tax therefore is a partial land-value tax. At Kiau Chau, China, under German rule (App. 3), this tax was chiefly intended as a guard against undervaluation in applying the Natural tax, but the precaution is needless since the perfecting of the Somers system (Ch. XXIX). Its two serious drawbacks are: first, it implies that the State has more right to tax the future increment than existing rent; and second, the State gives its approval to land speculation by sharing its profits, and, to be just, should also share its losses.

Of the five *indirect* taxes, only Numbers 8 and 9 fall on monopoly rights; all the rest fall either on producer or consumer.

Social Effect. The collection of taxes from elsewhere than Source E is a disobedience to Rule II, and—except from Source B—tends to increase domestic prices. The fraction of the real-estate taxes (Nos. 4 and 9) which falls not on monopoly rights, but on capital, may increase the worker's cost of living directly in the form of a higher home hire; or if the tax falls on the buildings of a manufacturer or merchant, it means an addition in price for the merchandise sold by either. Though the poll tax theoretically falls on capital or land when paid by capitalists or landowners practically it is a burden on the numerous laborers, rather than on the few property owners, and increases the former's cost of living.

III

Land Reform in Practice

THE FOUNDATION of the Economic Cure, the Natural or land-value tax, is not an *invention*, of either Turgot or Henry George, but a *discovery*. If it were an invention, it would comprise a set of arbitrary laws which society would be coerced to follow in order to secure desirable results but, being a discovery, it merely points out to mankind that path of natural law which leads to social justice. To prove its practicability, therefore, it does not need to be tried in a special working model, as would a newly invented type of steam engine, because it was discovered at all only from a close study of the working models furnished by the economic life of all nations since history began.

In the following twelve instances (besides those treated at more length in Books 1 to 4) instructive experiments with land holding have been found: China, Germany, Spain, South America, Denmark, Canada, New Zealand, Australia, South Africa, British Crown Colonies, California, and Enclaves.

1. CHINA

Some 3,000 years ago China enjoyed a crude form of Natural taxation, for there was a tax on sites but none on buildings or chattels. The farming sections were divided into squares, each subdivided into eight outer and one central square. Eight families farmed the outer squares (fifteen acres each) for themselves, and combined to work the inner square for public revenue. In cities, there was a similar division into nine squares, but the central square was for the temples, the upper central, for the town hall and public buildings, the lower central, for the market and stores, and the six side squares (0.75 acres each), for family homes. Anybody not using his farm or town lot was fined.

This ancient system was destroyed before the Christian era and was substituted by private property in land. Many Chinese sages bemoaned this change and some tried to arrest it, but were defeated by the land grabbers. On the fall of the Manchu dynasty, in 1912, half of the Chinese farmers and a much larger proportion

of townsmen were tenants. Many farm owners held too little land to sustain a family. Farm rents ranged from thirty to sixty per cent of the produce, and if crops failed these high rates often meant starvation for the tenants, although the landlords and speculators had much grain in storage nearby.

Progress and Poverty was published in Chinese about 1900, by Dr. W. E. Macklin, a United States medical missionary at Nanking, who afterwards translated *Social Statics, Theory of Human Progression,* Green's *History of English People,* and Motley's *Dutch Republic.* Unfortunately, most Chinese revolutionary students preferred the fantasies of Rousseau and Karl Marx to Macklin's constructive translations, and even the famous Sun Yat Sen, though he claimed to be a Georgist, never really grasped the truth that Logical Liberalism was merely a perfected individualism and so antithetic to either anarchy or collectivism. This explains why Sun—an oriental Faust—was rash enough in 1923 to accept help from the Russian Mephistopheles, in order to gain his heart's desire for the reconquest of Peking.

After Sun's death in 1925, this Northern conquest proved a Pyrrhic victory for, ever since, native society has been in the throes of a death struggle with Bolshevism. Swarms of communist peasants now traverse the provinces, capture their capitals and there burn the paper-title syringes through which the landlords have sucked their tenants' lifeblood for ages. As merciless to their enemies as were their Tarping prototypes of the 1850's, these marching armies are still not an unmixed evil; for, just as the Black Plague taught the people of medieval Europe that they must either clean up their foul cities or perish, so may this Red Plague finally scourge Chinese plutocrats into abandoning their inhuman land monopoly and restoring the ancient communal equity by the Natural tax.

Kiau Chau. This colony on the Shantung coast of China was acquired by the Germans in 1897. Fortunately, the organizers of the German administration were Commissary Doctor W. Schrameier and Admiral Diederichs—both *Bodenreformers*—who adopted the Natural system from the start. The value of all the colony's land was appraised by the Paraguay system (Ch. XXX) and a natural tax was levied at the rate of six per cent annually upon the new valuation. On all lands not improved or cultivated within three years, the rate was to be increased to nine per cent and, thereafter, the rate was to be advanced one per cent yearly

until any lands still not touched at the end of 24 years would have to pay 24 per cent.

To guard against fraud, the State reserved the right to buy any land at the owner's declared valuation. An unearned-increment tax was also established, to be levied at the rate of 33 ⅓ per cent on the increase of value when sold, or every 25 years anyhow. All land sales had to be made by public auction and the state reserved the right to purchase the property at the price offered by the highest bidder. Beyond these two land taxes there were to be no public charges; all taxation of labor and capital, all tariffs and all port dues were abolished.

Kiau Chau thus became the first exponent of the full Natural system in the world and the result surpassed the most sanguine hopes. From 1900 to 1912, its imports increased 18,700 per cent and its exports 78,000 per cent, and thus it advanced from the thirty-sixth to the seventh Chinese port. Compare this with a sixteen per cent decrease in imports and a five per cent increase in exports for the great rival port of Shanghai! In 1900, the near-by port of Chifu had thirty times the imports and sixty times the exports of Kiau Chau, but in 1912 it had only half as much of either. In 1899, the population of Kiau Chau was 60,000 and in 1912 it was 169,000; meanwhile Chifu had only increased from 40,000 to 54,000, and Shanghai from 621,000 to 651,000.

Unfortunately, in 1915, the Japanese capture of Kiau Chau ended this interesting experiment; yet its duration of fifteen years had sufficed to demonstrate that the Natural tax had all the practical merits which theory had previously predicted for it.

2. GERMANY

Like their Teutonic ancestors, modern Germans have regarded the land as something quite different from labor-products in its social aspects. The French Physiocrats had many disciples in eighteenth-century Prussia, but the land issue was later confused by the French invasion and the introduction of Roman ideas of property by the Code Napoleon. In 1852, Karl Arnd wrote his *Natural Taxation*, which advocates "the land for the people," and in 1860 Friedrich Held petitioned the Prussian Legislature for a "singletax" upon the rental value of land, and convinced Bismarck, through his Radical Reform Society, of the merits of railway nationalization. After Held's death, his associate, Dr. Theodore Stamm, started the Society for Humanity, whose

members kept the land question agitated till *Progress and Poverty* was translated into German by C. D. F. Gütschow, a personal friend of Henry George.

In 1888, the League for Land Ownership Reform was started by Michael Flürscheim, an iron-master of Gagenau; it soon became the leading Georgist society of Germany but, wasting its strength on utopian schemes and futile discussions, it expired in 1896. In 1898, Adolph Damaschke founded the *Bund der Bodenreformer* (Land-reform League) and remained its leader till his death in 1935. Beside the cited practical success at Kiau Chau, the Bund has to its credit the passage of an imperial law in May 1914, authorizing the Natural tax in the German Congo, but the World War prevented this from ever being applied.

The Bund is nonpartisan and has included members of all parties, except the Social Democrat which has been its most persistent opponent. In prewar Germany there were numerous landowners but their real estate was mostly mortgaged—sometimes up to ninety per cent of its value—by mortgage banks and insurance companies. Owing to this peculiar situation, the Bund did not then advocate a full Natural tax, but the nationalizing of mortgages through a bond issue, to be amortized in forty or fifty years. Naturally, the great mortgage banks, then monopolizing land values, were bitter enemies of this plan and prevented its adoption. In 1909, the total investment in German land mortgages was estimated at sixty billion marks, but this since has been largely extinguished by the crazy currency of 1923.

However, in 1911, the Bund flanked its opponents by securing a national law for an unearned-increment tax, with the initial date for calculating made retroactive—usually to 1885—to take advantage of the fact that many German cities had increased in population from 100 to 300 per cent since the Franco-Prussian war. By 1914, this new tax was already yielding over $250 millions yearly, of which fifty per cent went to the city, ten per cent to the state, and forty per cent to the nation; the levy stimulated both the improvement of vacant lots and the renewal of old buildings; it also benefited the building trades and produced cheaper lodgings for the masses by lowering the price of sites.

Moreover, following old Teutonic custom, much German land belongs to the State. The states own the railways and most forest reserves, and control the privately owned forests. The cities also are large landowners; for example, Greater Berlin owns

enough suburban land to provide factory and home sites for a population of fifteen millions.

The *Erbbaurecht* is a leasing system, long established in German law, which since 1900 often has been given a Georgist application. For instance, at Ulm in the 1890's, Mayor Von Wagner –a *Bodenreformer*–began to provide cheap homes by borrowing money to erect houses in municipal land, which were sold to workmen on time, at actual cost for land and improvements. The initial payment was only five to ten per cent of the cost, which rarely exceeded 7,000 marks, but the city retained the right to buy back the property within 100 years (at its cost, minus house depreciation) as an effective means of preventing land speculation.

The *Bund der Bodenreformer* has a central office in Berlin and branches all over Germany. It has had as many as 700,000 individual members, including large numbers of city officials, university professors, and other influential intellectuals. If its corporate membership be included–consisting of societies, non-socialist labor unions, and sometimes entire communities–the Bund has attained a total following of two million persons. Its platform is brief. It states: "The Bund holds that land, being the basis of our national existence, should be subjected to a law which shall encourage its use for industry and dwellings, shall prevent its misuse, and shall render to the entire community those values which appertain to land, regardless of the activities of the individual."

3. SPAIN

The doctrine that land was common property prevailed here before the long Roman domination, and was again partially revived by the Teutonic invasions, though literature now extant on the subject only dates from the sixteenth century. Juan Luis Vivés, in 1526; Father Mariana, S.J., in 1599; Pedro de Valencia, in 1600; Caxa de Leruela, in 1631; Floridablanca, in 1770; Campomanes, in 1771; Martínez Marina, in 1820; and Alvaro Flores Estrada, in 1839, form the Spanish economic school which subordinates the Roman Old Plutocrat plan of absolute land ownership to that of four social rights, namely: common right of pasture and periodical allotment of farmland for all villagers; state grants to cultivators of permanent "fee" holdings at a fixed rent; private land ownership made conditional on the obligation of owners to let the soil on permanent leases for a rent ("tenant

right"); and land nationalization by compensating present owners.

Thus, these early Spanish economists missed the true relation of mankind to the planet, by concentrating their attention solely on the narrow field of agriculture and disregarding the Trinitarian Diagram. In 1800, by the perversion of the original theory of Feudalism, almost all Spanish land had become the absolute private property of the nobility and clergy. By four laws, of 1811, 1813, 1823, and 1837—passed as a result of the Napoleonic invasion—the nation acquired the judicial and political powers from the landlords but left them the power to collect rents. Hence, many entire towns still pay ground rents to aristocrats or monasteries, as in feudal times, but now get little or no service in return (Ch. V).

Count Romanones and Melquiades Alvarez, leaders of the Liberal and Reform parties, respectively, first broached the pretensions of modern landlordism before the World War, but nothing was done to restrict it till the republic was reestablished in 1931. Even then, no consistent rational policy was adopted simply because none of the sincere republican leaders understood the land question; those of the Right considered all private property equally sacred, while those of the Left—syndicalists or Marxians—abominated all private property, whether in land or labor-products. Up to date, as a result of this ignorance, land reform has been confined to sporadic divisions of a few of the many Spanish *latifundi* among the peasants. In some cases the land was purchased from its owners; in others, it was confiscated as a penalty for rebellion.

Yet some hope for the future now exists in Madrid, where the *Liga Georgista Española*—dominant since the Rivera dictatorship began in 1924—was revived in 1934, and now publishes a monthly, *La Reforma Social*, for the edification of its many local branches throughout Spain.

4. SOUTH AMERICA

Argentina. This nation had the honor of having produced Bernardino Rivadavia, a student of the French Physiocrats and the South American precursor of Henry George. As the first president of Argentina, in 1826 Rivadavia established an agrarian law which forbade the further sale of public land, but granted its use on short leases. These ran for twenty years but could be extended indefinitely after the old Roman plan of *enfiteusis;* a

leaser paid a rent of four per cent on the value of arable, and eight per cent on that of pastural, land, and revaluations were made every ten years.

Two years later, a revolt backed by 20,000 land monopolists overthrew Rivadavia and made their truculent leader, Rozas, a dictator in his place. Though the new agrarian plan was working well, Rozas abolished it and restored the old system which, for long after, made Argentina a paradise for land grabbers and has now established, in the wonderful Plata Valley, the world's most glaring example of a New Plutocracy due entirely to farmland monopoly (Ch. XXV). Rivadavia had hoped to create a tax-free society, founded on equal rights to the soil, but he was too artless a politician to realize that he needed a disciplined professional army if he expected to impose such a plan upon an illiterate nation, whose mentors were mostly greedy and predatory pioneers.

Rivadavia's noble work resembles that of biologist Mendel—the founder of modern genetics—in that it was not destined to perish but only to remain dormant for a season. In 1882, it was vindicated by Dr. Andrés Lamas' book and, in 1913, by the work of Dr. M. Herrera y Reissig, also of Montevideo. The latter helped to found at Buenos Aires, in 1914, the *Liga Argentina para el Impuesto Unico* which has ever since preached its land gospel in Uruguay, Paraguay, Bolivia, Peru, and Brazil, as well as Argentina.

From its start, Latin America adopted the unfair tax system —inherited from aristocratic Spain—which raised public revenue mostly by the indirect taxation of consumers, and levied a light tax on real estate, but only when it yielded rent. Thus, the Argentine League had to go a long way before attaining even our level of economic justice, since we tax real estate the same, whether rented or not. None the less, the long, strenuous, educational campaign has had some tangible results, which may be summarized as follows:

Argentina—The Federal territories and Cordoba province have a small land-value tax.

Uruguay—A land-value tax forms a substantial part of the national revenue.

Paraguay—A graduated land-value tax was established in 1913 which was aimed at the many huge idle estates owned by absentee (mostly Argentine) speculators. After the revolution in

1936, as an aftermath of the Chaco War, the new military dictator announced his plan for a wholesale distribution among the peasantry of land which will be taken by force from the great monopolists.

Brazil—Rio Grande do Sul established a small direct tax on land values as early as 1903, and has been imitated by the sister provinces of Sta. Catarina and Bahia, and by various cities. Most important is the progress in the state and Federal capital of Rio de Janeiro, where a systematic valuation of both urban and rural land was begun in 1935.

5. DENMARK

The associations of the "housemen" (small peasants), which aggregate over 80,000 members, have long advocated free trade for obtaining their purchases cheaply and Natural taxation as a means of discouraging land speculation. They succeeded in obtaining the first national law for Natural taxation in 1922, and it has been improved by amendments in 1924, 1926, 1928, and 1933. At present, the rate of taxation on rural land averages four pence in the pound and on urban land, twopence. Land improvements are taxed at lower rates and are partially exempt besides.

There is also an unearned-increment tax, levied as an annual and additional charge on the amount by which the assessed land value will have increased in every five-year period, after the datum year of 1932. It takes annually about two per cent of the increase in land value. Periodic valuations were made in 1916, 1920, 1924, 1927, and 1932, and will be repeated every fifth year over the whole country; the work only consumes one year and costs £10,000. Valuation lists are deposited for public inspection before valuations are finally settled, and this deposit is the sufficient notice to the interested landowners. By the use of official land-value maps, the Valuation Boards procure both the cooperation and confidence of the public in attaining just assessments. These revaluations also affect the state-owned land which is leased to small farmers, who only pay ground rent.

6. DOMINION OF CANADA

In the four provinces of British Columbia, Saskatchewan, Alberta, and Manitoba, the Natural tax is used. Land improvements are either exempted altogether or relieved by only taxing them at a fraction of their assessed value.

In British Columbia, ten city and district governments tax land values only, New Westminster being the largest city. Land is taxed everywhere on full assessed value; but nineteen cities tax improvements at under forty per cent of value, twenty-nine at fifty per cent of value, and two at sixty to seventy-five per cent of value. In villages, half of improvement values are exempt.

In Alberta, improvements are untaxed in rural districts. In the cities, towns, and villages, the system varies; land is everywhere taxed on full value, but in most cases improvements are one-third exempt.

In Saskatchewan, all land is taxed on full value. In rural districts, villages, towns, and cities, sixty per cent of the actual value of improvements is taxable, except the farm buildings of the first, which are exempt.

In Manitoba, the local taxation of real estate is restricted to land value in rural districts. In cities, improvements are also taxed on two-thirds of value, but in Winnipeg the cost of a new water supply was levied on land values alone.

7. DOMINION OF NEW ZEALAND

Throughout this country, real estate is valued uniformly by the Government Valuation Department. The valuation is not revised on any given date, but only in districts needing it, so that all are revised about every seven years. Land and improvements are valued separately on each holding, and the land value is used for assessing the Dominion Land Tax, in force since 1891, now at a uniform rate of one penny in the pound. There is an exemption of £500 from all assessments up to £1,500, beyond which the exemption is disminished one pound for every two pounds of land value, till it disappears entirely at £2,500.

Beside this Dominion tax, all local authorities assess the same land valuations. The land-value tax is now used in 56 of the 129 counties, 79 of the 120 boroughs, and sixteen of the town-districts. Each taxing entity has had the right to vote for the exemption of improvements since 1911, and only one borough and one road district have abandoned the Natural tax after once adopting it. Wellington, the capital city, derives its whole tax-revenue from land values, and 85 other boroughs, counties, and town-districts do the same; also, 66 others levy most of their taxes on land values. Thus, out of a total of 265 local taxing entities, 152, or 57 per cent, have adopted the Natural system wholly or partly.

8. COMMONWEALTH OF AUSTRALIA

A Federal land-value tax—apart from state taxes—has been used since 1910; it exempts £5,000 of land value for each owner who is not an absentee. On the taxable value in the aggregate above £5,000 (owned by one person) the rate varies from one penny to nine-pence in the pound. While this tax still yields a material part of the Federal revenue, its original plan has been perverted by the land-monopolist lobby and it is the weakest link in the Australian chain of land levies.

Victoria—This state began land-value taxation in 1910. The rate is half-penny in the pound plus five per cent extra; there is an exemption of £250, which diminishes at the rate of one pound for every one pound by which an owner's land value exceeds £250, so as to cancel all exemption when the value reaches £500 or more.

An optional measure for the local "rating" (taxing) of land values was passed in 1914 and amended in 1920. The opposition of speculators so perverted this law that it is difficult for a local entity to apply it; none the less, ten cities and three "shires" (counties) have done so.

New South Wales—The State Valuation Department takes charge of all real-estate assessments, except in such shires as assume the duty themselves. In rural districts only the land value is usually estimated but, in towns, the improvement and the rental values are also recorded. At present there is no state land-tax but, as a contrast, most local entities have here advanced nearer to the full Natural system than in any other state.

Sydney, the capital, with 1.3 million people, obtains its whole tax-revenue from land values, except for water and sewerage services which are handled by special "boards" levying taxes on all real-estate values. Also, a part of the cost of the new expensive Sydney North Shore bridge has been met by a special land-value tax.

State laws of 1905-1906 gave local entities permission to levy all their taxes on land values; and now there are no municipal or shire taxes on improvements anywhere, except for the water-sewerage boards of the Sydney and Newcastle districts.

Federal District—This reservation was authorized by the Commonwealth Constitution of 1901, but the site was not fixed till 1908, when New South Wales offered 900 square miles at Canberra on well-watered, rolling, pasture land 120 miles west of

Jervis Bay. The greater part of this tract was already public domain and the remainder—held by ranchers—was purchased by the Federation for only $3.75 millions, since the enabling act provided that the price paid to landowners should not exceed the land value before the act was passed, whose maximum was $15 an acre. Thus were avoided the shocking scandals—enriching political insiders—which disgraced the founding of our District of Columbia. The townsite has been developed from the plans of W. B. Griffin (a Chicago architect) which won in a world competition.

The urbanization of this virgin site by a Capital Commission of three members has greatly increased its value, but the government reaps all the benefit, for no lands of the District can be sold; lots may be alienated only as leaseholds, paying the Natural tax. At intervals the Commission offers lots at public auction; the highest bidder does not need to pay the price he has bid for a lot but only the annual interest (rent) on it at five per cent. Purchasers of the ninety-year leases will not have their rents raised for the first twenty years, but thereafter their lots will be revalued every ten years. The present price of sites—up to $100,000 an acre—indicates that an annual revenue will ultimately be attained from ground rents which will leave a surplus—beyond the city's annual cost of government—far exceeding the Commission's total investment for Federal buildings, and for street, sewer, water power, and lighting installations.

Even speculation in leases is restricted, by requiring building operations to be begun within one year of a lot's purchase and completed within another year. Neither may a lease be sold by its original purchaser until the building requirements be fulfilled. None the less, the increase in land values has been so rapid that a few pioneer leaseholders have made considerable profit by selling out. However, the bulk of the unearned increment from founding Canberra will be retained by the community, whose labor and capital produce it, and will not be skimmed off by parasitic speculators as under our Crooked-taxation system.

Also, the Natural system has enabled the townsite to be freely developed by landscape architects for the mental and physical welfare of its occupiers, rather than for the sordid ends of rapacious realtors. On the townsite (twelve square miles) are numerous public parks, and around every public building is a garden. All streets will be lined with trees, and every home lot will have room for a flower garden in front and a kitchen garden at

the rear. Besides, on each residence block will be a communal garden for children and adults. Large fields for outdoor games will be interspersed through the city and several swimming baths located along the river. Outside the townsite is an open reserved belt of 150 square miles, and 170 square miles more are retained for the catchment area of the river providing the city's water supply. The rest of the District (568 square miles) cannot be sold either, and so is leased to farmers and graziers.

Queensland—This state has taxed land since 1915 at rates graduated from one penny to sixpence in the pound, according to the land values possessed by one person; landowners holding less than £300 are exempt.

Local taxation of land values was first legalized in 1890 and made mandatory in 1902. Improvements are not even valued, much less taxed. Land-value assessments are made by the local entities, being revised every third year in the townships and every fifth year in the shires. The capital city, Brisbane, also collects all its tax-revenues from land values.

South Australia—This state was the first of all to tax land values by its law of 1884. The regular rate was one halfpenny in the pound with a surtax of one halfpenny more for persons holding values of over £5000; valuations are revised every five years.

Here, the law of 1893 for local option in taxation was the model for the latter law of Victoria which obstructs the adoption of the Natural system. None the less, seven district councils (for very large rural areas) and sixteen townships (Adelaide not included) have initiated the reform. In three townships, a referendum has been held to rescind the Natural tax, when in operation, but the taxpayers voted it down.

Western Australia—By a law of 1924 this state levies on all its land values at a rate of two pence in the pound.

There are three separate, local, taxing authorities: township, road, and health. The rural townships use the Natural tax. Of the 125 road districts, fifty tax only land values and 75 tax all real estate. The health boards are controlled by the road boards, and they collect most of their revenue from land values. The road boards make all land valuations and revise them annually.

Tasmania—This state has a general land-value tax with no exemptions.

A state law of 1924 provided for the optional adoption of the Natural tax in Hobart, but its perverse authors inserted so

many obstructions for securing a decision by council and taxpayers that they never have been surmounted.

9. UNION OF SOUTH AFRICA

Transvaal—A law of 1916 requires all local authorities to levy a land-value tax of one penny in the pound; it forbids any tax on buildings when not equalled by one on land values, and gives the option of exempting buildings entirely, except those buildings, in towns on the Gold Reef, which are located on mineral leases but not used for mining.

Johannesburg, the largest city, collects all its tax-revenue from land values, and Pretoria, the capital, takes nearly all its income from the same source. Ten other towns tax only land values, and in the fourteen remaining towns most of the income comes from the same source. Out of thirty-one villages or rural districts, nine tax only land values and the others tax little else. The majority of the twenty rural areas governed by health boards also tax land values alone.

Cape Province—A law of 1912 obliged all local entities to list land values separately for taxation, and the laws of 1917-1918 granted them optional powers to tax land values only. Two towns —Cambridge and East London—accepted this power; the first taxes land values only, while the second taxes only improvements at one twenty-fourth the rate on land.

Natal—Since 1923 the city of Durban taxes improvements at half the rate used for land values.

Orange Free State—Here, real estate is revalued every third year; also land and improvement values are listed in separate columns, as was the usual practice throughout South Africa long before any Natural taxation was adopted. By the law of 1925, towns were authorized to reduce the tax rate on buildings by raising that on land values; six towns now do such reducing, and of these Petrus taxes land values only.

Rhodesia—A law of 1914 permitted local entities to differentiate in their tax rates on land and improvements. In 1915, Salisbury made the rate on land quadruple the rate on buildings and, in 1917, Bulawayo followed suit—to the great joy of both cities' citizens.

10. BRITISH CROWN COLONIES

Kenya—The Natural tax has existed in Nairobi, the capital

(at a rate not to exceed two per cent of the land value), ever since it was authorized by a law in 1921.

About twenty years ago, an Imperial law prohibited the alienation as freeholds of any more public land in crown colonies. As a result, only long-term leases have been granted since. In Northern Nigeria, Tanganyika, and the Malay States, the land is all public property and alienated only as leaseholds, with ground rentals which are periodically revised. The new plan has proved especially beneficial in densely populated sections where the natives no longer can be unfairly exploited by white traders or settlers, because they all have their own subsistence farms and so need work for others only when offered an attractive wage.

11. CALIFORNIAN IRRIGATION DISTRICTS

Twenty years ago this State already had in its fertile valleys seven irrigation districts which raised all their local revenues from the Natural tax. Of these, Imperial had 530,000 acres; Turlock had 176,000; Modesto, Oakdale, and South San Joaquin had 80,000 each; Anderson-Cottonwood had 32,000; and Paradise had 14,000. These totaled a million acres and were so successful that other districts, comprising half a million acres, were planning to follow the same tax system.

In 1909, the State irrigation law was amended by limiting the tax assessment in all new districts to land values only, and allowing any of the five existing districts to adopt the new plan by a majority vote of its resident landowners. Under the old system, the large landowners, who had made little or no improvements, had their tax rate reduced whenever the small owners did so, and had their assessments increased proportionately. As a result, due to a falling tax rate, the former owners could make money by doing nothing except wait for higher land values. With the Natural tax, all this was changed, for then a farmer paid no extra taxes when he improved his land; consequently, idle speculators were discouraged and had no recourse but to divide up their large holdings and sell to cultivators, which procedure made all the districts much more productive and prosperous.

12. ENCLAVES

An "enclave" here means an area of land whose economic rent is collected under the terms of leaseholds, and used to pay all the direct real-estate taxes levied by governments. Enclaves

may be divided into two classes: colonies, or vacant land populated with outsiders; and non-colonies, or augmented landholdings of a resident people. Typical examples of colony enclaves are Letchworth in Britain; Fairhope, Alabama; Arden, Delaware; and Free Acres, New Jersey; of a non-colony enclave, Tahanto, Massachusetts; while Halidon, Maine, is a hybrid.

Letchworth—This British enclave was started as a colony in Hertshire, in 1904, by a group of native philanthropists. A large farm, 35 miles by railway from London, was purchased and laid out for a manufacturing "garden city." The plan was novel, comprising a central circular park surrounded by concentric rings; the first, for residences; the second, for a railway; the third, for factories; and the outer one for truck gardens, the population being limited to 30,000.

A more remarkable feature, however, is the city revenue, which is collected solely from land values. There is no other direct or indirect taxation except the national, which chiefly comprises income and inheritance taxes. The Letchworth Company sells no freeholds to its citizens but only leases its lots (so that it can control them under existing law) and thus the taxes are collected as ground rents.

This plan has been as successful as that of Kiau Chau. In spite of being laid out like a millionaires' retreat, this factory town, with no slums or overcrowding, has had ample funds from its Natural tax to provide first-class schools, streets, sewers, and water supply. In 1913, it had already 32 factories, a population of 8,500, buildings worth $2,850,000, and a public revenue of $32,000 yearly.

Fairhope—This is the oldest United States enclave and was founded in 1895 on Mobile Bay by the purchase of 135 acres of land for $771. This tract has been increased by various gifts and purchases until it comprises about 4,000 acres, of which ninety per cent is leased to settlers. Here, unlike Letchworth, no large funds were available at the start for development and the location was unfit for large factories. Hence, its growth has been comparatively slow and in 1930 the town had only a population of 1,549. Some of the enclave's people are small farmers and the balance occupy the town as merchants, artisans, and brain-workers for the small stores, workshops, hotels, and schools, which cater to many northern visitors and students attracted by the mild winter climate.

The Fairhope Singletax Corporation owns much farming land but only about half of the 1,100-acre townsite of Fairhope. Although, in its leases, the Corporation agrees to pay only the State and county taxes, since the incorporation of its town it has paid also the municipal, road, and poll taxes. The earlier contentions over the correctness of rental assessments were ended by the adoption of the Somers system of valuation (Ch. XXIX). Membership in the Corporation requires the investment of $100 and the consent of its directors; these restrictions were imposed as a precaution against the entrance of illiberal members who, by obtaining a majority membership, could easily overthrow the Natural-tax plan of operation. As relatively few land lessees belong to the Corporation, its carefully selected membership preserves it from falling into the power of an ohlocracy, as might easily be the case if human-body suffrage were adopted (Ch. XX). Hence this enclave is honestly administered and easily collects enough income from ground rents to pay the government taxes and conduct its social services.

The remaining United States enclaves are smaller and differ from Fairhope in location, climate, industries, and details of organization, but have the common feature of collecting ground rent from their residents in order to pay the government taxes. Moreover, they have been free from the dangers of dissension and dissolution that socialistic colonies are subject to, for all are run on an individualistic basis, so that lazy wasters cannot thrive at the expense of the diligent and thrifty.

I V

Model Logico-Liberal State Constitution

(By the author, with the aid of Robert Turgot Brinsmade, M. A., LL. B.)

ARTICLE I. LEGISLATIVE DEPARTMENT.

Section 1.—The Assembly.

1—All State Legislative powers shall be vested in an Assembly.

2—The seat of the Assembly shall be at the State Capital.

3—The Assembly shall be composed of members elected from

an even number of electoral districts, each electoral district electing four members.

4—Elections to the Assembly shall be held in alternate districts every two years.

5—The State shall be divided into an even number of electoral districts, each district to be determined according to an equal population ratio.

6—With each Assemblyman there shall be elected a substitute to take his place in the Assembly in case the Assemblyman dies, resigns, is permanently incapacitated, or is elected to a higher office.

7—The term for which each Assemblyman is elected shall be four years.

8—Each Assemblyman shall have a right to remuneration as specified by law and his salary shall be reduced in proportion to every unauthorized absence.

9—Members of the Assembly may resign their mandates at any time.

10—No person shall be elected to the State Assembly unless he is a State voter, 30 years old, United States citizen-born, has lived within the United States for five years, and has served on a city or county council for two years prior to his election.

11—An Assemblyman may be re-elected indefinitely.

12—Members of the Assembly shall execute their functions in person. They need not receive orders from anybody.

13—Members of the Assembly shall not be prosecuted for the exercise of their functions as members. For statements made in the chambers, members shall be amenable only to the disciplinary statutes of the chambers.

14—Each Assemblyman in all cases (except treason, felony, and breach of the peace) will be privileged from arrest during his attendance at the session of the Assembly and in going to and returning from the same.

15—The Assembly may determine the rules of its proceedings, punish its members for disorderly behavior and, with the concurrence of 60% of all members, expel a member.

16—No Assemblyman shall, during the time for which he was elected, hold or be appointed to any civil office of any State or of the United States.

17—The Assembly shall meet once a year for a regular session; also for such special sessions as the Governor, with the con-

sent of the Chancellor, may summon. A session of the Assembly shall not be terminated without its own consent.

18—Sessions of the Assembly shall be public; except in emergencies, when they may be secret with the consent of 60% of the members present.

19—Details as to the exercise of suffrage rights and the manner of carrying out elections are set forth in Articles IV-VI.

Section II.—The Cabinet.

1—The Assembly shall elect from its own members, by the Hare system of P. R., a Cabinet to serve for two years. This Cabinet shall guide the political policies of the Assembly and shall be sufficiently numerous to furnish directors for all executive departments of the government, as well as a Chancellor and Vice-Chancellor who shall supervise the Cabinet's lawmaking functions.

2—An elected Minister will be replaced in the Assembly by his elected substitute, but he will still have the right to be heard in the Assembly on Cabinet business.

3—The Chancellor and Vice-Chancellor shall be elected by P. V. at the first meeting of the Cabinet.

4—P. V. in electing the Chancellor and Vice-Chancellor shall consist in enabling the leading nominees for these two offices to obtain a majority of votes in one ballot by adding to their first-choice supporters those naming them for second and third place.

5—The Vice-Chancellor shall, for all purposes, take the place of the Chancellor if the Chancellor dies, resigns, or is temporarily or permanently incapacitated or absent.

Section III.—Duties of the Cabinet.

1—The first duty of each Chancellor after his election shall be to distribute the ministers amongst the various departments.

2—The Chancellor shall preside over the Cabinet and conduct its affairs, in accordance with those rules of procedure framed by the Cabinet and approved by the Assembly.

3—The Chancellor shall determine all policies to be pursued by the Cabinet and he shall assume responsibility therefore to the Assembly.

4—All decisions of the Cabinet, to be binding, must be approved by the majority vote of all Cabinet members.

5—Each Minister shall manage the affairs of the department entrusted to him, for which he shall be responsible to the Governor.

6—Each department shall have a permanent technical subdirector, whose office shall not be affected by any changes in department heads.

7—Any Minister may be re-elected indefinitely.

8—Each new Cabinet shall have permanent charge of all bills. The power of the Assembly shall be restricted to acceptance, rejection, and amendment, but in Money bills it cannot increase the Cabinet appropriation.

9—A "Money bill" means a bill which contains only provisions dealing with all or any of the following subjects, namely: the imposition, repeal, remission, alteration, or regulation of taxation; the imposition for the payment of debt or other financial purposes of charges on public moneys or the variation or repeal of any such charges; supply; the appropriation, receipt, custody, issue, or audit of accounts of public money; the raising or guarantee of any loan or the repayment thereof; subordinate matters incidental to those subjects or any of them. In this definition, the expression "taxation," "public money," and "loan," respectively, do not include any taxation, money, or loan raised by local authorities or bodies for local purposes.

10—The Cabinet shall draft any bill which is requested by a majority vote of the Assembly, but it has the power to fix its maximum expenditure independently.

11—The Assembly shall be considered as having accepted a bill drafted by the Cabinet if the bill receives a majority vote of a House quorum.

12—A Quorum shall exist in the Assembly when at least 60% of all elected members are present.

13—The Assembly is empowered to impeach the Governor, Vice-Governor, Chancellor, Vice-Chancellor, and the Cabinet members, as well as all the judges of the different courts.

14—An Impeachment bill may be proposed by a majority vote of the Assembly. This may be done without consulting the Cabinet. For a conviction, a 60% vote of all Assembly members shall be necessary.

15—Every new Assembly shall, at the beginning of each term, elect from its lawyer members, by P.R. of the Hare type, a legal standing-committee, to scrutinize all bills as to their constitutionality and to conduct all impeachment proceedings.

ARTICLE II. THE EXECUTIVE DEPARTMENT.

1—The first duty of a newly elected Assembly shall be to

elect from its own ranks, by P. V., a Governor, for a 6-year term, and a Vice-Governor, for a 4-year term.

2—P. V., in electing the Governor and Vice-Governor, shall consist of enabling the leading candidates of the Assembly to obtain a majority of votes in one ballot by adding to their first-choice supporters those naming them for second and third place.

3—The Governor shall be the official head of the State, and, with the aid of the Vice-Governor, shall oversee the whole administration. He shall be responsible to the Assembly only for the form in which he carries out his administrative duties; for he must carry out the political policies of the Cabinet.

4—The Governor shall have a limited power to veto (in whole or in part) any Assembly bill. His veto may be overridden by a 60% vote of all Assembly members.

5—The Vice-Governor shall act for all purposes in the place of the Governor if the Governor dies, resigns, or is permanently or temporarily incapacitated, until a new Governor be elected. The Vice-Governor shall also act in the place of the Governor during his temporary absence, or when the Governor may need a substitute.

6—The Governor and Vice-Governor shall be replaced in the Assembly by their elected substitutes, but they shall at all times have the right to attend and be heard in the Assembly on Government business.

7—Four years must elapse between the time the Governor's term of office expires and his re-election.

8—The Vice-Governor may be re-elected indefinitely at any time.

ARTICLE III. SUFFRAGE.

Section I.—The right to vote in State elections appertains only to such United States citizens as have been previously qualified and registered.

Section II.—State Voters.

1—State voters shall be those citizens, without distinction of sex, who are twenty-three years of age, who have registered in the voting precinct for 3 months prior to the election, and who have fulfilled one of the two following qualifications: (a) Passed a mental-aptitude test with a grade of "D" and obtained an education equivalent to passing the fourth grade in public schools, or (b) Passed a mental-aptitude test with a grade of "C," and

have a speaking and reading knowledge of the English language, equivalent to passing the second grade of public schools.

2—State voters shall have complied with all registration requirements prescribed by the State Electoral Commission.

3—A State voter may vote only in his residence-precinct and he must record his vote in person. He may vote for all popularly elective officials, but not on bond-issue proposals unless also qualified as a Public-debt voter.

4—All State elections shall take place on the basis of a permanent registered list of voters.

5—A State voter may vote for all State offices and serve as a juror in State criminal cases.

6—The lists of State voters shall be compiled and carefully kept up to date by the State Electoral Commission and its branches, to be established in all voting districts.

Section III.—Public-debt Voters.

1—A "Public-debt" voter shall be a State voter who pays a direct tax of at least $25 a year to each entity for which he qualifies.

2—A Public-debt voter may vote on all proposed bond-issues of each entity where he has qualified and may serve as a juror in State civil cases.

ARTICLE IV. REGISTRATION OF VOTERS.

Section I.—Electoral Commission.

1—The State Electoral Commission shall have the power to admit voters to registry, issue their registration cards, temporarily or permanently withdraw such cards for good cause, qualify candidates for elections, and determine all winning candidates.

2—Every person shall have the right to look through the registered list of voters under regulations prescribed by the State Electoral Commission.

3—Objections to any names on the registered list of voters may be presented to the State Electoral Commission.

4—The initial decision with regard to objections shall lie with the State Electoral Commission.

5—Against the decisions of the State Electoral Commission, an appeal lies to the nearest State Electoral Court. The judgment of this Court does not affect the matter at issue unless it be communicated to the State Electoral Commission officially at least 10 days before the election takes place.

Section II.—Registration of Voters.

1—United States citizens may qualify as State voters or Public-debt voters, or both.

2—Any person desiring to qualify as a State voter, Public-debt voter, or both, shall fulfill all requirements prescribed by this Constitution and the State Electoral Commission.

3—After all requirements for registration have been fulfilled, the State Electoral Commission shall provide each voter with a permanent registration passport with his name, domicile, photograph, description, and signature.

ARTICLE V. FORFEITURE OF PASSPORTS.

Section I.—A State voter shall be temporarily deprived of his passport, when he has been found guilty of: selling votes; impersonating other voters; a misdemeanor; a bankruptcy, until all his creditors have released him; or accepting public charity, until he has repaid all the help given him.

Section II.—A person shall be permanently deprived of his passport, when he has been found guilty of: vote buying, "colonizing" non-residents, stuffing ballot boxes, falsifying election returns, a felony.

ARTICLE VI. ELECTIONS TO THE ASSEMBLY.

1—All members of the Assembly and their alternates shall be elected by the List system of P.R.

2—Under the List system of P. R., each political party shall nominate and print a full list of candidates for every electoral district it contests, and each voter shall cast his vote for the whole ballot of one party.

3—In computing results, each party shall elect as many candidates, in their order of inscription, as the ratio of its vote to the total vote cast.

4—For contesting any district, a party must deposit $200 with the Electoral Commission, as a surety, which will be forfeited unless the party polls at least 10% of the vote cast.

ARTICLE VII. JUDICIAL DEPARTMENT.

Section I.—Organization of Courts.

1—The judicial powers of the State shall be vested in a High "Judicial" (Justice) Court, a High Electoral Court, and a High Administrative Court.

2—The High Judicial Court, the High Electoral Court, and the High Administrative Court shall have such "Inferior" and

"Local" courts as the Assembly may from time to time ordain and establish. The Local "J.P." (Justice of Peace) courts shall belong to the Judicial or Electoral systems and the Local courts of Conciliation to the Administrative system.

3—The Assembly shall have the power to define, prescribe, and apportion the jurisdiction of the various State courts and regulate their systems of procedure.

4—The High Judicial Court, the High Electoral Court, and the High Administrative Court shall each be composed of one chief and eight other associate justices, appointed by the Governor from a quadruple panel, nominated by the Assembly on the basis of P.R. of the Hare type. Any candidate must have served previously 4 years as a judge of State Inferior courts.

5—The High Judicial Court, the High Electoral Court, and the High Administrative Court may appeal to the Federal Constitutional Court, whenever they believe a law to be in conflict with either the Federal or State Constitution.

6—All judges of the High courts of the State shall be appointed for 10-year terms, of its Inferior courts for 8-year terms, and of its Local courts for 4-year terms. All shall, at stated times, receive for their services a compensation which shall not be increased or diminished during their continuance in office.

7—Candidates for the judiciary of the State Local courts shall be State bar lawyers and have the other qualifications of council candidates. When vacancies occur, the corresponding local Bar association shall nominate a panel of quadruple the number of seats to be filled, from which the judges shall be elected by the corresponding local council, using the Hare type of P.R.

8—No person shall be appointed as a judge to any of the Inferior courts of the State unless he is a United States citizen-born and has served as a judge of State Local courts for at least 4 years prior to his appointment.

9—No attorney shall be admitted to the Bar for practice in any State court who has not previously passed an examination equivalent to the completion of a 4-year high-school course and a 3-year law-school course in institutions chartered by this State.

Section II.—Judicial Courts.

1—The judicial power of these courts shall extend to all cases of law and equity not under the exclusive jurisdiction of any of the other courts created by this Constitution.

2—All city or county ordinances in conflict with the State Constitution shall be invalid and be declared so by the High Judicial Court on appeal by any other State court.

3—These courts shall have jurisdiction: (a) In cases involving the legality of any tax, assessment, or toll, or any penalty imposed in relation thereto; (b) In all cases where the jurisdiction of other courts is in issue; (c) In all criminal cases.

4—In criminal cases, the High Judicial Court shall allow the appeal if it thinks that the verdict of the jury should be set aside on the ground that it is unreasonable, or cannot be supported (having regard to the evidence); or that the judgment of the court, before which the appellant was convicted, should be set aside on the ground of a wrong decision of any question of law, or of any miscarriage of justice. In any other case, it shall dismiss the appeal.

Section III.—Electoral Courts.

1—These Courts shall be the exclusive competent authorities to decide appeals against the decision of the State Electoral Commission, in accordance with those laws dealing with the registered list of voters or any other provision of the State Electoral laws.

2—They shall examine into and confirm the validity of elections to all State offices.

3—They shall decide whether a member elected to a local council or the State Assembly is eligible to take his seat.

Section IV.—Administrative Courts.

1—The High Administrative Court shall be the exclusive competent authority to decide all appeals against the decisions of the Inferior administrative courts, except those regarding their jurisdiction (Sec. II, 3(b)).

2—The Administrative courts shall have the power to decide labor cases concerning State employees. Also they shall have the power to apply compulsory arbitration and to pass on all laws regulating hours, wages, and working conditions of employees of all public utilities, and of such mineral-deposit and forest exploitations as are of sufficient size to make them of public interest, provided in all cases that the owners are corporations chartered by this State.

3—The Administrative Courts shall have the power to examine into and confirm or disaffirm the decisions of the Conciliation commissions.

Section V.—Conciliation Courts.

1—There shall be established throughout the State voluntary Conciliation courts, to be made up by an equal representation of local employers and employees, with a Local judge for chairman, approved by a majority of each representation and appointed by the Governor.

2—Each Conciliation court shall stand as a peace-maker between the employers and employees of all private industries; it shall have the power to decide whether a strike is legal or illegal. Also it shall have the power to ascertain the essential facts affecting the controversy and to make them public.

3—Appeals from the decisions of a Conciliation court may be taken to the nearest Administrative court.

ARTICLE VIII. COUNTIES, CITIES, AND TOWNS.

1—The State shall be subdivided into counties, cities, and towns.

2—Each county shall be considered as a political, administrative, civic, geographical, and physical subdivision of the State.

3—The Assembly shall, at any time it sees fit, create new counties and abolish those already in existence.

4—All cities over a population of ——— shall be constituted into single counties.

5—All counties (and cities constituted into counties) within this State shall be governed according to the Charter (in Appendix VI of this book).

6—Cities and towns not large enough to be constituted into separate counties shall be administered by deputy-managers, appointed by the corresponding county council.

7—No person shall be elected to a county council unless he is a State voter, 25 years old, and a resident of the United States, for five years if United States citizen-born and ten years if foreign-born.

ARTICLE IX. BILL OF RIGHTS.

1—No person shall be deprived of life or liberty without due process of law, nor shall any person be denied the equal protection of the laws.

2—The Assembly shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech or the right of people peaceably to assemble (as long as such an assembly is not for the purpose of

overthrowing the established form of Government by force or any other coercive means) and to petition the Government for redress of grievances.

3—The right of the people to be secure in their persons, houses, papers, and effects against unreasonable seizures shall not be violated and no warrants shall issue, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched and the persons or things to be seized. This provision shall in no case apply to either corporations or their officers.

4—The preceding clause may be suspended in every case where public emergency and order require it.

5—No person shall be held to answer for a capital or otherwise infamous crime, unless on a presentment or indictment of a judge or magistrate.

6—A person accused of a crime shall be expected to answer all questions put to him by competent authority, but he shall not be compelled to do so by force.

7—In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial.

8—In every case where a person is accused of having committed a misdemeanor, or any other lesser crime, he shall be entitled before conviction to a trial before a judge in a court of competent jurisdiction.

9—In every case where a person is accused of having committed a felony, he shall be entitled, before conviction, to a trial before a jury of State voters, if he requests it.

10—All civil suits shall be held before a court of competent jurisdiction; the court shall determine whether a trial is of such a nature as to make necessary the aid of a jury of State Public-debt voters.

11—No person shall be subject for the same offense to be twice put in jeopardy of life or liberty, except where a fresh evidence has been found to prove his guilt.

12—Free access to the courts shall not be denied to anyone by reason of poverty.

13—A 75% vote of the jury shall be sufficient for its decision, either to acquit or convict a person accused of having committed a criminal act, or to render verdicts in civil cases.

14—No person shall be imprisoned for debt.

15—No bill of attainder or ex post facto law shall be passed.

16—The privilege of the writ of habeas corpus may be

suspended by the State only in cases where rebellion or other public emergency requires it.

17—The liberty of abode and of changing the same, within the limits prescribed by law, shall not be impaired.

18—No involuntary servitude in any form shall exist, except as a punishment for crime, whereof the party shall have been duly convicted.

19—All persons accused of crime shall, before conviction, be bailable by sufficient sureties, except those indicted for felony.

20—No title of nobility shall be granted by the State.

ARTICLE X. GENERAL PROVISIONS.

1—All State offices which are not elective, or reserved in this Constitution for a special selection by the Governor, shall be appointed by the Governor only from a panel nominated by the State Civil Service Commission.

2—The wages, hours, and working conditions of all State employees shall be fixed by law.

3—The State shall control, regulate, and provide financially, from its "Social-service" fund, for public schools, police, highways, and eleemosynary institutions.

4—The Assembly may provide for regulating and chartering of all corporations whose business is restricted to the State.

5—All public utilities with State charters shall be obliged to receive a State agent as a member of the board of directors.

6—All public-information agencies with State charters, such as the daily press, the radio, and motion pictures, shall hereafter be considered public utilities.

7—All labor unions not operating outside the State, but for more than one employer, shall be chartered by the State.

8—At the end of a Transition period of 34 years from date, the State will be restricted for revenue to a direct land-value tax, nuisance taxes, and fees or rents collected as compensation for services, supplies, or property provided by the State for either individual or corporate use.

9—At the end of the aforesaid Transition period, the Assembly shall have completed the codification of all State laws not in conflict with the State or Federal Constitutions.

ARTICLE XI. METHOD OF AMENDMENT.

To become law, any Amendment bill proposed for this Constitution must be passed first by a vote of 60% of all Assembly members, and then approved by a majority of all State-voters who may vote at a popular referendum for its consideration.

V

Model Logico-Liberal Federal Constitution

(By the author, with the aid of Robert Turgot Brinsmade, M.A., LL.B.)

ARTICLE I. LEGISLATIVE DEPARTMENT.

Section I.—Structure & Sessions.

1—All legislative powers herein granted shall be vested in a Federal Congress, which shall consist of a Senate and a House of Representatives.

2—The Congress shall meet once a year in regular session; also it shall meet for such special sessions as the President, with consent of the Chancellor, may summon.

Section II.—The House of Representatives.

1—The House of Representatives shall be composed of 432 voting members for all the states, elected from 108 districts of equal population, to be apportioned without restriction by State lines. Four representatives shall be elected from alternate districts every two years. In any session not more than half of all House members may belong to the same profession.

2—With each Representative there shall be elected a substitute to take his place in the House of Representatives in case he dies, resigns, is elected to a higher office, or is permanently incapacitated.

3—Each Federal Territory shall elect one Representative and a substitute to the House.

4—Representatives from Federal Territories shall enjoy the same privileges as other representatives, except that of voting on bills.

5—The term for a Representative shall be four years.

6—Each Representative shall have a right to remuneration as specified by law, but his salary shall be reduced in proportion to every unauthorized absence.

7—Members of the House of Representatives may resign their mandates at any time.

8—Members of the House of Representatives shall execute

their functions in person. They need not receive orders from anyone.

9—No person shall be elected to the House of Representatives unless he is a Federal voter, 35 years old, United States citizen-born, has resided 10 years in the United States, and has served for four years as a State assemblyman, governor, judge, or senator, prior to his election.

10—All representatives and substitutes shall be elected from their respective districts on the basis of P.R. and may be re-elected indefinitely.

11—Specific provisions as to the exercise of suffrage rights and the manner of carrying out elections are set forth in Arts. III-VI.

Section III.—The Cabinet.

1—At two-year intervals when the House of Representatives is half renewed, it shall choose from its own ranks, by the Hare type of P.R., a Cabinet to serve for two years.

2—The Cabinet shall guide the political policies of the House, and it shall be sufficiently numerous to furnish directors for all the executive departments, as well as a Chancellor and Vice-Chancellor who shall supervise the Cabinet's law-making functions.

3—An elected Minister shall be replaced in the House of Representatives by his substitute.

4—The Ministers shall have the right to attend and be heard in the meetings of both chambers and their committees.

5—At the request of either chamber, a Minister or his representative shall appear before it and testify.

6—The Chancellor and Vice-Chancellor shall be elected by P.V. at the first meeting of a new Cabinet.

7—P.V. in electing the Chancellor and Vice-Chancellor shall consist of enabling the leading nominees for the offices of Chancellor and Vice-Chancellor to obtain a majority of votes in one ballot by adding to their first-choice supporters those naming them for second and third place.

8—The Vice-Chancellor shall, for all purposes, take the place of the Chancellor, if he dies, resigns, or is temporarily or permanently incapacitated, or absent.

9—Any Minister may be re-elected indefinitely.

Section IV.—Duties of the Chancellor.

1—The first duty of each Chancellor after his election shall

be to distribute the ministers, amongst the various departments, according to aptitude.

2—The Chancellor shall preside over the Cabinet and conduct its affairs in accordance with such rules of procedure as shall be framed by the Cabinet and approved by the House of Representatives.

3—The Chancellor shall determine all policies to be pursued and shall assume responsibility thereof to the House of Representatives.

4—All decisions of the Cabinet, to be binding, must be approved by the majority vote of all Cabinet members.

5—Each Minister shall conduct the affairs of the department entrusted to him and shall be individually responsible to the President.

6—Each department shall have a permanent technical subdirector, whose office shall not be affected by any change in department head.

7—Each new Cabinet shall have permanent charge of all Money bills; the power of the House of Representatives on this type of bill shall be restricted to acceptance, rejection, and amendment, but the House cannot increase the Cabinet appropriation.

8—A "Money bill" means a bill which contains only provisions dealing with all or any of the following subjects, viz: the imposition, repeal, remission, alteration, or regulation of taxation; the imposition, for the payment of a debt or other financial purposes, of charges on public moneys, or the variation or repeal of any such charges; supply; the appropriation, receipt, custody, issue or audit of accounts of public money; the raising or guarantee of any loan or the repayment thereof; subordinate matters incidental to those subjects or any of them. In this definition, the expression "taxation," "public money," and "loan," respectively, do not include any taxation, money, or loan raised by local authorities for local purposes.

9—The Chancellor shall certify any bill, which in his opinion is such, to be a "Money bill"; but in case of doubt, the question may be raised, upon a vote of 40% of the members of either chamber, and submitted to the Constitutional Court for decision.

10—The House of Representatives shall have exclusive jurisdiction over the Senate on the subject of "Money bills."

11—The Cabinet must draft any bill which is requested by a

majority vote of either chamber but it shall have the power to fix its maximum expenditure independently.

Section V—The Federal Senate.

1—The Senate shall be composed of 48 State-senators, 216 Group-senators, and several Life-senators. In any session not more than half of the senators may belong to the same profession.

2—Each State assembly shall elect by P.V. one State-senator to the Senate, for an 8-year term. One-fourth of the State-senators shall be elected every two years.

3—No person shall be elected a State-senator unless he is a Federal voter, 40 years old, United States citizen-born, has resided 10 years in the United States, and has served for 6 years as State governor, assemblyman, or judge.

4—Group-senators shall be elected for a 4-year term from 54 senatorial districts, each district to be composed of two adjacent Representative districts.

5—With each Group-senator shall be elected a substitute to take his place in case he resigns, is permanently incapacitated, or is elected to a higher office.

6—No person shall be elected a Group-senator unless he is a Federal voter, 40 years old, United States citizen-born, and has resided 5 years in the United States. He should also possess special aptitudes or attainments which represent important aspects of the life of the district for which he is nominated.

7—Half of the Group-senators shall be elected every two years from alternate senatorial districts, on the basis of P.R., from panels nominated by Congress.

8—Only a President who has served a full term of 6 years has a right to a seat as Life-senator.

9—Specific provisions as to the exercise of the suffrage and the manner of carrying out elections are set forth in the law governing elections to the Senate.

10—Any State- or Group-senator may be re-elected indefinitely.

11—Members of the Senate shall execute their functions in person. They need not receive orders from anyone.

Section VI.—Restrictions on Employment of Congressmen.

No Senator or Representative shall be appointed to any civil office, under the authority of the United States or any State, which shall have been created or the emoluments whereof shall

have been increased during his term of office; and no person holding any office under the United States or any State shall be a member of either chamber during his continuance in office.

Section VII.–Immunities, Officers Elected, Secret Sittings, Absences.

1–Members of both chambers shall not be prosecuted for the exercise of their functions as members; for statements made in either chamber, members shall be amenable only to the disciplinary statutes of the chamber.

2–Each Senator or Representative in all cases, except in treason, felony, and breach of the peace, will be privileged from arrest during his attendance at the sessions of either House or Senate and in going to and returning therefrom.

3–If a member of either chamber be apprehended and arrested in the commission of a criminal act, the court or other authority having jurisdiction shall inform the chairman of the respective chamber of the arrest. If the chamber does not, within a fortnight, give its consent to the arrest, it becomes null and void forthwith. If the chamber does consent to the arrest, the court must give its decision within 14 days after the first sitting.

4–Each chamber may determine the rules of its proceedings, punish its members for disorderly behavior and, with the concurrence of 60% of all its members, expel a member.

5–Members of both chambers shall have the right to refuse to give testimony in reference to matters confided to them as members of the chamber, even after they cease to be members. But in the trial of a case of attempting to corrupt a member, testimony cannot be refused.

6–Each chamber shall elect its own chairman and other officers.

7–The sittings of both chambers shall be public. Secret sittings may be held only in emergencies, with the consent of 60% of the members present.

8–Members of either chamber shall be docked their salary proportionately for any unjustified absence at its sessions.

Section VIII.–Passing Bills.

1–Once the Cabinet has drafted a Money bill, it shall be submitted to the House of Representatives. The House shall then pass on the bill and send it to the Senate. The Senate shall act on the bill passed by the House and return it to the House, with

recommendations and suggestions, within 3 weeks. If the Senate fails to return the Money bill on time, it shall be considered as passed by the House in its original form. If the Senate returns the Money bill within the alloted time, with its attached recommendations to the House, the House may repass the Money bill a second time with or without the recommendations of the Senate.

2—An Ordinary bill may be proposed by the Cabinet or by a majority of the members of either chamber; in the last case, the proposed bill shall be sent to the Cabinet for drafting and transmitting.

3—If an Ordinary bill originates in the Senate, it shall be drafted by the Cabinet and submitted to the House which may pass it unaltered or reject it. If the House rejects the bill proposed by the Senate, it shall be returned to the Senate within a 3-week period. If repassed by a vote of half of all Senate members, it shall become law if after it is re-submitted to the House at least one-half of all House members do not reject it.

4—If when an Ordinary bill is first submitted to the House, the House amends the bill, such an amendment will amount to a rejection if after a session of both chambers the Senate votes not to accept the amendment.

5—If an Ordinary bill originates with the Cabinet, it shall be sent to the House. A rejection by the House shall nullify the bill. If the House passes on the bill unaltered, or amends it, it shall become a House bill and from the House it shall be sent to the Senate. The Senate must either pass the bill, or reject it, and send it back to the House within 6 weeks.

If the bill is rejected by the Senate and is subsequently repassed by a majority vote of all House members, it shall then become law, after signing by the President.

If the Senate wishes to amend the House bill, it can do so only after the House has voted to allow such an amendment at a joint session of both chambers.

6—An Impeachment bill is only applicable for the indictment of the President, Vice-President, and Federal ministers or judges. It may be proposed by a majority vote of a House quorum but shall become valid only after an affirmative vote of 60% of all House members.

7—The cited public officers may be impeached only if indicted on charges of treason, felony, malfeasance, or negligence, committed while in office.

8—All impeachment proceedings shall be held before the Senate. An affirmative vote of 60% of all Senate members shall be necessary for conviction.

Section IX.—Treason.

1—Treason against the United States shall consist only in levying war against them, or in adhering to their enemies, giving them aid and comfort. No person shall be convicted of treason, unless on the testimony of two witnesses to the same act or on confession in open court.

2—The Congress shall have power to declare the punishment of treason, but no attainder of treason shall work corruption of blood, or forfeiture, except during the life of the person attainted.

Section X.—Powers of Congress.

1—To levy and collect all kinds of existing duties and taxes until the end of the Transition Period (Art. XII).

2—After the Transition Period, only to levy and collect the following five kinds of taxes: land-value, nuisance, inheritance, export, and income; also all fees for services, supplies, or property provided by the Federal Government for either individual or corporate use.

3—To control exclusively, everywhere, the uniform methods of assessment and apportionment requisite for the taxation of land-values, alcohol, and tobacco.

4—To borrow money on the credit of the United States.

5—To regulate commerce with foreign nations, and among the several states.

6—To establish a uniform rule of naturalization, and uniform laws on the subject of bankruptcies throughout the United States.

7—To establish uniform laws on the subjects of marriage and divorce throughout the United States.

8—To coin money, regulate the value thereof and of foreign coin, and to fix the standard of weights and measures.

9—To provide for the punishment of counterfeiting the securities and currency of the United States.

10—To establish post offices, post roads, and electric or aerial communications.

11—To promote the progress of science and useful arts by securing for limited times, to authors and inventors, the exclusive right to their respective writings, discoveries, or inventions.

12—To constitute tribunals inferior to the Federal High courts of Justice, Administration, and Elections.

13—To raise and support armies, but no appropriation of money to that use shall be for longer terms than two years.

14—To provide and maintain a navy.

15—To make rules for the government and regulation of the land and naval force.

16—To provide for calling forth the militia to execute the laws of the Union, to suppress insurrections, and to repel invasions.

17—To provide for organizing, arming, and disciplining the militia, and for governing such part of them as may be employed in the service of the United States, reserving to the states, respectively, the appointment of the officers and the authority of training the militia according to the discipline prescribed by Congress.

18—To exercise exclusive legislation in the District of Columbia as the seat of the Federal Government, and to exercise like authority over all places, purchased by the consent of the assemblies of the states in which the same shall be, for the erection of forts, magazines, arsenals, dockyards and other needful buildings.

19—To provide for the method of governing all Federal territories and colonial possessions.

20—To charter all corporations, labor unions, and cooperative societies doing interstate or foreign business, and to pass laws to control their operations.

21—To provide for the creation and organization of a Federal Civil Service Commission.

22—To provide for the creation and organization of a Federal Electoral Commission.

23—To provide for and direct the Federal police in any part of the United States or its possessions.

24—To provide for and regulate the sterilization of all hereditary defective or diseased persons, whose offspring are liable to become charges or a public menace.

25—To provide for and regulate all interstate liquor traffic.

26—To revise and codify all Federal laws.

27—To regulate immigration and emigration.

28—To provide for the method of distribution of all revenue collected from economic rent amongst the Federal, State, and local governments.

29—To provide for and regulate the use of all natural resources whether under public or private title.

30—To make all laws which may be necessary and proper for the carrying into execution of the foregoing powers vested by this Constitution in the Government of the United States, or in any department or office thereof.

Section XI.—Miscellaneous.

1—No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another; nor shall vessels, bound to or from one State, be obliged to enter, clear, or pay duties to another.

2—No money shall be drawn from the Treasury but in consequence of an appropriation made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

3—No title of nobility shall be granted by the United States and no person holding any office of profit or trust under them shall, without the consent of Congress, accept any present, emolument, office, or title, of any kind whatever, from any foreign State.

4—No tax or duty shall be laid by any State of the United States on articles imported from, or exported to, another.

ARTICLE II. EXECUTIVE DEPARTMENT.

Section I.—Election of Chief Executives.

1—The Executive power shall be vested in a President. He shall hold office during a term of six years and, together with the Vice-President, chosen for a four-year term, be elected as follows:

2—After the first meeting of a newly elected House of Representatives and Senate (and thereafter, whenever a vacancy occurs), they shall convene in a joint session and elect from their own membership, by P.V., a President and a Vice-President.

3—P.V., in electing the President and Vice-President, shall consist in enabling the leading nominees for these two offices to obtain the majority of votes in one ballot by adding, to their first-choice supporters, those naming them for second and third place.

4—The President and Vice-President shall, at stated times, receive for their services a compensation, which shall neither be increased nor decreased during the period for which they shall

have been elected, and they shall not receive within that period any other emolument from the United States or any State.

Section II.—Powers and Duties of Chief Executives.

1—The President shall be commander in chief of the Federal army and navy, also of the militia of the several states, when called into actual Federal service of the United States.

2—The President shall receive all accredited foreign diplomats and represent the United States in its relations with all other States. Also he shall (with the advice of the Senate and the consent of 60% of all Senate members) make treaties and appoint ambassadors, other foreign envoys, and consuls.

3—He shall appoint the judges to the Constitutional Court, the High Court of Justice, the High Electoral Court, the High Administrative Court, and the Inferior Federal courts.

4—He shall appoint all National officers whose appointments are not herein otherwise provided for; but Congress may by law vest the appointment of such inferior officers in the President alone or in the head of any executive department.

5—He shall have a limited power to veto (in whole or in part) any Congressional bill. If the proposed bill is a Money bill, it shall become law over the President's veto if 60% of all House members repass it. If the bill is an Ordinary bill, it may be revalidated by the favorable vote of one-half of all the members of each chamber, taken separately, or by a vote of 60% of all House members taken alone.

6—He shall be responsible to the House of Representatives for the executive acts of the ministers who, in turn, shall be individually responsible to him for the administration of their respective departments.

7—Should the President or Vice-President die or resign his position during his term of office, a new election shall be held, as prescribed in Section I, to fill his unexpired term of office.

8—The Vice-President shall act for all purposes in the place of and until a new President be elected, if the President shall die, resign, or be permanently incapacitated.

9—The Vice-President shall also act in place of the President during his temporary absence and perform the duties of the President whenever the President authorizes it.

10—The Vice-President may be re-elected indefinitely.

11—The President, after the expiration of his full term of

office (provided he has not been elected to fill an unexpired term), cannot be re-elected, but shall automatically become a Life-senator.

12—Congress may at any time call upon the President to account for the way he carries out his administrative functions.

13—The President shall carry out the political policies of each Cabinet, as ordered by its Chancellor.

ARTICLE III. SUFFRAGE.

Section I.—Qualification and Registration of Voters.

1—The right to vote for members of the House of Representatives and for Group-senators appertains only to those citizens of the United States who have qualified as Federal voters.

2—Federal voters shall be those citizens, without distinction of sex, who are 25 years of age, have registered in the voting precinct three months prior to the election, and have fulfilled the following qualifications:

(a) Passed a mental-aptitude test with a grade of "D" and obtained an education equivalent to passing the sixth grade in our public schools.

(b) Or passed a mental-aptitude test with a grade of "C plus" and possess a speaking and reading knowledge of the English language equivalent to passing the second grade of our public schools.

3—A voter must have complied with all registration requirements prescribed by the National Electoral Commission.

4—A voter may vote only in his own precinct and in person.

5—All Federal elections shall take place on the basis of a permanent registered list of voters.

6—A Federal voter may vote in all popular Federal elections.

7—The lists of Federal voters shall be compiled and carefully kept up to date by the Federal Electoral Commission and its branches, which shall be established conveniently in every House district.

Section II.—Federal Electoral Commission.

1—The Federal Electoral Commission shall have the power to: admit all qualified voters to registry, issue their registration cards, temporarily or permanently withdraw such cards for good cause, qualify candidates for elections, and determine all winning candidates.

2—Every Federal voter shall have the right to look through the registered list of voters under regulations prescribed by the Federal Electoral Commission.

3—Objections to any names on the registered list of voters may be presented to the Federal Electoral Commission.

4—The initial decision with regard to objections shall lie with the Federal Electoral Commission.

5—Against the decisions of the Federal Electoral Commission, an appeal lies to the nearest Federal Electoral Court. The judgment of this court does not affect the matter at issue unless it be communicated to the Federal Electoral Commission officially, at least 10 days before the election takes place.

ARTICLE IV. REGISTRATION OF VOTERS.

Section I.—Acquirement of Passport.

1—All desiring to vote for Federal candidates must first qualify as Federal voters.

2—Any person desiring to qualify as a Federal voter must first fulfill all requirements prescribed by this Constitution and imposed by the Federal Electoral Commission.

3—Once all requirements for registration as a Federal voter have been fulfilled, the Federal Electoral Commission shall provide each voter with a permanent registration passport with his name, domicile, photograph, description, and signature.

Section II.—Forfeiture of Passport.

1—A person shall be temporarily deprived of his passport where he has been guilty of: selling his vote; impersonating another voter; bankruptcy, until all his creditors have released him; a misdemeanor; or accepting public charity, until he has repaid all the help given him.

2—A person shall be permanently deprived of his registration card where he has been guilty of: vote buying, "colonizing" nonresidents, stuffing ballot boxes, falsifying election returns, or a felony.

ARTICLE V. ELECTIONS TO THE HOUSE OF REPRESENTATIVES.

1—All members to the House of Representatives shall be elected by the List type of P.R.

2—Under the List system of P.R., each party shall nominate and print a full list of candidates and their substitutes for every

district it contests, and each voter shall cast his vote for the whole ballot of one party.

3—In computing results, each party shall elect as many candidates on its list, in the order of their inscription, as the ratio of its vote to the total vote cast.

4—For contesting any district, a party must deposit $500 with the Electoral Commission, as a surety, which will be forfeited unless the party polls at least 10% of the vote cast.

ARTICLE VI. ELECTIONS TO THE SENATE.

Section I.—State-senators.

1—One State-senator shall be elected by each State assembly, by a system of P.V.

2—P.V., in electing a State-senator by a State assembly, shall consist in enabling the leading nominee for this office to obtain a majority of votes in one ballot by adding to his first-choice supporters those naming him for second and third place.

Section II.—Group-senators.

1—Group-senators and vice-senators (substitutes) shall be elected by the Hare type of P.R.

2—For the choice of Group-senators and vice-senators, the Federal voters of each district shall be restricted to a panel of candidates containing quadruple as many names as there are seats to be filled.

3—This panel shall be restricted to candidates with the qualifications given in Article I, Section V, Clause 6, above.

4—This panel shall be chosen (and published) by Congress, before the election, one-half by the House of Representatives and the other half by the entire Senate, using the Hare system of P.R.

5—Election for Group-senators shall take place every four years in each senatorial district; but alternate districts will have elections at two-year intervals, so as to renew half of all Group-senators every two years.

ARTICLE VII. JUDICIAL DEPARTMENT.

Section I.—Courts and Judges.

1—The Federal Judicial power shall be vested in a High "Judicial" (Justice) Court, a High Electoral Court, a High Administrative Court, and a Constitutional Court.

2—The High Judicial Court, the High Electoral Court, and

the High Administrative Court shall have such Inferior courts as the Congress may from time to time ordain and establish.

3—Congress shall have the power to define, prescribe, and apportion the jurisdiction of the various courts.

4—The High Judicial Court, the High Electoral Court, the High Administrative Court, and the Constitutional Court shall each be composed of one Chief Justice and eight Associate justices, appointed by the President from a quadruple panel nominated by the Senate, using P.R. of the Hare type.

5—All justices of the four High courts just cited shall be appointed for a term of 12 years, and shall at stated times receive for their services a compensation, which shall not be diminished during their continuance in office.

6—No person shall be appointed as a judge of any Federal High court unless he be a United States citizen-born and has served for four years as a judge of Federal Inferior courts, prior to his appointment.

7—All judges of the Federal Inferior courts created by Congress shall be appointed by the President from a quadruple panel nominated by the Senate, using P.R. of the Hare type. These judges shall be appointed for a term of ten years, and shall receive for their services a compensation which shall not be diminished during their continuance in office. An eligible candidate must be a United States citizen-born and have served for four years as a judge of State High or Inferior courts.

8—No attorney shall be admitted to the Bar for practice in any Federal court who has not previously passed an examination equivalent to the completion of a four-year high-school course, a two-year senior-college course and a three-year law-school course, in institutions approved by the Federal Government.

Section II.—Validation of New Laws.

1—Laws which are promulgated by Congress or by State assemblies and are in conflict with this Constitution, or with the laws amending or supplementing it, are invalid. The decision as to whether a law is valid or not in this sense pertains exclusively to the Constitutional Court.

2—The question whether a particular Federal or State law is in conflict with this Constitution, or whether a State law is in conflict with its own Constitution, shall be decided by the Federal Constitutional Court only in response to an appeal made by the

ministrative Court, the Senate or the House of Representatives of the United States, or by any State assembly or High court.

3—No appeal shall be heard by the Constitutional Court from any of the aforesaid bodies unless the majority of all members of the said body voted for it.

4—All appeals to the Constitutional Court must be made within two years of the date on which the law in question was promulgated.

5—Six votes, at least, are necessary for the invalidity of a Federal law and five votes for the invalidity of a State law, out of the bench of nine justices of the Constitutional Court.

Section III.—Judicial Courts.

1—The Judicial power of the Federal High Judicial Court shall extend: to all cases in law and equity (not under the exclusive jurisdiction of any of the other Federal High courts) arising under this Constitution and the laws of the United States, and treaties made, or which shall be made, under their authority; to all cases affecting ambassadors, and other public envoys and consuls; to all cases of admiralty and maritime jurisdiction; to controversies to which the United States shall be a party; to controversies between two or more states; between a State and citizens of another State; between citizens of different states; between citizens of a single State; and between citizens thereof, and foreign states, citizens, or subjects.

2—In all cases affecting ambassadors, and other public envoys and consuls, and those in which a State shall be a party, the High Judicial Court shall have original jurisdiction. In all other cases before mentioned, the High Judicial Court shall have appellate jurisdiction.

3—The trial of a crime shall be before a jury only in those cases provided for by this Constitution. Such trials shall be held in the State where the said crimes shall have been committed; but when not committed within any State, the trial shall be at such place as the Congress may have by law directed.

4—The High Judicial Court on any appellation against a conviction in a criminal case shall allow the appeal if it thinks that the verdict of the jury, when the trial was by jury, should be set aside on the ground that it is unreasonable or cannot be supported, having regard to the evidence, or that the judgment of the court before whom the appellant was convicted should be set aside on

the ground of a wrong decision of any question of law, or that on any ground whatever there was a miscarriage of justice, and in any other case shall dismiss the appeal.

Section IV.—Electoral Courts.

The Federal High Electoral Court shall be the exclusive and final competent authority: to decide appeals against the decision of the Federal Electoral Commission, in accordance with those laws dealing with the registration of voters or any other provisions of the Federal Electoral law; to examine into and confirm the validity of elections of candidates to all Federal offices; to decide whether a member elected to the Senate or the House of Representatives is eligible to take his seat.

Section V.—Administrative Courts.

1—The High Administrative Court shall be the exclusive and final competent authority to decide all appeal against the decisions of the High State or the Inferior Federal Administrative courts.

2—The Administrative courts shall have the power to apply compulsory arbitration and to pass on laws regulating hours, wages, and working conditions of all public-utility and quasi-public employees.

3—The Administrative courts shall have the power to examine into and confirm or disaffirm the decision of all Federal Conciliation courts.

Section VI.—Conciliation Courts.

1—There shall be established throughout the Federal-administered territory, Federal Conciliation courts, to be made up by an equal representation of employers and employees, with a Local judge for chairman, appointed by the President and approved by both parties to the controversy.

2—The Conciliation courts shall stand as peacemakers between the employers and employees of all private industries under Federal rule; they shall have the power to decide whether a strike is legal or illegal.

3—Appeals from the decisions of a Federal Conciliation court shall be taken to the nearest Federal Administrative court.

ARTICLE VIII. BILL OF RIGHTS.

1—No person shall be deprived of life or liberty without due process of law, nor shall any person be denied the equal protection of the laws. This clause does not prevent the conscription

for the Federal army by Congress of those citizens whom the public order or safety may require, but no such conscripts may be obliged to fight elsewhere than on the territory of the United States, without their own consent.

2—Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof, or abridging the freedom of speech or the right of people peaceably to assemble (as long as such an assembly is not for the purpose of overthrowing the established form of government by force) and to petition the Government for redress of grievances.

3—The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable seizures, shall not be violated; and no warrants shall be issued, but upon probable cause, supported by oath or affirmation, and particularly describing the place to be searched and the persons or things to be seized. This provision shall in no case apply to either corporations or their officers.

4—The last clause may be suspended in any case where public emergency and order may require it.

5—No person shall be held to answer for a capital or other infamous crime, unless on an indictment of a judge or magistrate.

6—A person accused of crime shall be expected to answer all questions put to him by competent authority, but he shall not be compelled to do so by force.

7—In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial in the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and he shall enjoy the right to be informed of the nature and cause of the accusation. The accused shall enjoy the right to be confronted with a witness against him, to have compulsory process for his obtaining witnesses in his favor, and to have the assistance of counsel for his defense.

8—In every case where a person is accused of having committed a misdemeanor or any lesser offense, he shall be entitled before conviction to trial before a judge, in a court of competent jurisdiction.

9—In every case where a person is accused of having committed a felony, he shall be entitled before conviction to a trial before a jury, which shall be formed by State voters of the State and district wherein the crime shall have been committed.

10—All civil suits shall be held before a court of competent jurisdiction; the court shall determine whether a trial is of such a nature as to make necessary the aid of a jury, which shall be formed of State Public-debt voters.

11—No person shall be subject for the same offense to be twice put in jeopardy of life or liberty, except where fresh evidence has been found to prove his guilt.

12—Free access to the courts shall not be denied to any person by reason of poverty.

13—A 75% affirmative vote of the jury shall be sufficient for acquitting or convicting a person accused of having committed a criminal act.

14—No person shall be imprisoned for debt.

15—No bill of attainder or ex post facto law shall be passed.

16—The privilege of the writ of habeas corpus shall be suspended only in cases where rebellion or other public emergency may require it.

17—The liberty of abode and of changing the same, within the limits prescribed by law, shall not be impaired.

18—No involuntary servitude in any form shall exist, except as a punishment for crime whereof the party shall have been duly convicted.

19—All persons accused of crime shall, before conviction, be bailable by sufficient sureties, except those indicted for felony.

20—No title of nobility shall be granted by the United States.

ARTICLE IX. STATE RIGHTS AND DUTIES.

Section I.—Limits of Powers.

1—No State shall enter into any treaty, alliance, or confederation; grant letters of marque and reprisal; coin money; emit bills of credit; make anything but gold and silver coin a tender in payment of debts; pass any bill of attainder or ex post facto law; or grant any title of nobility.

2—No State shall pass a law impairing the obligation of contracts, provided no contract shall be made for a period of over fifty years; yet all charters, concessions, or franchises, granted to private persons or corporations and involving the use of public property, shall in no sense be considered a contract with the State, and the State may pass any law revising any obligation created by such a charter, concession, or franchise whenever it may be necessary for the purpose of protecting the commonweal.

3—No State shall, without the consent of Congress, lay any duties on imports or exports, except what may be absolutely necessary for executing its inspection laws; the net produce of all such duties shall be for the use of the Federal Treasury; and all such laws shall be subject to revision and control of Congress. After the Transition Period, all import duties will be illegal.

4—No State shall, without the consent of Congress, levy any duty of tonnage, keep troops or ships of war in time of peace, enter into any agreement or compact with another State or with a foreign power, or engage in war unless actually invaded or in such imminent danger as will not admit a delay.

Section II.—Creation of New States.

New states may be admitted by the Congress into this Union, but no new State shall be formed or erected within the jurisdiction of any other State; nor shall any State be formed by the junction of two or more small states, nor by the division of large states, without the consent of the assemblies of the states concerned as well as of the Congress.

Section III.—Guarantees for States.

The United States shall guarantee to every State in this Union a republican form of government and shall protect it against invasion and, on application of its assembly, against domestic violence.

Section IV.—Interstate Documents.

Full faith and credit shall be given in each State to the public acts, records, and judicial proceedings of every other State; and the Congress may, by general laws, prescribe the manner in which such acts, records, and proceedings shall be proved, and the effect thereof.

Section V.—Guarantees of Citizens.

1—The citizens of each State shall be entitled to all privileges and immunities of citizens in the several states.

2—A person charged in one State with treason, felony, or other crime, who shall flee from justice to another State, shall, on petition of the executive of the former State, be delivered up to be returned to the petitioning State.

3—All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immuni-

ties of citizens of the United States; nor shall any State deprive any person of life or liberty without due process of law, nor deny any person within its jurisdiction the equal protection of the laws.

Section VI.—Division of Powers.

The powers not delegated to the United States by this Constitution, nor prohibited by it to the states, are reserved to the states respectively or to the people.

Section VII.—Taxes.

1—Each State shall collect all revenues derived from the direct land-value tax on farms, timberlands, townsites, and State-chartered public utilities within its boundaries.

2—Each State shall also collect within its boundaries the non-federal nuisance taxes and the fees and rents for services, supplies, or property provided by its government for either individual or corporate use.

ARTICLE X. GENERAL PROVISIONS.

Section I.—Nationalization of Economic Rent.

The Congress shall have the power to dispose of and make all needful rules and regulations for the use of the national territory and its natural resources, but not to alienate its economic rent, all of which is hereby declared to be the perpetual property of the nation, and whose full collection for public revenue will be gradually achieved progressively during a 34-year Transition Period (Article XII).

Section II.—Selection of Federal Officials.

1—All Federal offices which are not elective, or reserved in this Constitution for special selection by the President, shall be appointed by him only from a triple panel nominated by the Civil Service Commission.

2—The wages, hours, and working conditions of all Federal employees shall be fixed by law.

Section III.—Federal Corporations.

1—All corporations, labor unions, and cooperative societies doing interstate or foreign business shall take out Federal charters.

2—All interstate public-information agencies, such as the daily press, radio, and motion pictures, shall hereafter be chartered as Federal public utilities.

3—Any corporation engaged in the interstate commerce or export of munitions shall hereafter be chartered as a Federal public utility.

4—In wartime, any corporation doing business directly with the Federal Government may be classed as a Federal public utility.

5—The Government may appoint a Federal agent to sit on the board of directors of any corporation chartered or classed as a Federal public utility.

6—The Federal Administrative courts shall have the power to decide labor cases concerning Federal employees and to apply compulsory arbitration to the labor disputes of any corporation chartered or classed as a Federal public utility.

ARTICLE XI. METHOD OF AMENDMENT.

1—This Constitution may be amended by an Amendment bill which may be initiated by the Cabinet or by either chamber and must be approved by at least a 60% vote of all the members of each chamber. The Amendment bill then shall be submitted to all State assemblies. Such an Amendment bill shall become effective if ratified by 60% of the members of each of the assemblies of as many states as contain 60% of the whole United States population, as determined by the previous census.

2—A Constitutional Convention shall be called once every fifty years to revise the provisions of this Constitution. The delegates to the first convention (50 years hence) shall be 432 in number, and be qualified and elected (from the then 84 representative districts) in the same manner as herein prescribed for the Federal House of Representatives.

ARTICLE XII. TRANSITORY PROVISIONS.

Section I.—Transition Period.

1—The Transition Period shall extend for thirty-four years from the adoption of this Constitution and shall be divided into three epochs: (a) The Initial, of one year; (b) The Adjustment, of three years; and (c) The Recovery, of thirty years.

2—Subject to this Constitution and to the extent to which they are not inconsistent therewith, the laws of the United States at the date of the coming into operation of this Constitution shall continue to be in full force and effect during the Transition Period and until they shall have been repealed or amended by the enactment of Congress.

Section II.—Public Collection of Economic Rent.

1—The full economic rent of all natural resources shall be collected continuously for public revenue, after the end of the Transition Period, in the form of a land-value or "Natural" tax.

2—The manner of collecting the economic rent will be as follows: A preliminary complete national land valuation shall be made within the Initial epoch, and shall be perfected during the Adjustment epoch. Meanwhile, the existing tax rate shall be gradually increased until it shall reach 35% of the economic rent, everywhere, at the end of the Adjustment epoch.

3—After the Adjustment epoch, there shall be an increment of two per cent added to the tax rate until at the end of the Recovery epoch the full economic rent of 95% shall be collected, leaving 5% to each landowner for a collection fee. Meanwhile, the tax rate on land improvement values shall be gradually decreased until it is entirely abolished.

4—All the economic rent collected shall be distributed amongst the Federal, State, and local governments according to population, after first providing for all local public services essential to carrying out the physical functions of government.

5—The method of distributing the economic rent amongst the Federal, State, and local governments shall be provided by law.

6—Any land being used for educational or charitable purposes may be wholly or partly exempted from paying the Natural tax by Congress.

7—Any piece of real estate can be taken by the Government at any time for public use, under the right of eminent domain, by paying to the owner of the property so taken its last valuation for taxation plus 10%.

Section III.—Mineral Deposits.

1—The property in all underground mineral deposits shall hereafter be considered as separate from that of the surface.

2—All surface rights will hereafter be subjected to the Areal tax. The full Areal tax shall be applied to all land at the end of an Exploring period of 10 years. The first year 10% shall be collected, and 10% more every succeeding year until, after ten years, the full Areal-tax rate shall have been reached.

3—All mineral deposits forfeited to the nation, because of the nonpayment of the Areal tax, shall be retained hereafter as national property and can be alienated only as leaseholds.

4—The Areal tax shall be two dollars for nonmetallic minerals and four dollars for metallic minerals, per acre.

Section IV.—Import Taxation.

During the Transition Period, no existing import duties may be increased nor any new ones levied and, before its end, all such duties shall be abolished. The reduction of import duties shall be gradual but the reduction of those as most favor the mulcting of consumers by monopolies shall be hastened.

Section V.—Codification.

Before the end of the Transition Period, Congress shall have completed the codification of all Federal laws not in conflict with this Constitution.

Section VI.—Inauguration of First Congress.

1—For the first House session, half of its members shall be elected only for a two-year term and the balance for a four-year term, as thereafter shall be all members of the House.

2—For the first Senate session, half the Group-senators shall be elected only for a two-year term and the balance for a four-year term, as all of them shall be elected at all subsequent elections. For the first Senate session only, the full quadruple panel for electing Group-senators shall be nominated by the House alone, instead of half by each of the two chambers, as provided for subsequent elections in Article VI, Section II, Paragraph 4.

V I

City-Manager Charter of Cincinnati, Ohio

ARTICLE I. POWERS OF THE CITY.

The City shall have all powers of local self-government and home rule and all powers possible for a city to have under the Constitution of the State of Ohio. The City shall have all powers that now or hereafter may be granted to municipalities by the laws of the State of Ohio. All such powers shall be exercised in the manner prescribed in this Charter, or if not prescribed herein, in such manner as shall be provided by ordinance of the Council.

ARTICLE II. LEGISLATIVE POWER.

Section 1. All legislative powers of the City shall be vested, subject to the terms of this charter and of the Constitution of the State of Ohio, in the Council. The laws of the State of Ohio not inconsistent with this Charter, except those declared inoperative by ordinance of the Council, shall have the force and effect of ordinances of the City of Cincinnati; but in the event of conflict between any such law and any municipal ordinance or resolution the provisions of the ordinance or resolution shall prevail and control.

*From "The Charter of the City of Cincinnati 1933," published by the City Council of Cincinnati, L. B. Blakenorg Clerk, Room, 308, City Hall.

Effect on Other Ordinances

Section 2. All ordinances and resolutions in force at the time this Charter takes effect, not inconsistent with its provisions, shall continue in force until amended or repealed by the Council.

Initiative and Referendum Powers—Emergency Ordinances

Section 3. The initiative and referendum powers are reserved to the people of the City on all questions which the Council is authorized to control by legislative action; such power shall be exercised in the manner provided by the laws of the State of Ohio. Emergency ordinances upon a yea and nay vote must receive the vote of two-thirds of all the members elected to the Council, and the reasons for the necessity of declaring said ordinances to be emergency measures shall be set forth in one section of the ordinance, which section shall be passed only upon a yea or nay vote upon a separate roll call thereon.

Number of Councilmen—Term—Compensation—Unexpired Term

Section 4. A Council of nine members shall be elected for a term of two years, commencing on the 1st day of January next after their election and shall serve until their successors are elected and qualified. Each member of the Council assuming office January 1, 1926, and thereafter, shall receive as compensation the sum of $5,000 per annum, payable semi-monthly. When the office of Councilman becomes vacant, the vacancy shall be filled by election by the Council for the unexpired term.

and tabulating the results, and to modify the form of the ballot, the directions to voters, and the details in respect to the method of counting and transferring ballots accordingly; provided, however, that no change shall be made which will alter the principles of the voting or of the counting.

ARTICLE X. MISCELLANEOUS.

Section 1. The members of the Council and all officers and employees holding office at the time this amendment to the Charter takes effect shall continue in office without further appointment, subject to the provisions of the Charter.

Section 2. If any provision of this Charter be held to be unconstitutional, this shall not affect the validity, force or effect of any other provision.

Section 3. This Charter shall take effect and be in force on and after the first day of January, 1927, except as otherwise provided herein.

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