LOGICAL LIBERALISM

by

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Preface

What art thou doin', Eben?
Ritin' a book, Samantha!
But who will read thy book, Eben, after it is rit?

—OLD YANKEE DIALOGUE

IN VIEW OF the numerous volumes which already have been published since the crash of 1929, treating of the whys and wherefores of that mysterious happening, a new one may seem superflous. And the author only ventures to justify his apparent presumption by assuring his readers that the variegated contents of this work were not assembled for the purpose of composing an obituary of the New Era, or modern Golden Age, but are the fruit of forty years of study and observation, in many lands, of the question now so urgent for all thoughtful and patriotic Americans: How to reconstruct our republican institutions so that the liberal ideals of our rural revolutionary ancestors can be conserved within the shell of our predominant urban society —constantly worried and puzzled by the many apparently hopeless maladjustments of the Industrial Revolution.

As a young engineer in the 1890's, I was first attracted by economic problems, and so started at the opposite end from most social students—lawyers, professors, journalists, or divines—who are at first, and often exclusively, magnetized by the more sensational and easier-observed enigmas of politics. Notwithstanding, within a decade the shocks of experience had sufficed to convince me that essential economic reforms must await a commensurate rebuilding of our political structure. Accordingly, ever after, I dedicated an equal attention to the mazes of both politics and economics, for whose unraveling I was fortunate enough to be able to see from the inside, as an employee, through the practical workings of twenty corporations and six governments, dispersed over three continents.

The title *Logical Liberalism* implies a *liberalism* assured in the logical sense of our scientific age, as distinguished from its present practice which is a wretched relic of the eighteenth century. Then, even educated people were victims of childish illusions as to the history of mankind and its earthly home, illusions which had been handed down from former unscientific ages and have taken form in laws for the conduct of government and business which must ever continue to vex us until they are revised in the light of reality. For the latter objective, the essential cures are two: The first, of Book III, is a specific for ohlocracy, or that "rule for the vulgar and vicious" into which we are rapidly drifting; and the second, of Book IV, is a remedy for plutocracy, or the "rule of the rich." Both rules are sure signs of decadent democracy and are solely due to our crude and pseudo-liberal constitutions; for if our citizens did not individually average as competent as those anywhere, the best-laid plans for national regeneration would be unavailing ever to "evict sham democracy from America."

To help the reader, the work has been divided into four books, but its chapters have been numbered consecutively for convenience of reference. As the work is meant for popular consumption, all sums have been quoted in round numbers and footnotes for its statistical and historical data have been omitted, all of which, none the less, proceed from the author's personal experiences or from reliable authorities. Of the latter, those published in book form are listed in the final reference list. An apology may seem due for the length of the historical portions, unless the reader realizes that they epitomize the whole economic and political history of mankind as the necessary foundation for the reconstruction of our social institutions.

Finally, I will explain—for the benefit of such readers as might deem some of my plans revolutionary—that the World War* ended an epoch, and that the surest way to avoid another such irreparable disaster is to apply at once, for the achievement of political efficiency and economic justice (both at home and abroad), that same modern science which so far has revolutionized the civilized world unfortunately only as to its methods of industrial production and military destruction.

The "L.L." (Logical Liberal) political program has been designed in three sections; and the first one for introduction will

* This reference and all subsequent references to the World War, are to the war of 1914-1918.

naturally be that for local government (App. 6) which can be readily adopted in those many cities which, having already the first city-manager plan, will need only to supplement it by the election of the council by "P.R." (proportional representation) in order to oust the national political machines from local control. A general success in the practice of the L.L. scheme for local government in some State may embolden its citizens to call a convention for the adoption of a new L.L. State constitution (App. 5). This pioneer action of one State should achieve such practical benefits for its people as to inspire its imitation by so many of its neighbors that the reorganization of the Federal government on L.L. principles may soon ensue as naturally as daylight follows darkness (App. 4).

The L.L. economic program, while socially desirable and indispensable for attaining our traditional ideal of "equality of opportunity," is not an integral part of the political plan. The latter may be inaugurated independently of the former, and can alone change our weak, stupid, and wasteful public administrations into strong, wise, and efficient ones. On the contrary, there seems little hope for the success of the L.L. economic proposals unless accompanied, or preceded, by political reform; because, even if some of them should fortuitously become law, they easily could be rendered futile by the double-dealing of our perverted governments. It is utopian to hope that any officials now failures in their duty of enforcing legal equity in our economic contests —because either too stupid to discover that anything is wrong, or too wicked to care if they do—should be expected to become either wise or virtuous by a mere change in the rules for handicapping the contestants.

Finally, I wish to thank those many friends who have helped and encouraged me in the long but gratifying task of composing this work, especially my son (Akbar Fairchild B.) who has spent his last two college vacations in typing the entire manuscript.

Robert Bruce Brinsmade

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My Economic Eye-Openers

STANDPATTERS ASSERT THAT we have no economic ailments of moment because we excel other nations in four items: reserves of natural resources—arable soil, pastures, forests, fisheries, minerals; machinery and buildings suitable for producing all sorts of commodities; workers trained for operating the machines; and surplus wealth available for investment. If we grant the first boast to be true—except for forests, of which the Russian and British empires probably have more—it simply goes to show the immensity of our original inheritance if so much still remains after a century of reckless waste, on a scale never before known, by greedy and ruthless landgrabbers. They have butchered lumber everywhere, killed off the game and even exterminated entire species, poisoned streams and lakes and ruined their fisheries, eroded rich farm lands, destroyed vast pristine pastures by overgrazing or plowing, wrecked countless coal beds, blown away mighty reservoirs of natural gas, and all without restraint by any government worthy of the name. Yet all this wicked devastation of God's gifts to mankind merely represents the inevitable—even with "civilized" peoples—when government has been founded on mischievous political fallacies, and laws of private property have been adopted in complete discord with the logical principles of human liberty, which postulate a due respect for the rights of others, especially for those of posterity.

Another practical commentary on the failure of our political and economic institutions to insure that equality of opportunity of which their sponsors blatantly brag is our existing distribution of wealth. In 1924-1925 the Federal Trade Commission studied 43,512 estates which had been probated in twenty-four representative counties scattered over thirteen states and had a total value of $671.33 millions; besides there were included 141,446 estates of under $500 in value—consequently not probated—averaging $258 each. The results proved that one per cent of the decedents owned 59 per cent of the total wealth, and that thirteen per cent owned ninety per cent of it; this left only ten per cent of the total wealth for the remaining 87%. In other words, one decedent in every eight owned nine times as much wealth as the other seven combined, and of these lean estates the one probated was as large as the six non-probated ones. Thus, 25 per cent of the decedents possessed 95 per cent of the property.

The same absurdly unfair distribution of income, as of wealth, existed even at the height of the New Era orgy, as is shown by careful statistics of 1929. We then had 2.1 million families with annual incomes under $500, but 38 persons enjoyed aggregate taxable incomes as large as the total earnings of 300,000 workmen. One-fifth of all families had incomes under $1,000, while 36,000 families received over $75,000 each over, for an aggregate of $9.8 billions. This last one-tenth of one per cent of us had almost as much as the $10 billions of income accruing to 42 per cent of the nation, numbering 11,653,000 families. Thus, one family of the rich group had as much income as 324 families of the poorest group with incomes under $1500. Or 3.5 million families, enjoying annually over $4,000, aggregated as much as the balance of 24 million families with incomes under $4,000. In brief, our upper crust of thirteen per cent totaled as much income as our underdogs, comprising 87 per cent of the nation.

At the same time, in Prussia, it took seven per cent more, or twenty per cent of the richest families, to receive half the national income, and the poorest 67 per cent had a third of it; this indicates that an ohlocracy like ours is even more unjust to its proletariat than the semifeudal homeland of the Kaiser. What has hitherto enabled our New Plutocrat defenders to deceive the unwary is the fact that we have been sparsely occupying a territory possessing a large fraction of the earth's natural resources, still in a partly virgin condition. Naturally, our annual product per capita easily could be made much greater than in depleted and densely populated western Europe, and our workers could be paid a higher money wage and still be receiving a much smaller proportion of the total product than in Prussia. Our population even now is only 41 per square mile, as compared with 197, in France; 349, in Italy; 361 in Germany; 505 in Britain; 610, in Holland; and 699, in Belgium. That such superior economic advantages over our European contemporaries provide such a disproportionate betterment of the incomes of our proletariat proves that we have had a sham democracy, not a genuine one.

The peak of the Jazz Decade for our plutocrats occurred in 1928, when Federal income-tax returns showed that the richest group of twenty-six persons enjoyed incomes of over $5 millions each; the second group of 500 received an average of $2.4 millions per person, or a total of $1,109 millions; the third group of 983 persons had an average of $682,463 each, or an aggregate of $671 millions; and the fourth group of 27,207, barely qualifying as millionaires with an average of $68,286 each, had still the huge sum of $1,858 millions yearly.

In that decade, too, more than half of our wage-earning families had to supplement the earnings of husband or father by those of mother and children in order to reach the new lofty subsistence level caused by the unnatural persistence of war prices; accordingly, fully a third of working women were then wives. Since the Golden Age of trust-making (1898-1904), moreover, there has been a marked concentration of income in the hands of monopolists, who have therefore lived like rajahs chiefly at the expense of the middle class, since the poor relatively have lost little. The middle class had to relieve its deficit, as the trusts gradually advanced prices, by sending its daughters to work for pay; and in 1917, when New Plutocrats seized the Government for war profits and began to milk the nation like a stanchioned cow, many middle-class wives also went out to work. As a result, fifty per cent more women were working in 1920 than in 1913. This growing menace to our home life is evident when census statistics show that of all females over ten years old only thirteen per cent were working in 1870 but 22 per cent in 1930.

Our systematic sacrifice of rural to urban life began with the Civil War. Between 1860 and 1910, city dwellers increased 3.5 times, wage earners twice, miners thrice, clerks, salesmen, and typists 6.5 times, and transport workers twenty times as fast as population. Though our farmers proportionately lessened in number, their output of food per worker rose, owing to the wholesale application of labor-saving machines and the exploitation of trans-Mississippian virgin lands. Finally, half our population could feed the rest. Meanwhile, ordinary business methods improved, merchants adopted the one-price system, and manufacturers made more honest goods, especially after the passage of the Federal Pure Food law in 1906. The development of credit and payment by checks enabled transactions to be effected with a minimum of specie; the new technical schools, stimulated by the Morrill Land-Grant Act of 1861, trained skilled directors for the many new factories which the accumulation of capital and the growth of inventions were bringing into being. Due to all this, the national wealth increased in thirty years from $500 to $1,500 per capita, while our public debt was relatively one of the lowest on earth.

Unhappily, this rapid tripling of our material wealth had been effected with such a disregard of governmental trends and social equity as to create grave problems for the future. Our great, honest middle class, whose practical ability and tireless energy had achieved the physical conquest of a continent, had "never had time for politics." And here it exhibited a foolhardy ignorance of vital social factors essential for national equilibrium, and so had only itself to blame when struck down by the typhoon of the World War and its dreadful aftermath—for nature is inexorable and punishes sins of omission equally with those of commission (Chs. XI-XVII).

As a child, I resided with my parents in four different United States cities and spent three years—from the age of thirteen to sixteen—as a boarder in a gentleman's school in London, whence I travelled, during vacations, in Holland, Germany, France, and Switzerland. My father, a wholesale merchant, was sprung from a long line of farmers who had consistently lived by the ethics of Puritan England as it was in 1640, when our ancestors had emigrated to Connecticut. As a result, I was much astonished at the unjust conditions prevailing in the working world, where I was launched as an engineer during the crisis of 1893-1898. Although I was ignorant of economic science—since my five years of professional study had been devoted to technology—I was trained in the realistic system of thought and observation, and so was able to investigate for myself why it was that those of a small, rich class had such big incomes, and often were idle, while most other people had such small incomes yet worked so hard.

The common opinion of my older associates was that the difference was due to "property," which the wealthy possessed and the poor lacked. They also opined that the former had property because they had saved a large part of their salaries, while the latter were spendthrifts and so stayed penniless. Although this answer appeared to be true for a good part of the moderately wealthy, it failed utterly when applied to several "self-made" millionaires whom I knew personally and whose entire salaries, as former workers, would not have aggregated a million in a century.

About this time I read Bellamy's *Looking Backward,* which proposed to abolish all private property in means of production and transfer it to the State, so that the latter could be the sole employer and give every worker an equal salary in a cooperative commonwealth. Meanwhile, I had enjoyed several years of close contacts with manual laborers, both as miners and as fellow-boarders in Montana, and so was convinced that Bellamy's plan was quite impractical because the laboring masses had neither the mind nor the morals to make it a going concern.

A little later I read *Progress and Poverty*, and had for the first time the feeling that I had entered on the correct path towards economic truth. For now I understood that it was not "saving their pennies," but gifts of valuable mineral deposits from a Santa Claus government, which had made my Montana friends millionaires.

In 1900, I returned to work in the southwest Missouri lead mines, where the import duty (of 2⅛ cents a pound) of the new Dingley Tariff law had caused a boom by raising the domestic price of pig lead about 40 per cent. Backwoods farms which had previously gone begging at $10 were now selling for $100 to $400 an acre and, some years afterwards, raw land lying within the proved mineral belt sold as high as $4,000 an acre. Evidently, here too, it was land titles and not "saving salaries" which furnished a quick and toilless way to wealth.

Moreover, I found a new wealth-booster in Missouri— the protective tariff—which had suddenly transformed lean lead land into veritable bonanzas. The mining boom soon attracted organizers who formed a labor union and later succeeded in forcing the landowners to share part of their loot in the form of higher wages. But the consumers, who then financed both land and labor monopolists, never since have had relief from their initial expense for "encouraging an infant industry," since the tariff on lead remains the same as in 1898.

My next practical experience with "democratic" land laws occurred in Argentina where, within a radius of 350 miles from Buenos Aires, extends the Plata delta—the largest and richest tract of well-watered arable land within the South temperate zone. Perfectly flat and stoneless, this region offers ideal conditions in the application of machinery for the cultivation of wheat, flax, and maize for export, or of alfalfa for stock raising. On a trip thither in 1901, on the Atlantic steamer, I met a rich young Argentinean who spoke English fluently but with a thick Irish brogue; he was returning with his family from an expensive European tour. Later, I ascertained his strange history.

Some thirty years previously, the youth's father had been one of a group of poor Irish emigrants who had started a small farming colony near Buenos Aires. Some time after his arrival the Government had driven the remaining Red Indians from the southern Plata Valley and had offered a part of their former hunting grounds for public sale at about twelve cents an acre. Urged by their shrewd Irish priest, the colonists had invested their small savings in this cheap land and then had awaited results, for they had no money with which to improve it. Since then, British capital had built a railway through the region, myriads of Spanish and Italian immigrants had arrived and had become tenant-farmers, and, with a new, rapid steamship service, Argentina had become one of the chief purveyors of grain and meat for western Europe (App. 3).

The chief beneficiaries of this social progress had been not the Argentine nation but a few land speculators like our humble Irish colonists, who were now drawing, in annual rents for their erstwhile wild lands, a sum ten to twenty times what their father had paid for titles to them. And this income was nearly net for, like all other Latin American "republics," Argentina still follows the aristocratic Spanish system and collects most of her public revenue by indirect taxes on the masses, the annual levy on land being at the rate of only one-half of one per cent of its valuation.

At present, Buenos Aires province (area 117,807 square miles) furnishes the world's most glaring example of the social injustice of agricultural land monopoly, though Argentina poses as a democracy with manhood suffrage and a Constitution resembling ours. Besides hundreds of big but lesser holdings, 56 owners possess more than 75,000 acres each, or a total of 18,216 square miles—an area larger than Switzerland's. As this land now has a rental value of $5 to $10 (United States) net an acre, its owners have the incomes of multimillionaires, and most of them are as idle and parasitic as the French nobles of Louis XVI; they have palaces in the city of Buenos Aires yet spend much of their time in Paris, where they vie with World War profiteers and our New Plutocrats as wanton wasters.

On returning from Argentina, I was surer than before that I knew the basic cause of our prevailing economic injustice, but I was still in doubt as to whether it were right for anyone to use his capital as a means of gaining large profits, as an owner of a factory, store, or business. Was not the only ethical plan that of a strictly cooperative society, where the capital employed was only rewarded like a mortgage loan—at the market rate of interest—and any further profits were divided among consumers, or employees, or both?

It was then that I was enlightened by L. F. Post—then editor of the Chicago weekly, *The Public*—who had published in November, 1902, my article on Argentina. His keen analytical mind had achieved in the economic field of facts and figures that command of reality which his utopianism—due to a narrow social experience—had failed to do in the political world of human passions, deceptions, and conflicts (Ch. XX).

Post explained to me that the owner of any enterprise could gain only fair profits—that is, those in harmony with his contributions as investor and also, often, as manager and salesman—unless he had some special privilege, not enjoyed by his competitors, in his means for producing or marketing his product. Therefore it was not private property in real capital (labor products) which caused social injustice in the distribution of incomes, but some unfair advantage which gave its possessor a handicap over his rivals in our system of sham "free competition."

With this clue as a start, I began to investigate the concrete nature of these "special privileges" by which the few could get rich without working, at the expense of the many who worked without getting rich. At once, as the most self-evident, I spotted the legal privilege of land ownership, simply because in every variety of productive land—farming, urban, mineral, public utility—there were certain lots which would yield much more than others in return for the application of equal amounts of labor and capital. And so it was their lucky acquirement of superior lots of land, and not their diligence or thrift, which had transformed my associates of Montana, Missouri, and Argentina from impecunious toilers into millionaires!

Next I discovered that legal monopolies were not limited to the permanent ones conferred by land titles, but included a class of temporary ones granted to inventors as patents and to authors as copyrights. As in the case of land titles, many of these patents and copyrights never proved of any commercial value; others, on the contrary, became very profitable and enriched their owners. But patent monopolies are more defensible than those derived from land, because they are of short duration and designed to benefit society by stimulating invention, yet they have been much abused owing to faulty laws (Ch. XXXVII).

Then I found that various illegal monopolies gained their original economic power by alliance with or control of some public utility; as the Standard Oil Company, which at first owned little oil land but dominated the railways, and later the pipelines which transported its product; and the Beef Trust, which gained its advantage over competitors by controlling the refrigerator car lines (Ch. XII).

Another class of illegal monopolies proved to be based on the protective tariff, sometimes alone, but usually in connection with legal monopolies of land or patents. They had arisen whenever domestic producers had been able to combine in order to set the price for the home market (at the foreign price plus duty and freight), without reference to their own cost of production (Ch. XXXIV).

About this time, too, I discovered another and distinct type of monopoly which did not, however, become a serious social menace here until the World War. Its first prosperous example was the A. F. of L. (American Federation of Labor), the president of which from 1882 to 1924 was the late Samuel Gompers, who had arrived in New York as a boy from England and learned cigar-making. He applied to the sale of labor the motto "Give little but get much." An epitome of his cynicism—aiming to aggrandize his federation regardless of the effect on the masses in outer darkness—was his initial and steady political support of the tariff iniquity in return for its beneficiaries' favors. An extreme case of this labor predacity is found in the needle trades, where workers and employers together are alleged to have formed a "more perfect union" for plucking the public (Ch. XXXVI).

In one branch of the salaried class, too, there is exhibited this same spirit of egoistic greed. I refer to trust officials, whose salaries—plus "bonuses for special merit"—may have no relation to the value of their services in the labor market; none the less, huge sums thus can be paid often from monopoly profits at the expense of the shareholders—the public being the victim in any case. Of the most coddled executives, 750 aggregated $12 millions yearly (1936); of these, five received over $100,000 each; seven between $75,000 and $100,000, and twenty-nine from $50,000 to $75,000. The average was $16,000. Excessive salaries—far beyond one's deserts—have various causes. Usually they are distributed by that clique or family which bosses the trust's board of directors—though they may own only a small minority of the shares—through unfair charters granted by "pocket boroughs" like Delaware. Often they are designed to compensate the recipient for his power in politics or his skill as lobbyist.

When later I began to scrutinize these eye-openers philosophically, I soon found that our existing "liberal" or laissez-faire system was nothing like the one planned by its proposers, the French Physiocrats. The latter had preached free competition, we had perverted it by special legal privileges of land and patent ownership; they had advocated free production and exchange, we had crushed them with countless taxes and had obstructed them by high tariff walls, and had tolerated labor monopoly. Since the World War it has been the fashion in many reform circles to assert that liberalism is a failure, when the best we have ever had is a political pseudo-liberalism which not only authorizes two basic monopolies but is too inept to arrest many illegal ones. The author believes that first an honest attempt should be made to inaugurate Logical Liberalism—which permanently assures an equality of economic opportunity for every citizen—before straying off after the strange gods of Syndicalism, Fascism, or Sovietism—mostly not new but resurrected from Medievalism or Barbarism (Chs. I-V).

Having thus in the course of my first twenty years of practical business—combined with study and travel—discovered the main causes for our industrial anomalies, much of my spare time during the past twenty years has been spent in devising for them economic remedies which now will be explained (Chs. XXVI-XXXVIII and Apps. 1-3).

CHAPTER XXVI

Ethics of Private Property

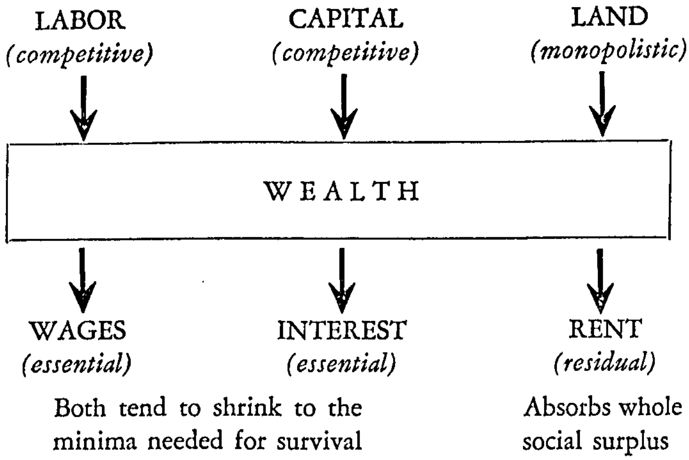
It is a truism that the criticism of a bad system is an easier task than the devising of a cure for its evils. In order to prescribe effective economic remedies for New Plutocracy it will be necessary first to scrutinize the relation of mankind to the planet, in the light of history and economic science.

A modern civilized nation, unlike a barbarous tribe, is organized on a purely territorial basis; it lives on, whatever the social grouping or location of its inhabitants (Ch. I). Thus it is clear that the control of land is the foundation of our society. If the bulk of a nation's land values be owned by a small group—as private property—an oligarchy will control the government, whatever may be its nominal republican form. And this truth was never better illustrated than now in the United States.

Dual Nature of Property. All property may be divided into two classes: land and labor-products. By "land" is meant the earth and its attributes, or natural resources, and it includes all such material gifts of Nature as can be monopolized. The value of land is calculated after deducting all improvements due to labor, and it includes five main classes: townsite, farming, forest, mineral, and public utility. In the technical sense, land is not "wealth," but merely one of the essential factors of production. By "labor-product value," or wealth, is meant the value of man's handiwork. Wealth includes buildings, tools, machinery, land improvements, commodities, etc.; and when used productively it is *true or "economic* capital," as distinguished from "capital" used popularly, which often includes both land and labor-products. "Labor," as here used, includes both the mental and the manual efforts of man when used productively. Capital thus can be considered as stored-up or passive labor, while labor itself is always active.

Wealth Production. All the factors for producing wealth can be finally reduced to three: *land, labor,* and *capital,* while the produced *wealth* is thereafter distributed among the same three factors, labor receiving the *wages,* capital the *interest,* and land the *rent*. These seven italicized terms, in their strict economic sense, can be related graphically by the accompanying diagram.

TRINITARIAN DIAGRAM



The popular terms "profits" and "income" are complex rather than simple items of distribution; each term can be subdivided into interest, wages, or rent, according as the wealth may represent, the reward paid for the use of capital, of labor or management, or of land. The term "insurance" can be readily classed either as interest or as wages, according as it represents the extra cost, for capital or for labor, added to cover the risk of their use. Similarly, the popular terms for the factors of production, such as "real estate," "railway," "mine," or "factory," after a little consideration can be readily subdivided into the fundamental factors of *land*, *labor*, and *capital*.

As land, labor, and capital share among themselves the whole output of wealth, the share of one of the three productive factors in the output of any enterprise can be increased only at the expense of one or of both the other two. Also, the share of wealth that one factor can obtain depends entirely on its relative strength in the struggle with the other two factors. As productive operations grow in size, it is evident that any one of the three factors that can be indefinitely increased in quantity is subject to competition, and consequently its share of wealth tends to be cut down to the minimum necessary for that factor's survival. As both labor and capital are legally of this competitive nature, wages tend constantly to approach the lowest living wage necessary to keep up a labor supply of the required quality, and interest tends to approach the minimum rate needed to encourage the saving of capital. Land, on the contrary, being fixed in quantity, cannot be increased as production grows; therefore it is legally the only monopolistic factor of the three. The final result of the competitive struggle in distribution between land, labor and capital is that the monopolistic factor, land, takes from any operation the whole residue of wealth after labor and capital have been paid their essential wages and interest.

Capital is perishable but can be easily recreated; land is permanent and without its constant use labor cannot exist. Deprive a nation of all its capital and in a few years its producers will replace it; but deprive a nation of its land and force it to live solely on its accumulated capital, and even the wealthiest people will soon starve to death.

Nature of Rent. Given the same quantity and quality of capital and labor, the wealth output will vary with the productivity of the land utilized. This difference in land may be due to geological causes, as with soils or mineral deposits, or to location, as in the cases of townsites and public utilities.

The rent of land is essentially a residual product obtained by subtracting wages and interest from the wealth output; and this is true because both labor and capital must be continually supported and renewed, or they perish, while land is self-supporting and self-existent. Hence lands may be continuously worked without yielding rent, and it is likely that the area of rentless lands under exploitation on the globe is greater than that of those yielding rent.

Marginal Land. In each industry there exists "marginal" land, that is, land whose product leaves no residuum or rent after wages and interest have been paid. This marginal land varies in quality with commercial activity, but it may be described as the leanest land that must be worked to satisfy the current requirements of the market. Now can be stated:

Ricardo's Law of Rent. "The normal rent of any land is got by deducting the produce of marginal land from the produce of the land in question, the same labor and capital being applied in each case" (App. 1).

Land Speculation. In popular language, "speculation" means taking a risk of gain or failure, even in ordinary trade, but here it means only the holding of property out of use for the purpose of obtaining an enhanced price. It is evident that land lends itself easier to speculation or forestalling than do labor-products, because it is imperishable and, being fixed in quantity, tends to advance in price as population and business increase. Speculation in labor-products, on the contrary, is only profitable where the whole floating supply can be cornered for the purpose of obtaining, temporarily, that unearned profit which uncontrolled private land ownership in growing countries tends to give naturally and continually. The term "promoter" is not synonymous with "speculator"; the former is a necessary factor in starting all new enterprises for the development of land, while the latter is purely an industrial parasite, the modern robber-baron, who with his paper titles blocks every road to production.

With a given quantity of labor and capital in a country, it follows that the greatest output of wealth will be obtained by applying them to the most fertile lands. And if some of these latter lands are held idle by speculators, the forced resort of the corresponding labor and capital to inferior lands will result in a lessened output.

While land *speculation* only indirectly affects the quantity and price of commodities by lowering the quality of marginal land, land *monopoly* is able not only to control the quantity but also to fix directly the price of its output. If the monopoly be local, it can only fix prices as high as those of an imported product; if it be complete, it generally fixes its price at "what the traffic will bear," or where it will produce the maximum continuous income. As examples of practically complete monopolies may be mentioned our Aluminum and Anthracite trusts.

Interest. The rate of interest (independent of cost for insurance of capital) is fixed by the extra output obtained by applying capital to marginal land. Hence, every deterioration in the quality of marginal land, produced by the holding idle of superior land, means a decreased advantage from the use of machinery and, consequently, a smaller hire or interest for it.

Wages. The rate of wages for a skilled occupation is based on the cost of acquiring this skill, and its rarity in proportion to the demand for it. The basis for wage rates is that of unskilled labor, fixed differently in new as compared with old countries. In the former, unskilled labor is paid what it can produce on free or marginal land; in the latter, it receives a "subsistence wage," or on what a laborer can live and reproduce at the prevailing standard of comfort.

Holding land idle for speculation tends to decrease the productivity of labor, by causing it to be applied to a poorer quality of marginal land than would be necessary were the whole area of superior land in production before recourse was had to an inferior quality. Therefore, land speculation will always reduce wages and, if carried on extensively in a new and thinly settled country, will artificially reduce wages to the same level they would have reached normally only after a dense population had arrived for settlement.

Though land speculation decreases the output of a country, the net yield or rent from any given tract of producing superior land is increased, since there are less wages and interest to deduct from the gross yield. The market value of all superior land (which is simply the capitalization of its net yield if developed) is also increased correspondingly with any decrease in wages and interest. A low wage rate means hard living conditions for 95 per cent of the population, a low interest rate discourages domestic saving and means that other nations will bid higher for the new productive capital essential for an increased wealth output.

J. S. Mill says: "The economical progress of a society constituted of landowners, capitalists and laborers tends chiefly to the progressive enrichment of the first." From this fact, that landowners are able to demand the cream of the wealth output, arises the condition that most of the world's capital gravitates into the possession of the great landowners. As these latter prefer to be called "capitalists" rather than "landowners," many reformers have mistaken capital instead of land for the controlling factor in production. This mistake was promulgated by Karl Marx in 1873 by his first volume of *Capital*, dealing only with manufacturing; but when it was partially corrected in 1893 by Engels' publication of the posthumous third volume of *Capital*, dealing mainly with land, it was too late to alter the economic program of European political socialism, which had then used Volume I of *Capital* as a Bible for twenty years.

Prices. While supply and demand may name the temporary price of a commodity, its average price is fixed by the cost of reproduction on marginal land. It is thus clear that decreasing the quality of available marginal land, by holding superior land idle for speculation, will artificially increase prices in a thinly settled country to the high level they would have normally reached only with a dense population.

In normal competitive conditions rent is not a factor in fixing prices, since marginal land is rentless. But for certain commodities, such as bauxite and anthracite coal, where the land from which they can be produced is so limited in quantity as to be easily cornered by one combine, there ceases to be any rentless land at all. For with all anthracite land in control of the Anthracite Trust, its price is fixed at a point to procure the maximum annual profits; and this artificially fixed price is quite independent of the cost of reproduction in the marginal anthracite mine, and might often yield a rent for such a mine.

Privileged Property. The fact that land ownership carries with it special economic privileges, not shared by the laborer or the capitalist, was perceived by the ancients. The long duration of the Hindu and Chinese nations has been largely due to their original democratic systems of land tenure (Ch. I).

Yet many ancient governments were organized for the subjection of the mass of producers to a conquering caste, and this was even the case in eighteenth century France, one per cent of whose population of 25 millions consisted of a degenerate class of nobles and clergy. These aristocrats not only owned half the land but received besides, through their feudal and clerical exactions, about 25 per cent of the gross product of the farmers who owned the rest. Though paying little in taxes themselves, they drew from the State by pensions and sinecures a large part of the national revenue, mostly squeezed from the producers by indirect taxation such as the *octroix* of local tariffs (obstructing domestic trade) as well as the high import taxes on foreign goods. No representative parliament existed, and the nobles formed the judiciary and decided cases for their own interests. For needless wars and a wasteful court, a huge national debt had been contracted on onerous terms.

The economic ideal of liberalism—as distinguished from communism—is "equality of opportunity," and this means the *equitable*, not the *equal*, distribution of wealth. It means economic gains for the individual citizen in proportion to the actual services (either by labor or capital) he renders to wealth production or to social well-being.

Unfortunately, owing to the ignorance of the masses in political economy, not even in modern republics can there now be said to be anything like equality of opportunity. Systems of property-holding and taxation—inherited from a perverted feudalism (Ch. XII)—enable the privileged classes to draw large incomes not from their labor, enterprise, or capital, but from their paper titles to the monopolistic factors of production, especially the land.

As man is a land animal, the use of land is essential to his life; and since he has a natural right to life (as long as he respects the equal right of his fellows) it follows that he has a similar natural right to the use of land.

Ethical Property. It is a necessary part of the liberty and dignity of man that he should own himself, subject to the moral law. Therefore he has a natural right to what he produces by his own labor on land (provided he respects the equal right of others to its use) and this right forms the only moral title to private property. No nation has any moral right to give a citizen a title to land as his private property in the absolute sense (like private property in labor products) and no modern nation has done so completely, for the public rights of taxation and eminent domain are always reserved. Even in England the strongest title, the "freehold," does not imply absolute private property, but merely a lease direct from the King instead of from his tenant, the nation.

The struggle in the modern world is then not between labor and capital as is popularly supposed (for how can machinery, which increases his productive power, injure the laborer?), but labor is fighting—as yet blindly—to free itself from the evils of a parasitic private monopoly. And all such monopoly is based on the legal privilege of uncontrolled, private land ownership, or on the abuse of patent-right and import-tax laws.

In Chapter X of *Social Statics*, Herbert Spencer concludes: "Briefly reviewing the argument, we see that the right of each man to the use of the earth, limited only by the like rights of his fellow-men, is immediately deducible from the law of equal freedom. We see that the maintenance of this right necessarily forbids private property in land. On examination all existing titles to such property turn out to be invalid; those founded on reclamation inclusive. It appears that not even an equal apportionment of the earth amongst its inhabitants could generate a legitimate proprietorship. We find that if pushed to its ultimate consequences, a claim to exclusive possession of the soil involves a landowning despotism. We further find that such a claim is constantly denied by the enactments of our legislature. And we find lastly, that the theory of the co-heirship of all men to the soil, is consistent with the highest civilization; and that, however difficult it may be to embody that theory in fact, Equity sternly commands it to be done."

Also, President Lincoln opined: "The land, the earth God gave to man for his home, sustenance and support, should never be the possession of any man, corporation, society, or unfriendly government, any more than the air or water, if as much. An individual, or company, or enterprise requiring land should hold no more than is required for their home and sustenance, and never more than they have in actual use in the prudent management of their legitimate business, and this much should not be permitted when it creates an exclusive monopoly. All that is not so used should be held for the free use of every family to make homesteads, and to hold them as long as they are so occupied."

The failure of the French and American revolutionists to destroy economic privileges was not due to lack of desire, but to lack of knowledge as to effective means. By establishing political equality and lopping off the branches of entail and of primogeniture from the privilege-tree, our ancestors thought they had killed it; but our present amazing concentration of wealth shows the tree was hardly scotched by this pruning (Ch. XXV).

Liberal Property. The equal right of all citizens to the use of a nation's territory long has been acknowledged by democratic social philosophers, but the practical means to achieve and maintain it has been only recently discovered. An equal division of a nation's land among its inhabitants might seem, at first thought, a simple solution of the problem; but the difficulty of such a partition of the numberless varieties and qualities of natural resources soon would be experienced. Even supposing that a first equal division could be accomplished, what would be done in the second generation to equalize matters between two families, one with ten children and the other with only two heirs?

The modern science of economics was first developed in 1750 by some French philosophers, called Physiocrats, led by Turgot and Quesnay. Turgot became finance minister of Louis XVI in 1774 and, as a means to save the nation from impending bankruptcy and revolution, he devised the *Impôt Unique* (Single

Tax), or the plan of raising all public revenue solely from land values. The new tax hardly had been started (with splendid results) when it was suppressed by the opposition of nobles and clergy who had Turgot dismissed; but they suffered for their egotism in 1793.

The father of English economics was the Scotch professor Adam Smith (1723-1790), who studied with the Physiocrats before he published *Wealth of Nations*. In 1817, David Ricardo first announced the Law of Rent, which is as fundamental in economics as are Newton's Laws of Motion in mechanics.

Although the Irish philosopher P. E. Dove saw the truth in 1857, the connection between Turgot's Single Tax and Ricardo's Law of Rent was not generally known, even to students, till the issue in 1879 of Henry George's masterpiece, *Progress and Poverty*. This epoch-making work raised its author from an obscure journalist to the pedestal of international fame, for it gave the long desired answer of the Sphinx to the property problem. It has been translated into ten modern languages and two million copies have been printed. Its main economic conclusions have been only strengthened by 57 years of attack from the keenest minds in the employ of the privileged classes, and they are beginning to affect legislation profoundly in all places where the working masses are sufficiently educated to unite politically for their own economic interests. The sole way for our monopolists to save their own skins is to continue to confuse the real issue by their popular propaganda.

In defending his privileges, a New Plutocrat has no scruple in perverting the moral law. Relying on the ignorance prevailing even among the educated class as to the history of property and the true relations of land to production, he boldly asserts the sacred and inviolable nature of his monopoly right in land values. Not only does he oppose any curtailment of his own parasitism, but he will fight to the death any attempt to reform conditions that might force even his remote descendants to work for a living. For is not his caste of a superior type of being, and was not the world and the balance of mankind created solely for its benefit, not only now but forever?

Thus the English House of Lords would permit the African slaves of the British Colonies to be freed, in 1832, only by purchase from their masters at the market price. This price was based not on anything the masters had done for the slaves but on the indefinite continuance of the power, then wielded by the masters, of depriving the slaves and their descendants of all the wealth they might produce beyond just enough food and clothing for a mere animal existence.

How much more honest and hopeful would have been our society today if our early lawmakers had been wise and virtuous enough to heed this admonition of our great altruistic seer, Thomas Paine:

> "It is a position not to be controverted that the earth in its natural uncultivated state was, and ever would have continued to be, the common property of the human race. In that state every man would have been born to property. He would have been a joint life-proprietor with the rest in the property of the soil, and in all natural productions. . . . It is the value of the improvement, and not the earth itself, that is individual property."

As land monopoly means ultimately, in any country, the payment by the landless workers to the landowners of their whole surplus output, it is economically identical with chattel slavery. It is probable that the Russian serfs were worse off after emancipation in 1861 than before; because they were still at the economic mercy of the landowners, who not only found starvation a better incentive to labor than had been the overseer's lash, but were thenceforth relieved from their obligation of caring for the sick or aged (Ch. XII).

The author's proposals for nationalizing our land values resemble the system adopted by Brazil, in 1871, for the gradual emancipation of her African slaves without paying their masters. The Brazilian state was not so generous to the slaveholders (with other people's money) as was the British House of Lords, but the slaveholders nevertheless accepted the reform; and thus they fared better than our Old Plutocrats, who went to war to defend their privileges and so eventually were deprived of their slaves without compensation (Chs. X-XI).

For the Logical Liberal Cures, the author then does not hope for support from New Plutocrats, or their toadies and dupes, but from those wise, patriotic, and generous spirits who prefer a world which confers wealth upon industrial ability and diligence instead of upon parasitism, and who can imagine no better legacy for their children than a country where social justice is incorporated in law.

CHAPTER XXVII

Logical Economic Liberties

Luxury. "LUXURY of the rich furnishes useful work for vast numbers of the poor who would otherwise die by starvation," is a plausible sophism which is believed by thousands of well-meaning people. But these credulous folk, if educated at all, are certainly ignorant of economic science; for how can the poor be furnished "useful" work in making useless things? Also, as has been just shown, the chief reason why useful work is scarce is because the masses are kept from their natural employer, the earth, by some of the same rich whose luxury "furnishes them work."

Wealth, when devoted to consumption instead of to production, may be divided into two classes: necessities and luxuries. "Necessities" are the objects essential for the highest forms of human life, such as food, clothing, tools, buildings, fuel, books, pictures, and musical instruments. "Luxuries," on the contrary, are superfluities; they may be merely wasteful, as jewelry, redundant automobiles, certain furniture and clothing, private palaces, and droves of servants; or they may be positively vicious, as prodigal banquets, gambling casinos, and seraglios.

As no wealth at all can be produced without labor, the producing capacity of any community is limited; and if it produces any luxuries it consequently must be able to produce fewer necessities. In a town with 1,000 workers, food will be just ten times as plentiful when all are producing it as when only 100 workers are raising food and the balance are making jewelry. In the first case, all will have enough food and no jewelry but, in the latter case, the folk will starve to death although they have rings on every finger.

If, however, we set only 500 workmen at making luxuries and the other 500 continue to raise food, there still would be enough food for all if the latter would work twice as much as before, or say twelve instead of six hours daily. In actual industrial life, the 500 food-raisers would give up half their produce as rent to one or more landowners, and these latter would then act as employers to "furnish work" to the 500 other town workers who made luxuries. In other words, the workers who produce necessities not only have to produce enough to feed and clothe both themselves and the rich idlers but also all those workers who waste their time in producing luxuries.

Luxury is not only morally degrading to the few who can indulge in it, but wantonly wicked, socially, since no nation can produce, even with modern machinery, enough to indulge its rich with unlimited luxuries without condemning its masses to poverty. It is an endless chain: the more production of necessities per worker by improved machinery, the more hands are diverted to producing luxuries for the few. As a result, no new machinery will ever benefit free workers, proportionately, until the laws governing the distribution of wealth are changed. What would be thought of a father who indulged himself in champagne while his children were starving? In a Logical Liberal State, no luxuries would be produced until there were enough necessities for all, for what is democracy but the economic ideals of a family applied to national life?

Fashion. Moralists are often decried as unreasoning fanatics because they preach against the vanity of the frenzied changes in clothing prescribed by fashion, but Logical Liberal statesmen cannot do otherwise than re-echo their views. Fashionable (as distinguished from artistic) clothing is a device of the idle rich to waste their surplus money and time in the pleasant task of ministering to their own overweening vanity. Excused on the plea that "it makes work for the poor," it has corrupted the middle-class women of Europe and America to such an extent that much of the masculine dishonesty in business and politics can be traced to the financial requirements of a "fashionable" family. Fashion is indeed one of the most insidious and dangerous forms of luxury!

It is not the competitive producers who are guilty of flagrant luxury, for even the princes among them, the managers of factories or mines, have neither money nor time for wanton waste. It is the parasites on production who must be attacked if destructive luxury is to be abolished. When these vampires of speculation and monopoly have been paralyzed by the Cure, our masses need no longer waste their time in producing luxuries for them, but can henceforth devote all their working time to providing themselves with better housing, clothing, food, and education. Finally, the rationalization of fashion will aid in alleviating urban unemployment, which is now greatly aggravated by the seasonal nature of demands for fashionable goods.

Millionairism. From the theoretical principles and practical examples of the last two chapters, general conclusion may be now developed: *The surplus wealth output of modern society, paying competitive interest and wages, is absorbed as monopoly profit.* This profit is largely concentrated in a few hands, those of the New Plutocrats who control all Big Business and politics. Their incomes are so vast that, after providing princely livings for their families, a huge annual sum remains which they can dispose in five ways: the first, that of luxury, selfish, when not decadent or even criminal; the second, that of charity, often beneficial if wisely used but inadequate to drain the greatest of their wealth reservoirs and, at its best, no substitute for justice; the third, that of investment in more land for speculation, the curse of industry; the fourth, that of purchase of new machinery for production at home or abroad; and the fifth, that of loans to governments. The last two ways should be always beneficent, but in our disordered civilization they, along with land speculation, are the chief causes of two horrid evils: crises and militarism.

Business Crises. The crises, or "panics," which occur every decade or so and often gird the globe, are accompanied by a plethora of goods with no one to buy them, the stoppage of factories, the paralysis of new enterprises, and the distress of the masses out of employment. Such crises have occurred recently in 1857, 1873, 1893, 1907, 1920, and 1929. Many are the contradictory causes assigned, but the true cause can be deduced easily from a study of the Trinitarian Diagram (Ch. XXVI). If laborers received the whole output of wealth there never could be any general overproduction, for they always could consume what they had produced. Even when part of the output is paid to the capitalist as interest, the same holds true, because competitive interest covers no more than the renewal and insurance of capital and the necessary encouragement for its saving to provide for industrial expansion as population increases. But when we consider the wealth diverted for the profits of the monopolists, a different condition holds, and its importance depends on the fact that these profits have been estimated to be half of all incomes from "investment."

While land speculation and an excess of factories are the immediate causes of crises, the divorce of the masses from the land, unbalanced wage scales, and an imperfect banking system will prolong their duration. Speculation absorbs the surplus incomes of middle-class buyers in unprofitable overpriced land, and its profits help to swell the incomes of millionaire sellers beyond their gains from their productive monopolies, because the insiders and those with the longest purses are the ultimate winners in land gambling as in other games of chance.

Millionaires invest part of their incomes in the fourth way (machinery) and thus keep adding to the previous output of commodities which neither the working, nor the middle, class can consume completely for lack of purchasing power. Incomes of the middle class are first partially locked up by the speculation in land and later are decreased by the consequent rise in rent for the sites of all stores, farms, and homes. When the glut of unsold goods gets large enough, some factories begin to shut down, throwing workmen out of employment to depress further the market for commodities. Soon the "crash" arrives, the unemployed must be fed by charity, land values begin to drop, foolish speculators lose their fortunes, and reckless banks fail.

When the millionaires invest their incomes in foreign factories, the same effects of glutted markets are ultimately produced, and these are further complicated by international commercial struggles to find customers for clearing the gluts. From such stresses arise exploitation of inferior races by the military powers, the "dumping" in foreign countries of surplus goods below their cost of production, and the erection of high tariff walls to plunder further the consumers of the "protected" countries for the benefit of native monopolists.

War Profits. Strange as it may seem, the waste of war tends to avert our industrial crises. When the millionaires invest their surplus in munition factories, they can only obtain satisfactory markets by encouraging governments to prepare for war, and by loaning those governments the money to meet the cost of this expensive procedure. Extensive preparations conduce to militarism, which finally leads to conflict; then the demand for munitions becomes insatiable and an endless chain of consumption can be established for the millionaires' whole surplus, in the form of loans for war and the erection of munition factories whose profits in turn can be used up indefinitely for more loans as long as the war continues. Meanwhile, there can exist no excess of output over consuming power and all laborers may find work. A striking example of such a boom took place here during the World War (Ch. XV).

Can Profits Be Moralized? Enough has been said, it is hoped, to demonstrate the fundamental fallacy of conservatives in their failure to distinguish between competitive and monopoly profits. The former are a required incentive for the saving of capital and the exercise of exceptional organizing and administrative ability, and their size is automatically, and in the long run justly, proportioned by the rivalry of competitors. On the contrary, monopoly profits are in direct violation of the ethical principle upon which our economic civilization is supposed to be built, that is: The rewards of wealth production should be distributed according to service rendered. Monopoly profits depend not on service, but on the legal or illegal power possessed by their recipients to extort wealth from the producers of wealth.

While the competitive profits of capital are based on the bank rate of interest–now less than three per cent annually–monopoly profits have no such foundation and, as it shall be shown by examples, may reach an annual rate of thousands or even millions of per cent (Chs. XXVIII-XXXIV). Although the latter class of profits shows the most spectacular effects in the case of its main beneficiaries–the millionaires–it corrupts the whole economic struggle and renders impossible the application of any moral criterion as to the justice of any given dividend or wage. For this reason our present rulers prefer to suppress by force, rather than by logic, such revolutionary innovators as the syndicalists or the Bolsheviks; because the latter method would compel them to reopen the whole question of the equitable distribution of wealth, and well they realize how far, ethically, is our present practice from its theoretical base.

The Liquidation of Plutocracy. In Book I and II are sketched the origin and growth of Plutocracy. First, the Old Plutocracy, which wielded all possible means for exploiting its politically weaker fellows; it originated before the dawn of written history and reached its apogee in the Roman empire. On the contrary, New Plutocracy is quite modern; conceived after the discovery of America, it gestated in western Europe's womb for two centuries before it finally was born during the British Industrial