

The Socialist Party will not, however, go along with a group that avoids or hedges on the core of New York's able-landlordism. The people must get the benefit of the land values which they create.

WE are not deciding anything for the future policy of the Single Tax movement. We would not do even if it were in our power. We are merely throwing for discussion and debate what our policy should be. The Socialist party now takes advanced ground on the question. If the party does this, there is no danger that this question will not soon become the crucial issue. As far as the party is concerned and the great national debate on the question will be opened. Whether the arguments outweigh the possible gains, whether we can afford to charge that we have become socialists, whether instead of presenting this great principle of ours the new party might shift its emphasis to what we regard as minor commendations, are all to be considered. Certainly the Henry George men of the Argentine now find that the socialists of that country are helping to carry forward the principles, and our friends there do not find themselves merged. It is true of course that what has happened in the Argentine might not happen here, and all these things are to be considered. It is a question of great interest and correspondence is invited from the readers of LAND AND FREEDOM.

MR. THOMAS has expressed indifference as to what the new party may call itself. He is not enamoured either with the name Socialist or Labor. To the average man the name Labor would seem to connote a Labor Union party, and many forward looking men and women would hesitate to belong to a party in which Matthew Ball was a dominating figure. Socialist is preferable to that. We beg to suggest as a name for the New movement, The People's Party. Whatever prejudice may at the time have been excited by that name has passed away, since much of the legislation recommended has been enacted and the People's Party has long ceased to exist. Until some better name has been suggested this one might still be considered.

## The Fundamental Reform

PRACTICALLY, then the greatest, the most fundamental of all reforms, the reform which will make all other reforms easier, and without which no other reform will fail, is to be reached by concentrating all taxation into a tax upon the value of land, and making that heavy enough to take as near as may be the whole ground-rent for common purposes.

—HENRY GEORGE ("Social Problems").

POVERTY! thou half sister of death, thou cousin-germane of hell; where shall I find force of execration equal to the amplitude of thy demerits."—BURNS.

## Profits and the "Vice" of Saving

### PART II.

ON the theoretical foundation established in my first article, I will now build up a practical structure to indicate the present effect of monopoly profits on the distribution of wealth and income in the United States, where the principal monopoly is that of land values, with lesser ones based on patents or a protective tariff and in recent years, on labor unionism.

Land, or natural resources, may be divided into five different classes: viz, agricultural, forest, townsite, mineral and public-utility franchise.

The large unearned fortunes from agricultural land accrued at first chiefly to the recipients of large territorial grants from the English, Dutch, French or Spanish governments, in colonial days. After the Revolution some of the unoccupied land was sold during the early XIX century to speculators for a song, with the idea of promoting a rapid colonization of the west, and many of these gentry thus became rich by the later increase in value of their holdings as settlers began to need them. During the same period many land bonuses were given to canal companies and this plan was greatly extended later for the benefit of railway promoters, until it culminated in the case of the Pacific lines in the bestowal of empires of territory which later formed the bulk of such great fortunes as those of the Stanford and Huntington families. Since 1900 many smaller unearned fortunes have also accrued to the owners of the richer agricultural lands, such as those of the Mississippi Valley system, by the great rise in land value since that date due to the exhaustion of accessible arable public land in the face of a constantly increasing population and consequent demand for agricultural produce.

Many unearned fortunes have also sprung from the ownership of land covered by wild forests which, unlike the cultivated forests of Europe, are due solely to nature.

While 75% of the nation's forests were publicly owned in 1870, by 1910 about 80% had become private property. The three chief methods of despoilment were: 1, enormous land grants by the Federation to promoters of canals, cart-roads and railways; 2, direct sales in unlimited quantities by the Federation, under land-settlement laws, at \$1.25 the acre; and 3, direct sales in 160-acre tracts by the Federation, under the "Timber and Stone Act," at \$2.50 an acre. Under the last method forests commercially worth 240 millions *at the date of sale* were ceded by the Federation to speculators' dummy "settlers" for 30 millions or one eighth of their value. At present an oppressive timberland monopoly exists as 1,802 owners recently owned 88,580,000 acres—an average of 77 sq. miles apiece—while the three largest owners, the Southern Pacific railway, the Northern Pacific railway and the Weyerhaeuser Lumber



Co. own nearly 25% of the standing timber of a billion bd. feet on the Northwest coast.

The natural result of this growing timberland monopoly began to exhibit itself, after 1890, in higher prices for lumber and land. In less than 20 years, the stumpage value of standing timber had advanced, from 10 to 50 cents up to \$2.00 to \$5.00 per M., an increase of several thousand per cent.; proportionate rises in the value of timberlands changed many impecunious speculators into millionaires. The market value of all private standing timber was estimated in 1911 as \$6,000,000,000, which means a vast burden of monopoly profit to be levied in the future on lumber consumers because of foolish property laws.

While the land values in agriculture, wild forests and mineral deposits are due largely to nature, those of town-sites proceed solely by their location with reference to human activities. Surround a city lot with a high wall so that its occupier would forever be isolated from all the city's people, and 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 fires in San Francisco and Baltimore, in which the owners of buildings lost millions, but the owners of land lost nothing since the old population had the same need for sites as before. In other words, the great advantage of the concentration of population in cities from the standpoint of wealth production, by means of the division of labor, reflects itself solely in the increase of the monopoly profits of the owners of townsites, or of urban rents.

The capitalization of urban rent is responsible for many great fortunes and nowhere do such rents increase faster than in certain American cities. Thus the Borough of Manhattan, N. Y., was bought from the Indians in 1646 for \$24.00, but in 1926 the private land alone was assessed at about \$6,000,000,000 while all private buildings were worth \$4,800,000,000. In brief the construction work done since the city's founding brought its owners in 1926 only 80% of the annual income that was received by the townsite monopolists whose gains had averaged an annual increase during 280 years of \$870,000 for each dollar paid the Indians, or at the rate of 87,000,000%.

The profits of American mineral landlords have also borne no relation to their original investment of capital and labor, in many instances. For example in Butte, Montana, the whole metallic output has been taken from some 30,000 acres of ground acquired from the nation for \$5. an acre. After producing more than two billions of metals since 1880, the camp still contains much good ore. The hundreds of millions of dividends received by the mine owners of this treasure house represented often an enormous profit on their real investment, since the present equipment for deep mining was usually bought from earnings and not from fresh capital subscriptions.

Another remarkable example of the genius of industrial parasites, at the expense of the national heritage, is the Mesabi district in northern Minnesota which, 40 years ago was a primeval forest, valued for its lumber at \$1. an acre. In 1890 rich iron deposits were discovered and subsequent exploration has shown that these are numerous, very large, shallow and cheaply mined. In most cases the landlords do no mining work at all; the mining operators lease ground, find the orebodies with diamond drills and then pay a royalty of 25 to 100 cents a ton for all the ore they extract. It is not uncommon for a 40 acre tract to produce 4,000 tons of ore on which the landlord collects a royalty of \$1,000,000, or 25,000 times the original land cost of \$40, representing an increase of 2,500,000%. Of the profited watered capital of the U. S. Steel Corporation amounting to nearly 1½ billions, C. M. Schwab testified in 1901 that 700 millions stood for the value of iron-ore properties. Of these "properties" the bulk were then undeveloped mineral lands on the Mesabi range.

The public-utility franchise is a form of land monopoly which requires the right of eminent domain for its creation. It is used for various means of transport for freight and passengers, like railways, and surface or underground ways for such fluids as water, oil, gas or electricity. Comparing public utilities with the Trinitarian diagram, we find that the wealth produced is the transportation service or the fluid delivered; and that of the 3 factors of production, the capital is represented by the cost of construction and equipment, the labor by the force of operatives, and the land by the right of way occupied by the rails, pipes or wires of the enterprise.

Nowhere have the evils of unregulated public utility been more evident than in the American railways. Vast bonuses of public land and money were often granted to their promoters for little or no service to society and many huge individual fortunes were thus obtained. A spectacular example of the profits to be gained by the corruption of legislators was the case of the Great Northern railway whose franchise grabbers got back, within 27 years, 1,000 for every \$1 of their original capital—an annual increase of 3,700%—while the profits of the concessionaires of the Union Pacific, Southern Pacific, Northern Pacific and Santa Fe railways were almost as great.

Various illegal monopolies have gained their original economic power by alliance with or control of some public utility. Such as the Standard Oil Company which first owned little petroleum land but dominated the pipelines and later the pipelines which transported its products; also the Beef Trust which gained its advantage over competitors by controlling the refrigerating car lines.

While patent monopolies are theoretically more desirable than those based on land ownership as, unlike the latter, they are of short duration and designed to benefit society by stimulating invention, they have nevertheless been much abused and have consequently yielded numer-



earned fortunes. Among examples of the latter were patents for telephones, electric equipment and shoe-making machinery. While such abuses can be remedied by radical changes in the principles of existing patent law, the latter is responsible at present for many undeserved incomes derived from monopoly profits.

Finally, I will mention, as an encourager of private capitalist monopolies, the protective tariff. It is a lesser power than a major factor in monopoly creation, as has been demonstrated by Henry George, but it has helped rather a multitude of unearned fortunes and is responsible in part, for the diversion of much wealth in the form of monopoly profits. These arise wherever domestic producers have been able to combine, so as to set the price of the home market at the foreign price (plus the duty and freight) without reference to their own cost of production.

A distinct type of monopoly, which has become especially important in the U. S. since the World War, is that of labor. Originally imported from England, the modern trade or labor union was needed in its homeland as a means of keeping in check the unscrupulous greed of factory owners who were able, on the rise of steampower at the beginning of the XIX century, to grind their operatives down to the level of subsistence. Owing to plenty of free means for discontented laborers in the U. S., until the latter part of the same century, these unions did not cut much ground here till this outlet began to be restricted, about twenty years ago, and is now little larger than in England where practically all productive land has been monopolized by a small class of "gentry" since the Napoleonic wars. Under the lead and selfish leaders, like Samuel Gompers, American unions found themselves in a position by 1915 to force the employing class to divide with them the enormous profits gained in munition making for war-torn Europe. Protected by the Clayton Act from former legal obstacles to such manoeuvres, the unions now began as grasping policy as their capitalist counterparts; and indeed often combined with them to rob the consumer (as, for example, the building trades and the tariff-protected factories) of the government, when it took over the steam railways and shipyards.

The surplus wages, secured to workmen by such union monopolists, should also be classed as "monopoly profits" whether taken from economic rent, from taxation or from the higher price at which the commodities of competitive industries have to be sold in order to cover this increased labor cost. Morally any surplus of wages gained by labor monopoly, beyond the competitive market rate, is as much theft from productive society as its capitalistic equivalent.

From these theoretical principles and practical examples, I may now develop my general conclusion: *The surplus wealth output of modern society, beyond paying competitive interest and wages, is absorbed as monopoly-profit.* For various reasons, which need not be explained here, this

profit is largely concentrated in a few hands; those of the millionaires, the high priests of Mammon, 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 of which they can dispose in five ways; the first that of luxury, selfish where not wicked; 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 always be beneficent; but in our disordered civilization they, along with land speculation, are the chief causes of two horrid evils; industrial crises and militarism.

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, 1884, 1893, 1907 and 1920. Many are the contradictory causes assigned, but the true cause can easily be deduced from a study of the Trinitarian diagram. If laborers received the whole output of wealth there could never be any general overproduction, for they could always 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 the saving to provide for industrial expansion as population increases. But when we consider the wealth divested 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 and an imperfect banking system will prolong their duration. Speculation absorbs the surplus incomes of middle class buyers in unprofitable and 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 or the middle class can completely consume for the lack of purchasing power. The incomes of the middle class are first partially locked up by its speculation in land and later decreased by the consequent rise in the rent for the sites of their 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 further depress 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 these gluts. From such stresses arise exploitation of inferior races by the military powers, the "dumping" of surplus goods in foreign countries below their cost of production and the erection of protective-tariff walls to further plunder the consumers of the "protected" countries for the benefit of native monopolists.

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 such countries the money to meet the cost of this expensive procedure. Extensive preparations conduce to militarism and this 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 can in turn 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.

I have said enough, I hope, to demonstrate the fundamental fallacy of the Pollakians 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, the latter class of profits is in direct violation of the ethical principle upon which our economic civilization is supposed to be built, i. e. *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 its producers.

While the *competitive* profits of capital are based on the bankrate of interest—about 3% annually in London before the World War—monopoly-profits have no such foundation and, as I have shown by examples, may reach an annual rate of thousands or even millions of per cent. 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 conservative rulers prefer to suppress

by force rather than by reason such revolutionary innovators as the Syndicalists or the Russian Marxians; I cause the latter method would compel them to *reop the whole question of the equitable distribution of wealth* as well they realize how far, ethically, is our present practice from its theoretical base. While the Pollakians cannot be classed with those conservatives who hold that "This is the best of all possible economic systems," I fail to find anything in their new programme which establishes a stronger bulwark against the false and destructive propaganda of Syndicalists and Marxians than do the doctrinal platitudes of the standpatters.

—ROBERT BRUCE BRINSMADE.

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**I**N Ancient Babylonian Law, about 2,300 B.C., it was laid down:

"If anyone has taken a field to cultivate and has made grain to grow in the field, he shall be charged with not having done his duty in the field."

Present-day Municipal Law, in Box Hill, Blackburton, Mitcham, etc., A.D., 1929 (in effect), says this:

"If anyone has taken a field and has cultivated or built thereon, he shall be taxed four, five, six or seven times greater than the speculator who holds his land out of use to reap the unearned increment."

How unjust and unwise is our present system compared with that of over 4,000 years ago!

—P. J. MARKHAM, in *Progress* (Melbourne)