

POLITICAL ECONOMY.

AN INTRODUCTORY LECTURE TO A CLASS STUDYING HENRY GEORGE'S "PROGRESS AND POVERTY."

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"Political Economy," we are told, has been banished to Saturn or Mars. It has been sneered at by Carlyle as "the dismal science." To us it is the science of sciences, locked in its bosom is the hope of the world, the hope that sooner or later poverty and want and crime will disappear like an evil dream that has haunted the fair realms of earth, stained the blue sky of Heaven and embittered the generous heart of mankind.

Political Economy is the science which treats of the nature of wealth and the laws of its production and distribution.

Men have always produced wealth in the same way by the application of their energies to nature or land; and morals decree that objects are the property of their creator, that wealth should belong to labour. To-day the man who labours whether with brain or with hand is a poor man, only a small portion of the wealth he produces goes to him, the bulk goes to monopolistic claims of one kind or another or to claims sheltered by monopoly, or sheltered by authorities of one kind or another, such as the State. The story of the unfolding of the nature of wealth is a story of human endeavour, and like the story of human endeavour in other fields is the tribute of human patience united for the most part with human sympathy.

We are told that Political Economy was founded in ancient days, that its principles are to be found in the writers of Greece and Rome, its hopes in ancient reformers. That is not so. Sympathy is to be found there, aspirations may be, but knowledge is not.

In the first place the ancient world was taken up too much with war, war which is always the enemy of industry. Where force reigns there is little chance of peaceful toil.

Where production is entirely the work of slaves and almost entirely the gain of master-soldiers, there is little chance for science of any kind. Science with the slave is in chains. There is no law but the law of brute force. Insecurity is constant, the increase of capital and the utilisation of credit is curtailed to narrow limits. The Gods are always on the side of the big battalions. Government can do anything except perhaps change the sexes. Even Plato the dreamer in his Utopian Republic can see no ideal for the slave. His is a dream of a self-sufficing state with wives in common and production derived from the labour of slaves and foreigners.

Even here in dream industry is contemptible.

The use of gold and silver is abolished, and interest or even the repayment of loans is unrecognised. Xenophon in his "Economy" proposes to reduce taxation by branding the State slaves and lending them out for hire in the mines.

Aristotle almost alone of the ancients had some glimpse of the functions of money. He regarded the slave as an animated tool, and condemned interest because money was barren.

In the middle ages, we have the beginning of economic dominance, the dominance of the soldier-landlord in the State, the dominance of the priest over the spirit. Hand-work and agriculture become tolerable, they mean revenue, service, luxury to the soldier-lord, money is still barren, interest is anathema. Slavery becomes modified into serfdom. Commerce is fit only for the mean and the low. In modern times only can we see the beginnings, the evolution of a science of Political Economy.

We have first the reign of what has been called the Mercantile system, in which gold and silver are for the most part figured as the only wealth, the policy of the State is to secure as much gold and silver as possible in import, and to export as little as possible. A country like Spain with gold mines prohibits under heavy penalties the exportation of precious metals. A country like Britain, with no gold mines, tries by trade policy to secure gold and silver in exchange for produce. Foreign trade is everything; domestic trade worthless. We have in a word the philosophy of protection naked and unashamed. But it has no opposition. The other philosophy, the philosophy of internationalism, of freedom of trade, is still to be born, and in its birth we have the first beginnings of a science of Political Economy properly called.

Adam Smith has been called the father of political economy, and in so far as his great book, "The Wealth of Nations," produced the greatest concrete results in political action, he must be so regarded, but inasmuch as he was preceded by, and indebted to, a great school of social reformers who flourished in France in the reign of Louis XV., known as the Economists or Physiocrats, in point of time at least we must consider the Physiocrats first, and for us Single Taxers they are first in point of radicalness of doctrine.

Our story is not the history of economic practice. For that would be the story of civilisation itself; that would be the history of the development of trading and exchange, the evolution of money, the separation of men into classes, and the economic causes of such separation; it would be the history of the monopoly of land, the inequality in the ownership of wealth, and the consequent inequality in capital ownership. Our purpose is to trace the origin of the science which treats of the production and distribution, and which is an attempt to formulate the laws of economic practice. The great aim of all science is the discovery of general principles, uniformities or laws of nature. A science is indeed but a statement of the laws or natural uniformities discovered in relation to its subject matter—the reason of the laws, so to speak, and the consequences which follow from their deduction and passing more or less into the realm of practice, that is, of politics in our science.

Where there are no laws, there is no science. We have sometimes uniformities of a tentative character: these are hypotheses. We have sometimes rule of thumb indications: these are often styled empirical laws.

It is sometimes said that economic laws are not of the same nature as physical laws. Physical laws claim obedience and must be obeyed, economic laws may not. This is not true. Economic laws are as inflexible as physical laws, the only difference is that they are limited in their application. Economic laws apply only to human activity in the social domain, physical laws to the whole realm of physical nature. Where there are no men there is no social science, no moral law, no politics and no Political Economy. But given man and social life, the law of rent or the law of wages is as inflexible as the law of gravitation.

It is the glory of the French economists, the Physiocrats, that they laid down the first principles, both of the science of political economy and the science of politics. The founder of the school, François Quesnay, was born in 1694 at Mercy, some 25 miles outside of Paris, the son of an advocate. Until he was 11 years of age, his mother had allowed him to run wild with no thought as to his education. Something awakened the desire for education, and, by the aid of a gardener, he learned to read and write. He went to Paris to study philosophy and medicine, settled as a doctor at Mantes, came under aristocratic influence and was appointed physician to the French King Louis XV. In his rooms in the king's palace at Versailles, relieved from the pursuit of medicine, he started out to study the laws of Politics and Political Economy.

The theories of Quesnay had a tremendous influence on the intellectual thought of his time. His disciples included some of the most notable figures in French history, such as the elder and younger Mirabeau, the young Marquis of Condorcet, Dupont de Nemours, Mercier de la Rivière, le Sieur de Gournay, and the great French statesman, Turgôt. Their ideas are represented in the Encyclopædia and in the writings of Rousseau and Voltaire.

Quesnay's ideas are comprised mainly in four works—three written by himself: "An Analysis of the Economic Table," "General Maxims," and "Natural Rights"—and in a work written by his greatest disciple, Turgôt, "The Production and Distribution of Wealth." The main theme throughout all these writings is that there is a natural law in production, that wealth arises from the co-operation of definite factors, that government cannot aid the production or distribution of wealth except in so far as government recognises its own sphere and nothing else, namely to guarantee the natural rights of men to property, security and liberty. They argued from the point of view of an agricultural community, and held that agricultural land alone gave rent, or as they called it, a *produit net* (net produce). Industry and commerce were sterile, that is, had no surplus. They held further that all the taxation and rents of the country should be paid from the *produit net* (of agricultural land). They were mistaken, of course, in regarding industry and commerce as sterile, but it must be remembered that the land rents of towns had not developed. The notion of rent, as a differential value due to the varying productivities of soil, what we may call the discovery of the law of rent, was the work of a much later date. Although they regarded agriculture as the most productive form of production, the Physiocrats did not propose any subsidising of agriculture or any interference with commerce. What they proposed for all was absolute Free Trade and the payment of all taxes from rent. The action of the State up to their time, and indeed until long afterwards, had been, and to a great extent it is now, an action which robbed the producer of his "fruits," and gave wealth to the idler. It had been an action which hindered security and sacrificed the property of the weak. With the Physiocrats originated the phrase—"Laissez faire, laissez passer" ("Leave things alone, let them

unfold themselves"). When we remember that up to this time the work of the State in economic affairs had been in the words of a distinguished writer, that of a heartless, brainless, pauperising machine, it will be seen that such teaching meant not a change but a revolution. It meant not merely the Free Trade which Britain to-day possesses, the Free Trade of a revenue tariff, but it meant the sweeping away of all taxation and the substituting land values instead of that taxation as the source of public revenues. The French peasantry, crushed and ground between the upper millstone of unjust taxation and the lower millstone of a feudal landlordism, were on the point of revolt. To Turgôt was given the charge of carrying out the Physiocratic ideas, and to establishing Free Trade and a government of equal rights. He first was put in charge of a district of France. In the course of this charge he earned such a good name for himself by standing between the people and famine, by his attempts to get rid of compulsory road labours, and by his efforts for the freeing of trade, that Louis XVI. appointed him Contrôleur-Général of France. But the starved people had no patience, the priests distrusted Turgôt's toleration of all forms of religion, and the aristocracy saw that Turgôt meant them to pay. The result was the defeat of Turgôt's budget, his resignation, and the failure of the Physiocrats in the practical field of statesmanship: not the failure of their ideas, but the failure to give them practical shape. And so the ideas of the Physiocrats are lost in the avalanche of the Revolution. It is interesting to recall the courageous and prophetic words of Turgôt to Louis XVI. in a letter sent when he expected dismissal from office: "Never forget, sire," he said, "that it was weakness which placed the head of Charles I. on the scaffold, it was weakness which caused the cruelty of Charles I., the same which formed this league under Henry III., which made Louis XIII., which makes the present King of Portugal crowned slaves, which created all the evils of the last reign." Turgôt died in 1781, five years after the publication of "The Wealth of Nations."

But some, at any rate, of the ideas of the Physiocrats, the work of Quesnay and Turgôt, were to produce fruit, through the work of our great countryman, Adam Smith, "The Wealth of Nations."

Although it would be wrong to say that Adam Smith had no originality—he had, both in idea and in presentation—it would be equally wrong not to recognise the influence of the Physiocrats in the great work of Smith. Adam Smith has been the recipient both of unmerited praise and unmerited blame. To Buckle, "The Wealth of Nations" was the most valuable contribution ever made by a single individual toward determining the true principles of government. To John Ruskin, Adam Smith is "the half-bred and half-witted Scotchman who taught the deliberate blasphemy—'Thou shalt hate the Lord thy God, damn his laws and covet thy neighbour's goods.'"

In face of the contributions of the Physiocrats the statement of Buckle is absurd, and Ruskin's views can only be judged by our knowledge of his temperament and philosophic outlook. That Adam Smith owed much to others cannot be denied, but his own glory is the magnificent presentation of abstract questions accompanied by a wealth of knowledge and illustration seldom given to them. His work is only to be compared in this respect by the works of Bastiat or Henry George.

Adam Smith was born at Kirkcaldy in 1723. At 14 he came to Glasgow College, where he remained subsequently studying philosophy and literature at Balliol College, Oxford. In 1748, at the age of 25, he was appointed Lecturer on Literature at Edinburgh University. In 1751 he became Lecturer at Glasgow; in 1752 he was appointed Professor of Moral Philosophy, which he held till 1763. In 1759 he published a book on "The Theory of Moral Sentiments," deriving moral sentiments from sympathy. In 1763 he became tutor to the Duke of Buccleuch on his

Continental travels. Tutor and pupil spent one-and-a-half years in the South of France, some time at Geneva, and one year in Paris. At Toulouse, Smith started to extend some lectures dealing with Political Economy delivered during his Glasgow residence. This afterwards became his famous book "The Wealth of Nations." While in Paris he came into contact with the Physiocrats, especially the elder Mirabeau, Quesnay and Turgot.

He returned to Scotland in 1767, continued to work at "The Wealth of Nations," went to London in 1773, still perfecting his book, which was published in 1776. The remainder of his life was uneventful. He was appointed Commissioner of Taxes in Scotland, and died in 1790.

The "Wealth of Nations" contained much that was good in the Physiocratic doctrine. Smith formulated the ideas of that school in a less abstract manner, and with a wealth of illustration drawn from trade and history by a wide read, philosophic mind. He applied the Physiocratic ideas at the lower altitude of "tariff for revenue only" and preached them to a nation which was becoming more and more industrial. He succeeded where the Physiocrats failed, for he brought the principle of freedom into the sphere of politics.

Smith did not accept the idea of the economists that industry and commerce were sterile. Wealth was the production of land and labour. The creation of wealth could be in the manufacture of pins, and in the exchange of goods for goods, as well as in the increase of agricultural products. Rent he generally considers as a factor in the price of goods, and to this extent is theoretically inferior to Quesnay, who regarded it as a surplus. Like the Physiocrats he has no notion of rent other than agricultural. He works out magnificently the theory of the division of labour, and exhibits with excellent logic the fallacies involved in mercantile or protectionist theories. The theory of the production of wealth is fairly completed. The distribution theory requires the work of another writer, that of David Ricardo, a wealthy stock-broker, to give it proper foundation.

David Ricardo, following the alleged theory of Malthus, demonstrated that agricultural rent was not a price paid for all land, but a price due to the difference between any given piece and the lowest in use as an instrument of production. Ricardo did not see the full importance of his work, as determining for labour and capital not merely a return on the poorest agricultural land, but as limiting the return to commerce and exchange on the same principle.

That wider consideration of the problem of distribution was partly conceived by John Stuart Mill, but was worked out in its entirety in the "Progress and Poverty" of Henry George, the book it is our intention to study together during the next few weeks or months.

The problem of rent is the key to the whole problem of the distribution of wealth. For the return which the owners of land claim determines the return to the owners of labour and capital. Henry George traces in the increase of rent, the cause of the tendency of wages to a minimum, and of those recurring periods we call trade depressions and bad times. Hence the name of his book, "Progress and Poverty." Progress involves poverty because it involves increased competition for the use of the nature-element of productive land, and Henry George would solve the problem by the Physiocratic method of taking land values for public purposes.

"Political Economy," we are told, has given place to "Economics," a body of attenuated and circumscribed doctrines, dominated by Austrian metaphysical theories of value, and the inconsequential methods of the historical school, taught in our Universities. It may be so in scholastic circles and in domains where authority, and especially the authority of vested interests, alone holds sway. In the world which works and is not impressed with the ideas of Scholastics and the powers of vested

interests—that is in the workshop and the market place, and in the arena of politics—men go to Adam Smith, John Stuart Mill, David Ricardo, and are going more and more to the genius gifted from the newer Anglo-Saxon lands—Henry George. In this one man were combined qualities generally separate: imagination, sympathy, experience, knowledge, eloquence, and last but not least, sacrifice.

PUBLIC AND PRIVATE INTERESTS.

Public Park for Southgate.

Southgate District Council have sealed the agreement for borrowing £22,190 for the purchase of 20 acres of land generally known as Winchmore Hill Wood, belonging to Captain Taylor, for the purpose of a public park for the inhabitants of the district. —ESTATES GAZETTE, 19th August.

The Irish Land Acts.

The report of the Irish Land Commissioners for the period from April 1st, 1910, to March 31st, 1911, has been issued in the form of a Blue Book. The report states that the number of originating notices to fix fair rents disposed of during the period by the Commissioners principally on consent, as a court of first instance, was 245; by the Sub-Commissions, 2,734, making for the Land Commission a total of 2,979; and by the Civil Bill Courts, as appears by returns furnished by the Clerks of the Peace, 166. It is remarked that 2,455 direct applications were made to the Land Commission to fix fair rents since April 1st, 1910, of which 1,298 were for a first statutory term, 950 were for a second statutory term, and 207 were for a third statutory term. In the same period 226 applications were made to the Civil Bill Courts, of which 86 were transferred to the Land Commission. Of the 226 applications so made to the Civil Bill Courts there were 137 first statutory term applications, 82 second statutory term, and seven applications were made for a third statutory term; of these 47 first term, 37 second term, and two third term applications were transferred to the Land Commission in the year. Thus during the year, 2,681 applications to fix fair rents were made to the Land Commission and the Civil Bill Courts.

Reporting on their proceedings in cases where advances were made under the Irish Land Act, 1903, the Commissioners say that from the commencement of the Act of 1903 to March 31st, 1911, 11,261 applications, representing £2,009,752 have been received; of these advances amounting to £1,915,973 in respect of 10,680 applications have been provisionally sanctioned, and 148 applications for £42,244 have been dismissed for delay, defects in title, irregularity, insufficiency of security, and other reasons. Loans to the number of 10,256 for £1,829,189 have been made during the same period. These figures include 6,524 loans to tenants for £920,491 on resales by the Congested Districts Board of estates purchased by them; of this £412,280 was paid direct to the Board, while £508,211 was written off the Board's liability in respect of advances made to it under the Act of 1903 for the purchase of the estates so resold. These loans with the advances made to the Congested Districts Board pursuant to sections 72 and 77 of the Act of 1903, and section 2 (1) of the Congested Districts Board Act of 1899, bring the total amount of loans made under the Act of 1903 (exclusive of advances made by the Estates Commissioners or for the purpose of the Labourers Act) to £2,037,479.

SO IT SHOULD BE EVERYWHERE.—The land laws of the territory of Papua are probably the most liberal in the tropics. They are based on the broad principles that (a) no land can be alienated in fee simple; and (b) the rental of the land leased is assessed on the unimproved value of the land, and is subject to re-assessment at fixed periods. No survey fees. Rent payable is determined at 5 per cent. per annum of the unimproved value of the land, which is appraised every twenty years.—HANDBOOK OF PAPUA (Staniford Smith).

GREAT BRITAIN LEADS THE WAY.—You need not be alarmed about the present or the future of England. She is greater than ever she was, and a hundred years hence the historian will point back to the Budget of 1910 as the turning point in the history, not of England only, but of the world, when the great principle was first embodied in British legislation, which led to the uplifting of the nations and to the emancipation of the slaves.—STANDARD, N.S.W.