

The Law Of Amortisation

By ERLING LIE

FROM earliest times human life has been sustained by labour wringing from Nature whatever was considered necessary to satisfy human needs. As circumstances have changed, the concept of "needs" has changed increasing as man's domination of the earth has developed.

At all stages of development what may be called the "Law of Amortisation" is readily discernible even by those who know little of the economic science which lately has been made so difficult and unintelligible. This law may be formulated as follows:

All materials produce created by human activity is doomed to perish.

Crops are harvested and soon consumed. Houses and other buildings last longer, but must be repaired and kept in order. Tools and machinery soon become obsolete. Our imposing mercantile marine has to be renewed after about 30 years, and the aviation fleet has a much shorter life. Unless it is constantly cultivated, the soil soon reverts to wilderness. Even the rarest and most durable things of art and jewelry are amortised by the costliness of guarding them. And, besides consumption and wear, the results of human labour are destroyed by earthquakes, floods, fire, war and other catastrophes.

The amazing technical developments of modern times have revolutionised living conditions, making it possible for the masses to enjoy luxuries which in earlier times were reserved for the "rich". Now it is a question not only of producing to meet existing needs but also of creating new ones, so as to dispose of the ever-increasing production for unless consumption keeps pace economic crises and catastrophes will result. These facts, not the pressure of organised labour, have led to higher wages and possibilities for workers. Yet it is a fact that although wages have risen and living conditions have improved labour does not get a proportionally greater share of the produced wealth than when wages and living conditions were on a lower level. This applies to all kinds of labour.

While mankind has been struggling to produce wealth, fighting over its division, and consuming it, Nature has been at hand as from genesis. She is the basic inheritance of us all and, unlike all man-made things, will not perish until Doomsday. How has mankind disposed of her? Through history there have been many forms but here it is possible to consider only the situation in the modern societies of the western world.

We find that Nature is treated as a commodity like other commodities, except that it does not need to be amortised. Its price is constantly rising and consequently it affords the best security for mortgages. Thus Nature creates "capital" quite different in character from that created by man, which must be constantly reproduced.

This artificial "capital", which is normally called real estate, has reached an unprecedented magnitude. It is a burden on all kinds of labour and all sorts of true capital created as a result of labour.

This artificial "capital" has become the basis on which the modern "capitalistic" societies build their finances and economy. During the present epoch of industrial and technical development it is growing as never before, without being affected even by war and revolution. One consequence of treating Nature as an ordinary merchandise has been the creation of a monopoly. Only few have the opportunity to possess a part of Nature, especially the most valuable of it; most people must bear the burden imposed upon them by the possessors. This way of treating Nature has led to many revolutions, big and small, and will be the cause of others yet to come. Small wonder, then, that "capitalism" is a very unpopular word in large parts of the world. It is this artificial "capital" and the monopoly of Nature, not communism, which is the greatest danger menacing the West.

In Western countries the incongruities thus established have led to an attempt to correct them by constructing the elaborate and costly welfare state wherein the authority of the individual is non-existent. It is financed by a demonstrably absurd and self-contradictory system of taxation which increases the prices of goods and services both directly and indirectly, thus making living artificially expensive and also leading to monetary inflation, and by the ever-increasing compulsory contributions of the insured and of employers. In turn this leads to reduction of the social services while pressure to increase them remains constant. As a result still further taxes are imposed.

At best the welfare state affords only a brief respite while one of its worse dangers is that it tends to divert attention from the need for radical reforms which are essential if the West is to survive as the home of freedom. Meanwhile many of the emergent new nations of Africa and Asia are adopting the false economy under which we suffer.

A false economy does not merely impair material welfare. It poisons society and destroys the dignity of man. Therefore it is urgently necessary to reverse the present trend and to establish a true economy. Now, as always, the first essential steps are:

1. To secure for all members of society equal rights to the resources of nature;
2. To liquidate false "capital".

Free Trade will then come as a logical consequence for it is only artificial "capital" that needs protection. No one has pointed the way for the future more clearly than has Henry George. Because his work is incontrovertible it is, where possible, neglected. It is time to make this impossible.

(Translated and adapted from "Grundskyld". The author is a Norwegian vice-president of our International Union).