

higher learning. A false and weak foundation in the teachings of the primary relations of man, a social animal.

Practical pedagogy has been given the challenge. It must prove to a sorely tried world that economics is a science as exact as any, because if it is not then the equitable distribution of wealth depends upon whether men are good or bad. Ballots or bullets will be used to enforce an imaginary system, with prunes and prisms to feed and amuse the multitude in the interim.

We who are gathered here today cannot subscribe to such a doctrine of futility. Upon us has fallen the mantle of practical pedagogy. We must cease compromising with the truth. It is for us to stop carping about the theories of George in the back parlor or convention hall, while maintaining a dignified silence on the front porch, or under the spot-light of public office. Those who do this are only following the old rule of economic determination and are of no value to a movement which proposes to establish justice among men. It is for us to go along the highways and byways to teach the central truth, fight for it, yea even die for it, no matter what public office we hold. A recent newspaper article quotes the present claimant to the office of mayor in the city of Pittsburgh, Cornelius D. Scully (supposedly a Georgeist) as saying he did not believe in using the prestige of public office for the purpose of propaganda, while at the same time he was engaged in a public speaking campaign to elect some ward heeler to office to further perpetuate the Federal spoils system. Yet this same man was among those racketeering politicians who forced the resignation of the first honest mayor the city ever had, William N. McNair, who was trying to tell the people the truth. If we compromise with the compromisers they will soon make Marxists of us all, while the Prince of Light fights in vain with the Prince of Darkness, and that unalienable right of life, liberty and the pursuit of happiness is trampled under the feet of the barbarian hordes from within.

PPRIVATE property in land is the primary cause of the monstrous inequalities which are developing in modern society. It is this, and not any miscalculation of Nature in bringing into the world more mouths than she can feed, that gives rise to that tendency of wages to a minimum—that "iron law of wages" as the Germans call it—that, in spite of all advances in productive power, compels the laboring classes to the least return on which they will consent to live.

—THE LAND QUESTION, BY HENRY GEORGE.

DID you ever see a company of well-bred men and women sitting down to a good dinner, without scrambling, or jostling, or gluttony, each knowing that his own appetite will be satisfied, deferring to and helping the others? That is human society as it might be.

—SOCIAL PROBLEMS, BY HENRY GEORGE.

Radical Literary Intelligentsia and Hard-headed Propertied Conservatives: A Study in Similarities

PROF. HARRY GUNNISON BROWN AT HENRY GEORGE CONGRESS

IT is very discreditable for an "intellectual" to be found adhering to ideas which other "intellectuals" have come to regard as out of date. Or, at any rate, such appears to be the view of those who are currently rated as intellectuals!

The "Single Tax" is reputed to be out of date. Hence, mention of it arouses no tremor of real interest in the mind of the typical present-day intellectual; and his only reaction is likely to be a hasty disavowal of support for it.

The idea of taxing at a high rate community-produced land values, considered as a truly significant step in the establishment of an ideal economic order, seems to be completely ignored by most "liberal" and "progressive" magazines and newspapers. The subject is avoided as if it were a dangerous microbe. It appears to be the one subject that proprietors and editors of these journals think it not worth while to discuss and about which they won't editorialize.

And yet, to the casual onlooker who will think over the matter without prejudice, it cannot but seem peculiar that intellectuals—especially those who consider themselves to be "liberal" or "progressive" or "radical"—should have such a complex. For, after all, the salient fact is that, with property rights as they are now, *the many must pay to a comparatively few*, billions of dollars a year merely for *permission* to work and to live on the earth.

Since there are barren mountain tops, remote and forbidding islands, the trackless wastes of deserts, and other relatively undesirable places where men may attempt to live and to work without paying others for permission to do so, the last statement needs some qualification. The statement should rather be that a majority of us must pay to the rest of us, billions of dollars a year for permission to work and to live on the earth, in those locations which geological forces and community development have made comparatively livable.

On the face of it, the proposition that the payments made for such permission—and certainly for the enjoyment of community-produced advantages—should go to the community, seems altogether reasonable. On the face of it, allowing some men to charge others for such permission seems like allowing some to charge others for permission to sail boats on the ocean, swim in the lakes and rivers, breathe the air or enjoy the sunshine. Through what legerdemain of rationalization do our "intellectuals"

manage to persuade themselves that here is no problem of special import to the common welfare?

Possibly the explanation lies in the fact that many modern intellectuals, so-called, are pretty thoroughly permeated—though they do not always realize it—with the ideology of Marxian socialism. Therefore, they find all the ills of our economic life in “capitalism,” in the “exploitation” of the masses by their “capitalist” employers, in “the profit system.” That there is anything peculiar in the income from land as contrasted with the income from capital, or that the rent of land is a matter of significant concern in a society “suffering from the ills of capitalism” and of “the profit motive,” does not seriously occur to them.

The Marxian viewpoint is that the chief robbers of labor are the owners of capital and that the chief exploitive income is the income of capital. The owners of land may intercept a little of what would otherwise go to capital—and so would in any case be taken away from the workers—but this is not a matter of great significance to the radical permeated by the Marxian philosophy. And the literary intelligentsia who, on the basis of a little desultory reading in the literature of socialism and near-socialism, plus some training in *belles lettres*, plus a modicum of journalistic experience, essay to instruct supposedly less initiated intellectuals in the complexities of our economic order, through the “high-brow” magazines as a medium, are apt to be equally vague or equally non-committal regarding any distinction between land and capital.

Does it not seem a bit incongruous to find socialists, “parlor pinks,” “liberals” (post-war style) and hide-bound conservatives, all in agreement in not admitting or, anyhow, in not stressing any important distinction between sites and natural resources on the one hand and constructed capital on the other hand.

The reader, nevertheless, habituated to drinking of the current stream of thought, is likely enough to lift a sceptical eyebrow and inquire: “Well, is there any socially significant distinction between land and capital or between the income from the one and that from the other?”

Such a question is, of course, fair enough. It must receive a fair and sufficient answer.

Let us begin an answer by analyzing the nature of capital and the income from capital. In doing this we shall seem to be taking the side of the conservatives. For we shall find ourselves forced to the conclusion that interest on capital can be defended by precisely the same argument commonly used to justify the wages of labor, viz., contribution to the productive process. So perhaps socialists and parlor pinks and (new style) liberals will refuse to read further!

Two facts are fundamental in the problem. The first is that capital is useful, that we can produce more if we construct capital to aid us than if we do not. The second is that capital can come into existence only through saving.

How can a fisherman increase his catch? Perhaps by building himself a boat that enables him to go where the fish are most plentiful. But to build the boat he must save, i. e., he must produce, for a time, more than he consumes. The boat is, of course, an excess of his production over his consumption. If he consumes each day all that he produces that day, the boat will never materialize. The larger daily catch after the boat becomes available must be regarded as partly a repayment of the labor of building the boat and partly interest, the extra return made possible by the new capital over what all the owner's labor, past and present, could produce without it. Wherein can his enjoyment of this interest, this extra return made possible by his own saving, be objected to? Whom is it supposed that he is robbing?

How can a farmer increase his crop? He may work to fertilize his land or he may irrigate it or he may plant and bring to maturity an orchard. With the fertilized land he can produce more each year than if the land were not fertilized, and still more, perhaps, if it is irrigated. With the planted orchard he can make his labor of future years more productive in the getting of fruit. But in each case he has to save, i. e., produce for a time more than he consumes. His extra production is not of wheat, corn or fruit but is greater fertility or moisture in the soil, or growing fruit trees. These things are produced *in addition to* what the farmer consumes. He produces them in additional working hours beyond the time necessary to produce his own current means of livelihood. Or, possibly, he first produces an excess of wheat, corn, etc., and then lives upon this excess while making the improvements in or on his farm.

When, thereafter, the farmer enjoys the larger crops made possible by the fertilization of his land or by its irrigation or by the planting of the fruit trees, all of the excess above what the labor spent in improving the farm could have brought him if applied directly to current crop production, is a return on capital, an interest return, an extra income made possible by his saving. Let those socialists and those pinkish literary intelligentsia who contend that the income received by the owners of capital as such, is a robbery of the masses, explain for us what masses or what individuals the farmer of our illustration is robbing? In what sense does it take something away from others, for the farmer to save and thereby to make possible a larger production on his farm in future years? What person is made poorer by the fact that the farmer's soil is now richer or more effectively watered than before? In just what way does it injure the masses of working people or “deprive” any worker of “the full product of his labor,” when the farmer's orchard begins to bear fruit and the farmer receives, thereby, gradual repayment for his temporarily wageless labor of planting, plus an excess which may properly be called interest or income on capital, the reward of his saving and a consequence of the fact

that, by saving and thus accumulating capital, we can usually produce more wealth than if we did not save?

The principle involved here is precisely the same when, as is commonly the case, the person who saves does not himself construct the capital but provides the means, from his saving, for someone else to do it. Thus, suppose the farmer of our illustration, whom we shall now call Noren, does not himself fertilize his farm or install the irrigation system or plant the trees, in his extra time (beyond that necessary to provide for the immediate needs of himself and his family), but instead uses that extra time to produce an excess of wheat, potatoes, carrots, peas, etc., beyond his own needs. This excess he gives to another, whom we shall call Fenton, in order that the latter may be free to improve Noren's farm. Fenton, we may suppose, needs the potatoes, peas, etc. He wishes to—perhaps needs to—consume currently all that he can produce. If someone does not provide him with the potatoes, peas, etc., he must spend his own time producing them. He can afford to work the requisite number of days fertilizing Noren's farm or making an irrigation system for it or planting trees on it, only if he has something to live on while doing so. If Noren gives him for his work all the potatoes, carrots, peas, etc., that Fenton could produce for himself in the time he spends improving Noren's farm, how is Fenton in any way injured? How is he prevented from enjoying "the full product of his labor?" *It is Noren's saving that makes possible the improvement of the farm.* Fenton has lost nothing whatever. If Noren now enjoys the larger product from his farm which is the result of the improvement made possible by his own saving, in what way is he robbing Fenton? Fenton is at least as well off as he would have been had Noren not saved. And Fenton is certainly not prevented from saving on his own account,—if he desires to do so and can live on less than his current production. But, in the case we have been considering, it is Noren's saving that is responsible for the increased productiveness of Noren's farm.

Let us change the illustration somewhat, so as to make it both more complicated and more realistic. Noren, the farmer, does not directly give Fenton the wheat, potatoes, carrots and peas, but sells these crops for money (or bank checks) and pays the money (or checks on his bank) to Fenton who uses it to buy deeded food and (perhaps) other goods. Noren, we may say, adds to society's available stock of consumable goods, receives money (in effect, tickets) entitling him to use up those goods or their equivalent, and passes this money, or a part of it (what he *saves*), to Fenton who buys therewith the consumable goods he needs and wants. Thus, Fenton does not have to spend his own time producing goods for immediate consumption but has his time made free—through Noren's saving—for producing capital.

And now let us illustrate the dependence of capital

construction on saving, by a case still more complicated and one which pictures contemporary investment in corporate industry. A large number of Norens (so to speak), including farmers, bakers, tailors, coal miners, et al., save, and invest in the stock of a paper manufacturing company which is about to construct a paper mill. The company hires a large number of Fentons to make the materials for the mill and do the constructing. The Norens produce more cereals, bread, potatoes, clothing, coal, etc., than they are themselves consuming. That is to say, they *save*. The money they receive for this excess (i. e., the money they do not spend to satisfy their own current needs and desires) is paid for (invested in) stock of the paper company. The paper company pays it to the Fentons, who are enabled to buy therewith the excess of consumable goods produced by the Norens. Thus, the Fentons have their time set free for the construction of the mill, even though their circumstances are such that they need, or insist on having, in the form of consumable goods and services, all that they currently earn,—even though, that is, they themselves save nothing.

The saving of the Norens, in short, makes possible a construction of capital by the Fentons. The Fentons are certainly no worse off than if they spent their entire time producing goods for immediate consumption. They are paid, in money exchangeable for the excess consumable goods produced by others, all that their own labor could produce of such goods. The capital they construct could not come into existence without the saving of the Norens. It is the saving of the latter, their production of more than they consume, that makes the construction of the capital possible. If, now, this capital is truly productive, if it does really add to the output of industry an excess over what the labor and all the rest of the capital of the community could have produced without it, and if this excess goes, as return on their investment, to the Norens, who made the excess production possible, in what way have the Fentons been robbed?

It is, of course, open to "liberal" and "parlor pinkish" critics of property income in the existing economic order, to object that those who save are, in some cases, recipients of income that they never earned and that it is out of such unearned income that they have been able to make their accumulations. Monopoly, unfair competition, use of fiduciary positions for personal profit, etc., may be common means to affluence. None the less, those who so contend ought to take pains to separate these various means of exploitation, at least in thought, and show how each one conduces to give individuals and classes unearned income. Certainly they ought not to lump all such means of privileged income together as "surplus value," or as inevitably involved in "the profit system." Nor may they with propriety use discussion of such purely unearned and illicit incomes as a means of making plausible any objection they may feel to a kind of income, interest

on capital, which is, in itself, entirely reasonable and justifiable, in the sense that it is merely a *quid pro quo* for a productive contribution.

And now how about the income from land ownership, which, to conservatives, socialists, parlor pinks and (new style) "liberals," is not essentially different from the income on capital? Land rent, purely as such—as distinguished from what is paid for the use of buildings, orchards, introduced fertility and other improvements on or in land—is surely not paid for saving. In other words, land rent is not paid for an added output of industry produced by capital which in turn has been made possible by individual saving. Instead, as we have already noted, it is a payment which non-owners of land (in many countries, the great majority) must pay to landowners for *permission* to work and to live on those parts of the earth which geological forces and community development have made relatively productive and livable.

What is there so unreasonable about the contention that individuals should not be allowed to gain a livelihood by charging other individuals for *permission* to work and to live on the earth and to enjoy *community-produced* advantages? What is there so unreasonable about the proposal that whatever is paid by the user, for permission to use those locations which have been made desirable by community development (and, of course, by past geological forces) should be paid to the community? What is there so unreasonable about the view that this (in the main) community-produced annual rental value of land ought to be the *first* source, even though not necessarily the only source, of community revenue?

Then what is the explanation for the utter lack of interest of "liberals," during recent years, in this reform and for the apparent fear of some of them lest they be suspected of any sympathy with it? Can it be that in the intellectual realm inhabited by our near-socialists, "liberals," et al., including the literary intelligentsia, there are more or less obligatory changing styles of thought and changing economic philosophies? And do the literary intelligentsia subconsciously feel that they would be as discredited to ignore such styles as a lady of fashion might be, in her circle, if she began regularly to garb herself in the dress and millinery of the nineties or the early nineteen hundreds? And is advocacy of the public appropriation of the community-produced rent of land thus discreditable for the literary intelligentsia merely because it is out of style, while advocacy of "production for use and not for profit" is highly creditable because, in their particular circle, it is now in style?

Or is the subject of capital and its dependence on saving—together with the idea of the serviceableness of capital and, therefore, of saving, in our economic order—too difficult for the ready comprehension of minds trained more to *bon mots* and general literary cleverness and effectiveness than to economic analysis! And is the dis-

tinction between income on capital, received for an added productiveness of industry resulting from individual saving and investment, and income on land, received by individuals for *community-produced* advantages and for *permitting* others to work and to live on the earth,—is this distinction too subtle for the "intellectuals" among our social radicals to understand!

Or may it possibly be the case that advocacy of so specific a reform as the public appropriation of land values gets more easily discredited among people of supposed importance, and butters fewer literary parsnips, because it arouses a more definite hatred and a more definite desire to get it looked at askance than do vague general complaints about "the profit motive" and "the evils of capitalism?" A particular reform is contemplated, definitely taking away the privileged income of a particular class, and it is to be expected that many members of that class will endeavor to discredit, as much as they can, both it and those who support it.

As with literary intelligentsia of radical persuasion, so with the political "leaders" of radical groups. Will not—indeed, does not—the candidate for president or governor, of a radical party, feel it usually unwise to stress such a specific reform, even though he believes in it? For, after all, he wants the greatest possible number of supporters, the greatest possible number of votes, and the way to win such supporters, as in the case of candidates of the major and less radical parties, is to talk in generalities and commit himself to nothing specific which may offend any appreciable number of potential followers. If, among the moderately poor who look for an economic millennium and who might give him a feeling of success by multiplying the total vote for him, are a considerable number who have been lured into the purchase of vacant lots in the hope of an increase in their value, and who, believing in some vaguely conceived reorganization of society which will benefit themselves by guaranteeing them "the full product of their labor," nevertheless do not desire, meanwhile, any public appropriation of community-produced values,—if such citizens are a part of his hoped-for following, he is not likely to be too specific in urging this reform.

Then, too, most of the supporters of such a candidate are probably more interested in hazy promises of a new and better world than they are in the making of a clear distinction between income from capital and income from land. And those who own no property of any kind, or almost none, are perhaps easier to arouse to a general, though vague, opposition to private enjoyment of income from any type of property than to an attempt to distinguish, each from each, income from sites and natural resources, income from capital, income from monopolistic control of an industry or industries, and income from business chicanery. It is mentally easier and, for some, may be more satisfying emotionally, to join a radical group which is striving for "the abolition of the profit system"

or for a "share-the-wealth" scheme than to attempt to discover, by careful investigation and analysis, what are the different specific evils from which our society suffers and how each specific evil can be prevented without, necessarily, revamping the entire economic system.

It would be manifestly unreasonable to claim that, once the annual rental value of land, or the major part of it is appropriated by the public, no further reforms will be necessary to make the price system ("capitalism") work most smoothly and fairly for the general good. But it is none the less a fact that this particular reform is one of the most important along the line of making "capitalism" or the price system what its conservative defenders claim it is, viz., a system which rewards industry and thrift and enterprise and gives most to those who are most deserving,—presumably to those who serve the public best. It leaves in the economic order its essential element of freedom, freedom as to what work to do, freedom to save and invest in capital construction or not to do so, freedom on the part of each individual and group of individuals to use his or their capital in whatever line of industry seems most profitable. And this reform would add a new freedom, viz., freedom to live and to work on the earth without being hindered or prevented by persons who, not desiring to use their land (or much of it) themselves, hold it out of use speculatively in the hope of making money from a *community*-produced increase of value.

How can it be consistent with the ideals of an economic philosophy which would base incomes on service, which would reward industry, enterprise, thrift and inventive genius, to support such an incongruous element in the economic system as that which enables a part of us to collect from the rest of us merely for *permission* to work and to live on the earth in those locations having *community*-produced advantages?

And now let us raise a question as to those industrial magnates who have recently been so much publicized in the matter of their insistence on preservation of constitutional rights, the maintenance of freedom in our economic system and the continuance of an economic order based on individual initiative and thrift. If such industrial magnates do not support—if, perchance, they oppose—a system of taxation which would make our economic order more nearly conform to their professed principles, which would bring it about that the rewards of industry, henceforth, would be distributed more consistently with the contributions, by each person, of effort, thrift, and productive enterprise, which would no longer, through heavy taxation of capital, deprive those who save, and so accumulate capital, of the returns which this capital yields,—if they do not support such a system of taxation, what must reasonable men say about them? Will not the simplest and most obvious conclusion be that such magnates are *not really interested in a free society*, any more than are the radicals who seek "the dictatorship

of the proletariat"; that they are not really interested, any more than are socialists and communists, in the giving of its full reward to voluntary individual *thrift* and enterprise, or in the development of the fullest practicable degree of *individualism*; but that they, along with their sympathizers among journalists and politicians, are using the slogans and rhetorical flourishes descriptive of such an ideal, as a smoke screen to conceal their real purpose, viz., the maintenance of special privileges which are altogether inconsistent with the ideal they profess to support?

Have we here a case where "extremes meet," since radical "leaders," including the literary intelligentsia of radical leanings, and conservative business men and journalists, alike, support the principle of letting some live as parasites on others,—the one group desiring that those who do not save shall enjoy the fruits of the saving of others, and the other group desiring that certain individuals, as owners of the earth and of community-produced location values, shall continue to collect from others for permission to live and to work on the relatively livable parts of the earth's surface? If, perhaps, the first group should finally so sway the masses as to win its goal, might this not be due in part to a general confusion of thought, regarding the distinction between earned and unearned incomes, contributed to no less by the second group than by the first?

Radical, dreaming, literary intelligentsia and hard-headed industrial magnates! Each group supposedly scorning the other! Is their thinking fundamentally alike, after all?

Rent, Wages and Interest— The Law of Their Relation

EDWARD WHITE AT HENRY GEORGE CONGRESS

IN teaching political economy certain fundamentals must be strongly impressed upon the students, for there are points wherein the least wobbliness causes confusion and results in the propagation of error.

Political economy shows us that wealth is produced from natural resources, termed land, by human effort, termed labor, aided by various instrumentalities, termed capital. Frequently it is stated that the product wealth is divided into three portions, rent for land, wages for labor, and interest for capital. This statement accords with common speech, but it is incomplete and tends to obscure the actual relationships involved.

Ordinarily people speak of rent as payment by a tenant to a landlord, of wages as payment by an employer to a workman, of interest as payment by a borrower to a lender. These statements do not accord with basic facts