

The Philosophy of the Single Tax
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No. III. THE NEW DOCTRINE.

It should be evident that the first essential to any philosophical inquiry into social conditions and the causes inducing them is an accurate definition of the meanings of all the terms to be employed in the course of it. The want of strict and arbitrary definitions of certain words whose use enters largely into any consideration of politico-economic questions has been prolific of confusion in the past, and has led astray many of the keenest minds that have engaged in such investigations. The names of certain elements or conditions of the problem to be dealt with have conveyed different meanings to different ears — sometimes different meanings to the same ears. It has happened over and over again that writers held in very high repute as authorities in this field of research have at the beginning of a chapter attached a signification to some such term as "wealth," "capital," or "wages" which is not maintained to the end. Under such circumstances it is not to be wondered at that political economy has been rather barren of reliable guidance. Nor is it surprising that its study has only been pursued in a half-hearted sort of way, and by comparatively few students, when the accepted teachers had so little to offer in the way of firm demonstration or of future promise of results beneficial to mankind. Henry George recognized that the work which lay immediately before him was to remove the indistinctness of terminology and vague application of words which had impeded the progress or vitiated the conclusions of those who preceded him, and his first care was to analyze the materials, so to speak, of which political economy is compounded. Before his time not one economist seems to have subjected all the parts of the science he strove to advance to a close examination, independent of the verdicts of others. I need not refer to instances where, in the light of the new knowledge we possess, this is made most evident. I cannot in the space of these articles deal, save in passing and where necessary for the sake of illustration, with the old economy, which in some important respects differed so widely from that taught in "Progress and Poverty," but will here proceed to state the new.

Land, in the mouths of those who advocate the single tax, means matter, as apart from the force which molds it into human usefulness. It includes not only the surface of the earth and the water, but all that is above or under that surface in the way of raw materials and natural opportunities. As has been well said "it includes the whole material universe outside of man himself." Labor means force as apart from matter. It is the power which changes and modifies matter into forms exactly fitted to minister to the needs of mankind. The meaning of the word must not be limited to physical toil, for any effort of the mind in the domain of literature, art or science which is directed towards increasing knowledge or enjoyment is truly labor, and he who in any way ministers to the satisfaction of human desires, even though he may never have soiled his hands, is truly a laborer. Wealth is the general name given to all things which are directly usable in supplying our wants, as apart from the means of securing a supply of such things. Food, clothing, jewellery and so forth are wealth, but title deeds, bonds, mortgages, etc., are not, as they merely

represent liens on the part of the holders on the past product of labor or future production of wealth. Capital is a word whose meaning has been misapprehended by the writers to a greater degree perhaps than any other of the important terms. It has been confusedly used, and its signification lost in the larger term, wealth, by many of the standard authorities, and its mutations and varying shades of meaning have interfered with true reasoning. It has been used very loosely in the past, and as a consequence is now to a large degree identical in the public mind with land, securities and wealth. The recklessness with which this word is employed in ordinary conversation is hardly less than that which has characterized its use by writers whose deductions passed unchallenged until Henry George analyzed them. Capital, as he defines it, is wealth in course of change or exchange for the production of more wealth. Capital must be actual wealth, and not merely anything representing wealth, like bonds or parchment. It must be composed of some natural material which has been modified by human exertion. It must be distinctively a labor product. Although capital is necessarily wealth, wealth is not necessarily capital. "Capital is distinguished from wealth proper by its use. Wealth in hand for consumption, as the house one lives in, or the food in his larder, or the clothing in his wardrobe, or his family carriage, is wealth proper; lent wealth in process of exchange, as the house one rents to another, or food supplied by an innkeeper, or stock in a clothing store or carriages in a livery stable or wealth in process of transmission, as grain in a flouring mill or ore at the furnace, is capital."

I merely give these definitions here, asking my readers to examine for themselves the reasons adduced in support of them and accepted as sufficient by the followers of Henry George. They will find these given very fully in the first books of "Progress and Poverty," and they will there also have their attention forcibly called to the anomalies that have crept into the earlier teachings through the want of precise definition. The conclusions arrived at by the above examination is that two primary factors land and labor (matter and force) produce wealth, while part of this product, used in the form of tools designed to economize force and called capital, greatly increases the power of labor. This is perfectly clear, but it is necessary that the clearness shall be maintained to the end or little good will result from inquiry into those things. Other teachers than Mr. George have said that land, labor and capital are the factors of production, but have then strangely proceeded with arguments based on the assumption that land is wealth and labor capital.

Labor being the sole creative force, it follows that all result produced by it in its dealings with matter should be its reward, or wages, and as I have already said the motive which influenced Mr. George in undertaking his great inquiry was to discover why, with continually and marvelously increasing productive power on the part of labor, the wages coming to it persistently grow smaller. The old school, clinging, incredible as it may seem, to the theory that wages (the product of labor, as they admitted) must be paid from the store of existing capital devoted to the employment of labor, offered the well-known explanation about the ratio between laborers seeking employment and employers seeking laborers. John Stuart Mill, acute thinker as he was, accepting apparently without question the monstrously and palpably false doctrine of Malthus regarding overpopulation, thought that there was a continual tendency on the part of laborers to increase and overtake an imaginary sum of existing capital, which he called the "wages fund."

But if this were true it would only refer to such wage-earners as worked under the direction of employers, leaving out of account altogether wage-earners who without being hired or in any sense employed by others received the wages of their labor in the shape of direct products from the material upon which it was expended. And it is not true. Over-population has never yet affected the question, and there is no reasonable probability that it ever will, while wages are not in any case paid out of preexisting capital, but in every case out of the new wealth created by that special act of labor for which the wages are paid. To see this clearly it is necessary to recollect that money is not wealth, but a standard to measure it by and a guarantee to receive it. A sum of money is a certificate that the owner of it has produced, or received from others who produced, a certain stock of tangible wealth, the quantity of which is measured by the sum he possesses. Wages must consist of wealth in some form — that is, of something capable of ministering to human needs, and money in a man's possession simply shows that he has produced a share of something which somebody else wanted, and is to that degree entitled to choose from the products of all other workers things which he wants.

But when a great railway contract or similar work is undertaken, the local papers, speaking out of thick economic gloom, hail the contractor as a benefactor of labor. "His capital" they say, "will be expended in furnishing employment for thousands of men; many families will be benefited and the district enriched," and so on, until the contractor, who had no thought in the world in undertaking the work but to fill his pockets, begins to find greatness thrust upon him, and swagger around as a philanthropist. Let us look into the matter closely and get its true bearings. Let us see how much the labor which, from the turning of the first shovelful of earth to the laying of the last steel rail, alone brings a completed railway into existence is beholden to the capitalist who employs and bosses it, and ultimately settles down in a marine villa with extensive grounds, and is regarded as one of the makers of the country. To begin with, the people need a railway, and, through their agents in Parliament, order one, for which a certain price is to be paid. The contractor undertakes the responsibility of its construction, on the assurance that at the completion of his undertaking he will receive the payment promised. Then he hires men, engaged by the day or on piecework, and they go to work. But not one penny piece of his "capital" is needed to pay them for their work. That payment is made out of the new value created by them. No navy, or ganger, or sub-contractor, is paid in advance. Before they receive any share of the wealth of their hirer, the great "benefactor" and "employer of labor," they have given him more than they expect to get in return. It is a perfectly simple arrangement. Every stroke of pick or gad, every barrow-load of earth removed from a cutting, brings the railway line just that much nearer to its completion and gives the contractor not only a full value (in railway line) to set against the value (in money) which on pay day he will hand to the navy, but gives him a trifle over to go towards the purchase of the marine residence. Instead of capital advancing anything to labor *it* is the debtor. Wages — I use the word here not in its true sense, but in the sense in which it is now ordinarily understood — are never paid until after work has been done and not only an equivalent to the amount paid secured but a profit also. What is true of the railway contract is true of any other enterprise whatever. It must be true, for if employers did not receive a value in return for all payments made, which, not only replaced such payments but left a surplus, they would soon cease to be employers.

It seems a very reasonable thing to think that in certain cases, such as the construction of a railway, or a ship, or a building, from which any return in the way of use cannot possibly arise until after it is finished, that the payment of those who have been engaged in its construction has been made from a previously existing stock of capital. The fact that conditions which have grown up render it necessary for whoever undertakes such a contract to be provided beforehand with a considerable sum of money from which sum the payments are made, at least until an amount can be drawn by the contractor upon the work in hand as far as it has proceeded, lends color to such a belief. It is the substitution of payment in money for the old and cumbrous system of payment in products that obscures the truth that wages are paid from the result of current labor instead of from outside capital. No case can be cited in which it is not evident upon investigation that labor provides the value from which its remuneration is paid. At the end of each week the railway, or the ship, or the house, is worth more in increased value than the amount of the wages paid out for that week to all the workers engaged upon it. If the workers chose (and this were agreed to by all parties) to take shares in the railway, or the ship, or the house for their payment instead of money, it would at once be seen from what source their wages were derived. Or, if the work done were making clothes instead of building railways, ships or houses, and the workers chose to take their reward at the week's end in the shape of coats or vests, it would be at once seen that wages are drawn from the immediate product of labor.

The true province of capital, then, is certainly not to "provide employment" or "pay wages," although for long it has been credited with doing both. Its real use is to increase the power of labor by providing it with tools, by enabling it to avail itself to the fullest possible degree of the reproductive forces of nature, and by ensuring the best available division of labor. With this part of the subject, however, I need not deal here. My object has been to impress the reader with this fact, namely, that wages are produced by the laborer before he receives them, instead of being taken from capital. That being so, the tendency of wages to the lowest possible point at which the laborer can live and work cannot be traced to an over-abundance of laborers or a deficiency of capital. "Are they, then," asks Mr. Bartholomew Appleby, whose excellent pamphlet "To a College Professor" I am here making use of, "diminished by the decreasing productive power of labor or by the decreasing productiveness of land?" The first is at once seen to be out of the question. Beyond belief the power of labor to produce has grown. In the place of human muscles and hands that weary, sinews of steel have been put. Great engines each with the strength of a thousand men, go on smoothly doing the work over which backs ached and eyes grew dim half a century ago. Before I reach the end of these papers I will, perhaps, show what is thought to be the increase in man's power of production since steam and electricity came to his assistance. It is enough to say that a man of today, in his capacity as a producer, is a giant compared to a man of yesterday. There is no diminution of force. But what about matter? Labor has grown mighty. Has land become barren? No; science has whispered to it also, and where were arid wastes in our forefathers' day we see sturdy green blades growing thickly. This marvelous earth of ours has only begun to take us into her confidence of late, and our eyes are growing familiar with wonders of richness and use beyond anything they ever ventured to dream of who lived before us. Agriculture in all its grades has sought for and found truer laws and grown infinitely more

fruitful; the mines of the world yet teem with ores such as they had, and we have found new minerals and metals beyond number and with most valuable and excellent properties. One by one new powers arise in the world of matter; powers splendid and incredible as those which have arisen in the world of force. They say we are near a time when all the results reached by us hitherto in the way of economizing labor will be dwarfed by the harnessing up of electricity. And at the same time they tell us that columns and temples of aluminum, or a kindred substance, strong as steel, light as wood, and indestructible as time will shine like gold under sunlight in the cities of the twentieth century. It may be too much for us to believe, but what we now see around us as tangible reality was too much for our fathers to believe. Anyhow, matter is all right. Labor has won manifold increase of strength, and has a more fruitful field, and one which it has more fully explored and learned the peculiarities of, to work in. What is the reason, then, why wages tend downwards, and yet downwards?

Henry George found no suggestion of a reason up to this point. The reasons were all the other way. So far as the conditions of force and matter, or labor and land, and their co-ordinate relations to each other were concerned, wages should have shown a continual upward tendency. Every new invention or every discovery of affinity and applicability in either field should have brought with it an increase of wages. Nothing could well be more obvious than that. Wages is that part of wealth which rewards the producers of wealth, therefore with every labor-saving innovation workers should receive a larger return for the same expenditure of muscular force. Every machine should have been a separate blessing, bringing respite to human limbs, doing their work and giving men leisure to cultivate the better part of themselves and learn to be in some degree worthy of the image in which they were created. Every single movement in the direction of lessening the amount of human labor requisite to produce a given result should have made the human laborer independent to that degree of toil. I don't think there is anything extravagant in the sincere belief that today, under just and natural social laws, all workers could live not only above poverty but in actual luxury, by working merely for an hour or two every day, and I want Mr. Carruthers not to forget it.

Why don't they? Rent is that portion of wealth which goes to pay for the use of land — that is, for any natural opportunity which labor can operate upon with a view to production. Wages I have already defined, and Interest is that part of wealth which goes to Capital as its reward for helping production along with the aid of tools, etc. This is a term that there has been desperate confusion over, and it is well to be very sure how it is employed in Henry George's writings. It must not be taken to include in any measure, compensation for risk in certain speculations, for that is properly insurance; nor must it be taken to signify the profit secured by monopoly, for that is extortion. I might use a well-known land-owning company in illustration of the obscurity that hangs round this particular matter in the general mind. The company in question engages in coal-mining, among other things, and pays a very big annual dividend, which is generally and mistakenly regarded as interest upon capital invested. As a matter of fact the true interest would be small — as small as upon any similar amount of capital invested in coal-getting under the most unfavorable conditions to be here found. The difference between such dividend and that paid by the company in question simply represents monopoly advantage, and is extortion. "The

law allows it and the court awards it," but this is a place for honest definitions, and that is its name.

Those are the main divisions of wealth for distribution. All that is produced by force acting upon matter, or, to say it more simply, by labor applied to land and its potentialities, must be divided among these three — wages, rent and interest — insurance and extortion being truly but subdivisions of rent, brought into existence by the monopoly of it. Wages is the part of wealth taken by labor in return for its exertions in production; rent the part taken by land or the raw material to which labor is directed, and interest the part which goes to capital as its particular share. Although all wealth is divided for distribution into these three separate portions, there is no reason whatever why one individual or corporation may not take them all, for one man or one body of men may combine in himself or themselves all the functions of the landowner, the laborer and the capitalist. An individual, say, may own the land or raw material, towards the preparation or modification of which his energies are directed, and he may have done all the work and furnished all the capital required by himself, in which case he gets the full product without any deduction. A landowner may have done all the necessary work and borrowed the necessary capital, in which case he gets wages and rent as his own share, and has to pay interest for and replacement of the borrowed capital. Or he may have found the capital and hired the labor, in which case he would get for his own share rent and interest, and pay merely wages. If he did not use the land himself, but chose to lease it to a user, he would get nothing but rent. The economic truth of the division of wealth into these parts is the same, though, whether the parts be divided between three claimants or all go to one.