

## SYMPOSIUM ON THE LAND QUESTION / 1890

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I FIND it hard that limitation of space forces me to abstain from answering some of my predecessors. Perhaps it is better so, as I am afraid I might have somewhat lost my temper in answering Mr. Herbert. Abstract philosophy has a tendency to affect me as a red rag is said to affect a bull. It has always seemed to me that there ought to be a special planet in which these people might be allowed to sport their theories. Ours is not large enough for that. I would like to see Mr. Herbert expounding his theories in a meeting of stockholders, to which he denies the right of doing anything in regard to the administration of the joint property without the consent of every single shareholder, and would prefer to see everything go to ruin rather than earn good dividends by such unphilosophical proceedings as the one implied in majority rule.

If Mr. Herbert would have made me lose my temper, I think Mr. Scott Moffat would have made me regain it; for there is something so infinitely enjoyable in his definition of the functions of ownership. It is so correct, too. You can see that immediately, when you take, for instance, Mr. Winans, the American, who owns a part of Scotland from sea to sea. First, "to guard the land against intrusion" of the cultivator; "to maintain the right of the owner or his representative to its fruits" driving away the original owners of the soil, the people who cultivated it for many centuries, who fought for their country's glory on many battle fields, to Canada, Australia, or the United States. Secondly, "to procure and maintain (drive away and starve) tenants capable of cultivating it to advantage." Thirdly, "to maintain or improve the condition of the land" changing it back into the original desert, to afford a hunting ground for idlers. Formerly these went to the American West to shoot deer. Now the Scotch cultivator goes there, and his fields are turned into western wilds so that the Americans can hunt there. "Whether directly, or with agreement with the tenants." For form of agreement see Sutherland clearances. Instead of "agreement with" read also "with the rent

paid by the tenants." It is equally refreshing to read about the excess of rent being due to the high cost of food, at a time when rents are too high because wheat is so cheap.

All this is very nice; and I never had the least doubt that landlords and their friends can prove quite to their own satisfaction that private ownership of land is an unmixed blessing to them; for I have lived among Virginian farmers, who proved to me equally well, to their own satisfaction, that slavery was an excellent institution for the slaveholders. But I cannot quite see how they can make it clear to those unphilosophical masses, commonly called the people, that the present parties are always to be the owners and they, the people, the tenants and the labourers.

At one of the meetings where Mr. George spoke, a young scion of nobility asked him if he thought it just that he should give up a place which his family had possessed for centuries ? " Don't you think you have had it long enough ? " Mr. George asked. What are Messrs. Herbert, Scott Moffat and Co. going to answer, when those 99/100 of the English nation, who are not landowners, begin to ask that ticklish question: " Don't you think you have had it long enough?" And there is not the least doubt that they will ask that question, one day or the other, and mean to have it answered, too. Education, once the privilege of the few, is rapidly forcing its way downward; and, though it will not be sufficiently developed to make them see Mr. Herbert's philosophy that they have no rights as long as a single landlord says " nay," yet they will know as much as this that the power is in their hands to take the land from its present owners; and depend upon it, they will take it.

They will do it the more certainly, when once they know how entirely their present misery is derived from private landownership, which the greatest part of land nationalizers do not themselves see as yet.

In a short paper I cannot fully develop principles which, according to my view, govern the true relation between the land question and the great social question in general; and which I am happy to say, have been adopted by German, Dutch, and Swiss land nationalizers. An

English translation of my last book on this question is in preparation. I shall try to give a short sketch of its contents.

How is it that millions of willing workers, who are at the same time willing consumers, cannot find paying work in mutually exchanging the produce of their labour ? This problem is the social question of the 19th century. The question of wages is only subordinate to it; for if work were easily found, there would be no unoccupied reserve army of workers, no mutual underbidding, and consequently we would have high wages. Over-production can be no solution of the problem, for it is only another expression for the same. There is no single article of production, there never was a single one, which can be considered as having been over-produced in the real meaning of the word, viz., in having nobody needing it. What we call over-production is, in reality, nothing but under-consumption, caused by a deficiency of purchasing power on the part of the masses. How does this deficiency originate ? To answer this question is to give the cause of our commercial crises, is to solve the social question; for both are the same thing. I say, they are, which does not mean that they always have been. One of our greatest difficulties consists in the very fact that the meaning of both expressions has changed in the course of time. In an age in which the full exertion of man could just provide for his most pressing wants, the luxury of the few could only be obtained by the privations of the many. The social question of that day was easily understood. So were the commercial crises of that time. When wars, famines, pests, floods, earthquakes, revolutions, ravaged a country, the crisis was easily accounted for. It is evident, that in a time in which over-production is considered as the cause of the depression by all superficial observers, neither the social question nor the crises can be explained by a deficiency of production. Misery from want is a familiar conception; misery through abundance is an astonishing puzzle. Formerly, wars ruined business, fires damaged production; now there is nothing like a war to stimulate business, and a big fire, like that of Chicago, has a very invigorating influence on production. What is the solution of the riddle ? It can only be found in that cause which prevents the producing masses from exercising their purchasing power to the full extent of the facilities of production.

What is this cause ? It is that they have to give up part of what their labour produces to somebody else, which of course is bound to diminish their purchasing power in proportion.

Even this could not prevent free exchange of products, and consequently full working opportunities, if one very important and essential condition were fulfilled, viz., if those to whom labour gives up part of its produce would consume it sooner or later. Are they not forced to do this ? They would be, if there were not the possibility of using their income as a means of increasing their tribute-levying power, their power of preventing the workers from consuming, without filling the gap by their own consumption.

Before, however, we can see how this possibility can arise, I must first illustrate by an example, from actual life, how the crisis is caused by the increase of large incomes. The Rothschild family, in its different branches, has got an income of not less than 8,000,000. Their consumption does not exceed 1,000,000. This means that they demand from the working masses a tribute to the amount of 8,000,000, of which they take only 1,000,000 in produce. For the remainder they want new tribute-rights, or that means of exchange, called " money," with which they can purchase these rights. To exchange their goods for such capitalized tribute-rights or money, the producers have to sell them in a market, in which the Rothschilds only buy 1,000,000's worth, and in which they, the producing masses, would very willingly buy the remaining 7,000,000's worth, if they could afford it, viz., if they had not to pay the exchange value of their goods to the Rothschilds. The total sum, which in this way is not consumed, but invested in new tribute-rights all the world over, is calculated to exceed 500,000,000 yearly.

The natural objection we here meet with is that the savings of capitalists, being invested in new machines, new factories, railroads, &c., give employment to labour in some other way; they only turn it into some other channel, which is even of more advantage to the community than if goods for direct personal consumption were produced. This would be right enough if it were true, which

unfortunately it is not. To prove what I advance, I have to begin with the investigation of what we understand by a word always used in connection with the question of investments, the word "capital." No other word in the dictionary of political economy is used with so many different meanings. The definition mostly heard is: "produce of labour used as an instrument of new production." Interest in this sense means hire paid for borrowed instruments of production. Is this really the definition of capital and interest as we are accustomed to meet them in daily life? Certainly not. Only a comparatively small part of the world's capital can come under this heading. Look over the stock-exchange list, and see how much of all the values quoted there will bear the test. Not one-tenth, certainly. All the rest will have to get quite a different definition. The whole of this so-called capital is nothing but "capitalized tribute-rights."

A government bond of 100 bearing 3 interest is nothing but the capitalized value of the right to levy a tribute of 3 from the workers of the nation through the agency of the tax-gatherer. All land-titles, all mortgages, all that part of the value of shares not represented by the tools of production owned by joint stock companies all this is nothing else but capitalized tribute-levying power. [Perhaps only the odd 5,000 of the 195,000 for which a share in a London water company is sold represents the value of the pipes, reservoirs, fittings, &c., i.e., the real capital. The remaining 190,000 represents nothing but the capitalization of the legal right to collect rates from London householders, based on the monopoly enjoyed by the said water company.]

Let us from now call all this capital "false'-, capital," its interest "false interest," and the capital consisting of instruments of production (in which, of course, houses, stock, &c., are included) "real capital," its interest "real interest." It is to the latter capital that Socialists pay most attention, which is a great mistake; not only because this capital forms only a small part of the whole, but because it is also the least dangerous part. There is a great deal of risk connected with its handling, because it consists of human productions, subjected to all the destructive influences to which man's

handiwork is liable from its birth. It is " quite different with the false capital; at least with that part of it and it is by far the greatest part which is based upon well secured monopolies, such as land ownership, mortgages, government securities, railroads, canals, etc. Now the Rothschilds know this very well, and so do most of the large capitalists; or, ten to one, they would never have become large capitalists. Most of their investments are made in false capital of the securest description. If this false capital did not exist, there would be no Rothschilds. The larger the investments in real capital are, the greater is the risk run by the investor, for the capacities of supervision diminish in proportion to the extent of the field; whereas false capital of any quantity can easily be watched.

We can now easily see how the new investments of the large capitalists can increase and mostly do increase their tribute-claiming power, without giving employment to labour. Let us suppose the case of a manufacturer owing a mortgage of 10,000 to Rothschild, at 5 per cent. This means a tribute of 500 due by the manufacturer to Rothschild. A year has gone round and 500 have become due, though, business having been dull, the manufacturer has not earned it. Rothschild is kind enough to add the amount to the capital. This means that, from now to all eternity, the tribute due by the manufacturer to Rothschild has increased by 25. Has the new investment of Rothschild given employment to labour ? No, for it was nothing but a simple booking operation. It was an increase of Rothschild's false capital to the amount of 500, the capitalized tribute-right to 25 per annum. It means further that the manufacturer has to diminish his private expenditure to the amount of 25, whereas Rothschild, who does not spend his present income, will not spend one penny more than before.

The same operation goes on a hundred thousand times a day all over the world. Man's genius meanwhile works with all its might to invent more powerful machines, better processes of manufacture, etc., thus increasing the productive and consumptive power of the people. It is all in vain. Demon interest, with his son compound interest, grows much faster than the genius of invention. There is no fighting

possible against the laws of arithmetic. Like that Persian king who found that the doubling of a single grain on the squares of the chess-board reached a sum exceeding the fortunes of the whole kingdom, we shall be forced to recognise that the genius will have to give in to the demon even if the wonders it holds in reserve for humanity should exceed those of the Thousand and One Nights. The reason why the law of compound interest did not ruin us long ago is the same which prevented the penny invested at the time of Christ from reaching the fabulous sum mentioned in the books of arithmetic. The insecurity of the investment was so great that the penny got lost. Since the beginning of this century this has changed. Investments in land, government securities, railroads, etc., a reign of law and order never before known, combined with an unexampled productiveness of human labour, have given the demon full play. We are already too far on the chessboard; another square and we are lost. We cannot stand the Rothschild's fortune at 400 millions, with all the others, the Westminsters, the Goulds, Vanderbilts, etc., growing at the same ratio. Shall we wait till the problem is solved in the old accustomed manner, till terrible wars and more terrible revolutions have settled the interest account by destroying the capital? Do not forget, ye owners of tribute-rights, that the destruction of your false capital need not involve the loss of a single penny's worth of real capital. Suppose that land nationalization, by taking away the selling value of land, destroys those 4,000 or 5,000 millions at which the statistics of British national wealth estimate the capitalized tribute-rights exercised through rent collection, would the nation be the poorer or richer by it? Have the United States become richer or poorer by the disappearance of 500 millions sterling of slave value from the columns of national wealth statistics? Are land values anything else than slave values? Improvements? Why, slaves were improved too. Self-sacrificing owners even went so far as to improve their blood themselves, picking out the prettiest negro girls for that noble end. Landlords do not go as far as that. All they do is to allow a small part of labour's exertions to return to the land after having taken the way through their pockets. The best friends of the Southern slaveholders were those abolitionists who offered them full compensation. They were the best friends of their country, too; for the slaves would have

been a good deal cheaper than the costs of the war. But how can land nationalization do any good if interest and compound interest continue especially if the interest of government bonds takes the place of rent, which would only change the mode of collection, this being undertaken by the government for the landlords instead of by these themselves ?

If Henry George were right if the tribute-compelling power of capital not only would continue after land nationalization, but even would increase, Socialists would be justified in asserting that the proposed reform would make the people's situation worse than it is now. Socialism would be the only remedy. Fortunately, Mr. George is wrong. Not only interest will not increase when private rent-exaction ceases, but it will disappear with it. To prove this has been the principal part of my efforts. It is difficult to put these proofs before the reader in the narrow space here allowed me. I shall have to limit myself to a short outline, referring the reader to my book in which also the crisis theory is more fully developed. Before giving this outline, I only want to add a few words about the fluctuating nature of the crisis; for if the causes I have assigned are the real ones, the only puzzle will be how we ever can have a stoppage of the crisis how revivals of business can at all happen, when, according to my theory, the crisis ought to increase in violence from day to day. The explanation is a very simple one. Social developments never go in a straight line, but in undulatory wave-motions. Improvements in business are but the advancing waves of a receding tide. What we call an improvement in business nowadays would have been considered a bad crisis 30 years ago. These temporary improvements, which are continually getting shorter, and are divided by growing intervals of crisis, are caused by wars or large armaments destroying wealth and creating a demand for work. The temporary increase of demand caused in this way is as little understood by the business community as the real cause of the crisis. Everybody thinks that at last the bad times are over, and the long expected revival has arrived for good. Shopkeepers give large orders to the merchants and these to manufacturers, to be in a position to meet the expected demand. Manufacturers engage more hands and enlarge their works to satisfy



their customers. All this increases the amount of wages paid and, as a consequence, the consumption of goods. It thus further stimulates the hopefulness of the business world, the laying in of stock, the demand for goods, &c. But, all this time, the old causes of the crisis have been at work, not only with uninterrupted, but with increased force. The loans emitted for reparation of war losses or the purchase of armaments have increased the tribute-exacting power of the capitalist minority, without proportionately increasing their consumption. On the other hand, they diminish the purchasing power and consumption of the masses by increasing the taxes. Soon shopkeepers and merchants begin to discover that they overestimated the demand, and they reduce their orders. Manufacturers begin to dismiss hands, thus further diminishing consumption; and the crisis begins with renewed intensity, often with the preliminary of a crash, the intensity of which is in proportion to the temporary improvement.

And now for the interest question. I can pass over those definitions which see in the element of time or in natural forces the origin of interest. Time is a destructive element as well as a creative one, and in every case in which we have to ascribe to natural forces a certain part of production we shall, on closer inspection, find that it is rent and not interest we have to do with. The only definition of interest which can be admitted is, that it is a certain part of the produce of labour, paid for the use of capital. The justice of such payment is demonstrated by the mutual service theory. A. lends a plane to B., by means of which B. can produce more boards in a given time than he could without the plane, and of course B. ought to pay for the service rendered to him by A. in giving him one or more of the additional planks made by means of A's. loan. All right; but did B. render no service to A. by agreeing to take his plane and to give him a new plane at the time when A. needed the same? If A. had to keep his plane himself he would have had to spend labour to preserve it from being stolen, from rust, fire, etc., and even with all his labour he would never have had as good a plane as before. If B. there/ore saved him all this work, he rendered him a service, too. To compare the value of two services we have to take their market value as a standard of comparison, not the standard at which it is valued by the parties

personally. This is the law governing any barter. A starving wanderer coming into a town and buying a piece of bread sets a greater personal value upon the service rendered to him by the baker than the baker upon the payment of the penny he received for his bread. Still, only one penny was exacted, because the market value of the service rendered by the baker is only put at one penny. It is, therefore, supply and demand in the market which has to determine the mutual value of the two services rendered by the lender to the borrower and vice versa. If there are more planes needed than offered, planes will command a rent. If on the other hand the offer of planes for hire exceeds the demand, planes will have to pay for the keeping. If the offer of capital exceeds the demand, capital will have to pay for its preservation. Is this ever likely to happen ? It would be the rule, if production were untrammelled. Every worker would soon produce more capital than he could use himself; only those beginning anew in business would require capital, which they could soon repay out of their earnings. Capital would be a drug in the market, interest would be a thing of the past. Well, what prevents this desirable state of things ? Private ownership of land is the cause. Rent is the father of interest. It was the great reformer, Calvin, who already, three and a-half centuries ago, proclaimed the great truth that " as long as money will buy land which produces rent, money will be able to claim interest, and capital can be said to be productive of interest, as the object with which you can buy another capable of producing anything can be considered as being the producer of the same." The moment a capitalist owning 100 can purchase with it land bringing 3 rent, this capitalist will not lend out these 100 if he does not get at least 3 interest. Nationalize land, and interest will soon go down to the premium of risk and to the wages of supervision, or below this. Neither of these can be called interest proper; for the one, in the long run, only replaces the loss of capital, the other is only a form of wages. Neither can form the source of the continual self-increase of capital, which is the cause of all our misfortunes. I know that objections will rain down upon this, and in my book I have tried to anticipate them. Habit makes us look at the most unnatural state of things as a matter of course, and at self-evident truths as lies. That the loan of an object involves the right, not only to get it back tenfold in

the course of years through multiplying interest claims, but an eternal right for the lender and his heirs to claim a tribute from the borrower and his heirs, and still to retain an undiminished claim on the capital, such a state of things appears to us perfectly just and natural, whereas the idea that a time might come when the claim of the lender will end with the repayment of his capital, whether such repayment be made in a lump or in instalments, appears to us as ridiculous and not to be thought of.

The dangers inherent in interest and compound interest claims were not unknown to lawgivers. From the Holy Writ to the canonical laws we find a profusion of laws against interest. Cato considers the taker of interest as worse than a murderer. All this was nonsense. All laws were forced to remain dead letters, as long as the natural foundation of interest remained intact as long as capital could buy land and claim rent for the same. The best proof of this truth can be found in the way in which the laws against interest were evaded during the Middle Ages by making feigned land sales, to be cancelled after repayment of the debt. The rent was collected by the lender, the imaginary owner, until he was repaid. Calvin was much more logical than Romanism, in authorising interest under its real name, as rent made its indirect collection possible. Laws against compound interest were equally useless, for how could the capitalist be prevented from lending out his yearly interest-income? As the new capital consisting of saved interest could not be distinguished in any way from the old capital both being in most cases only false capital, capitalized tribute-claims how could compound interest be distinguished from real interest ?

One of the most remarkable proofs how even great thinkers are influenced by current thoughts can be found in the fact that our first economists have not been able to see how lending could go on without interest. Even Adam Smith did not believe that anybody would lend without interest unless it was from motives of friendship or charity. He did not see that lending against good security was anyhow better than the preservation of capital by oneself, with all the dangers inherent to the same. Anyhow, he did not go so far as some

others, who did not see how anybody would save without the possibility of getting interest. Such economists consider man inferior to animals like the bee, the squirrel, the ant, &c., which save without getting interest, or even with the risk of minus interest, viz., of losing part of their savings. What induces man to save is not the hope of getting interest, but the wish to live without care for the morrow, to provide for old age, for those he leaves behind, and for the sake of enjoying leisure at his will. All this can be accomplished without interest. 50,000 will, without interest, enable a man to provide a thousand a year income during his own lifetime and that of his wife and children. 33,000 will do it, if invested at 3 per cent. It will be a great deal easier in the reform time to save 50,000, than to-day 33,000, especially to the great majority of people, who to-day cannot save a penny. The advantages of interest are to the working man of our time like those of cheap potatoes in Ireland to that Irishman in the United States, who said: "In ould Ireland ye can git a bushel of taters for sixpence, but the difficulty is to git the sixpence." Insurance companies will be able to equalize risks, make arrangements for life annuities, issue life insurance policies, make provision for sickness and accidents, as well as to-day. Interest only cheapens their terms, but has nothing to do with the principle of insurance, which consists in the generalisation of risks.

The indirect influences of land nationalization upon capital and interest are much greater than its direct effects. As long as Henry George does not see this, he can never successfully meet Socialists in public discussion, especially in old countries, where the speculative retaining of land plays a very unimportant part, and where the reform of having rent go into the pockets of the State would not of itself make it much easier for a worker without capital to compete with capitalist farmers. It is only by showing that land nationalization will abolish false capital and interest, and thus will make real capital accessible to workers, thus rendering it easy for them to work for their own account, be it singly or as members of associations, and to refuse wages inferior to the profits made in this way, gaining all the advantages of Socialism without its drawbacks, it is only in this way that Individualism can hope to beat Socialism. It is only then that

natural laws will accomplish what blind economists pretend they are accomplishing to-day. The dispute between Individualists and Socialists to-day is like that between a gardener who has planted beans which the hogs have eaten without his knowledge, and who insists that his beans have sprouted because natural law wills it so, and a looker on who denies the existence of such a law, there being no sign of a single sprout. Individualists like Griffen, Atkinson, &c., bring us false statistics, by which they attempt to prove that the sprouts of general well-being are visible all around us though nobody with sound eyes can see them because economic laws ought to bring such results.

Socialists on the other hand deny economic laws because the results are so bad. Both schools have forgotten the hogs, which ate the beans, viz. , private landowner ship, the only cause which made beneficent economic laws bring such bad results. Keep the hog " landlordism " out by re-erecting the good old safeguard common ownership of land foolishly torn down by our forefathers, and the law of " laissez faire, laissez passer " will produce the most delicious fruits. Another important consequence of relations between rent and interest will be that we can see our way to full compensation, without depriving the existing generation of the benefits of reform. The production of capital increasing at a greater and greater rate, and land, the most elastic field of investment, the value of which continually increases with the quantity of capital looking for investment, being withdrawn from the capital market, interest will rapidly go down. The government bonds issued at 3 per cent, soon can be converted to 2, 1, , J-, J per cent., and to no interest at all. Rent on the other hand, will rapidly increase with national prosperity. The profits from both causes combined would pay off the present national debt, as well as that incurred in land purchase, within less than 25 years. The period might be further reduced for England by putting the old land tax of 4s. in the pound on present rental values, before settling with landlords, which would reduce the sum of compensation 20 per cent. The effects of the reform would be felt as soon as interest had gone down low enough to arrest the flood of unconsumed income now

increasing the tribute-rights of a satiated minority and diminishing the power of consumption of the masses.

When the George school has once seen these truths, its march to certain victory will be rapid. Its celebrated leader is too deep a thinker to keep from seeing them, after he once has looked them squarely into the face. In "Progress and Poverty" he already begins to distinguish false from real capital, by recognising that mortgages are not capital, but landed property, and that their interest is disguised rent. He cannot make a stand at this point. He cannot help seeing that the interest on a capital lent to a worker to buy machines, cannot be legitimate and beneficent to labour to-day and become the very reverse to-morrow, when the same worker allows his creditor to execute a mortgage for the better securing of his credit. Socialists cannot help looking at land nationalization with different eyes when they once understand that it also breaks the power of capital, or rather makes it the slave of labour instead of its domineering master.

They can easily be brought to see that we do not suffer under anarchy of production, as they call it; for there is not a single article in existence which is overproduced, if the wants of the people are in question, and not a single article of which there is not too much in stock, if the purchasing power of the masses is considered. There is anarchy in the waste caused by unnecessary overstocking of unproductive occupations; but this will soon be righted when the present barriers to the full development of productive work have been laid low. The social question is one of distribution, not one of production of wealth. When once convinced that, with the nationalization of land, Individualism will accomplish their ideal much better than Socialism, Socialists cannot fail to become Individualist land nationalizers. So will Conservatives, if they once understand that we land nationalizers are the real Conservatives.