

# **Man and Mother Earth**

**By ALBERT H. JENKINS**

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## ABOUT THE AUTHOR

When Albert H. Jenkins was a young Naval Reserve lieutenant in World War I, the late General William C. Harllee, U. S. Marine Corps, then a lieutenant colonel, gave him a copy of "Progress and Poverty," by Henry George.

Young Jenkins, who had read (and rejected as illogical or superficial) many tracts and pamphlets purporting to show the causes of man's social and economic distress, opened the book with a feeling of skepticism. Nevertheless, by the time he had finished reading and reflecting upon George's work, he had been won over to the soundness of the author's proposals.

After the war, Jenkins completed his courses at the University of Michigan and then went to work for F. F. Ingram, a Detroit manufacturer who was also interested in George. At Ingram's instigation, Jenkins called on Detroit and Cleveland businessmen to solicit contributions in behalf of the Ralston-Nolan bill which, had it been enacted, would have helped to curb the accumulation of large landholdings for speculative gains. In the course of trying to answer the many questions put to him by prospective contributors, Jenkins found himself relying more and more on the ideas and arguments he had absorbed from "Progress and Poverty."

This illumination never ceased. His appreciation and understanding of George's philosophy continued to grow throughout his early career as a chemist and advertising man. During the past twenty-eight years, as a writer and associate editor of *Labor*, the national weekly of the railroad brotherhoods, he has placed his views on land and tax questions before the million readers of this influential publication.

On October 7, 1962, he was given the privilege of airing these views from the pulpit of the Davies Memorial Unitarian Church in Washington, of which he is a member. He chose as his topic, "Man and Mother Earth," delivering the timely and inspiring sermon reprinted in the following pages.

# Man and Mother Earth

by Albert H. Jenkins

When Khrushchev was here several years ago, he repeatedly said that in the United States "capitalism has replaced feudalism." Our newspapers and most of us accepted that statement as a self-evident fact, but I believe Khrushchev was mistaken.

I believe feudalism persists here in the midst of capitalism, and from this, I believe there flows a moral and economic wrong so enormous and fundamental that it is poisoning our human relations and destroying our civilization as it has destroyed other great civilizations in the past.

Of course, we do not have the outward and visible signs of ancient feudalism—publicly recognized categories of kings, nobles and serfs. But though feudalism was a social system, it was basically an economic system also. It was the power of some men to command the labor of others through the ownership of land—the Mother Earth of us all.

Does that power still exist today, right here in our own country as well as in others? If so, to what extent and with what results? Before we attempt to answer these questions, let us be good scientists and get our definitions straight. Let us get our mental feet on the ground and start from there.

For that purpose, we have the simple visual aids you see before you. The first is a global map of the earth. It represents what the economists call *LAND*.

That term includes not only the earth's surface, which is what most people think of as land, but also all of Mother Earth's other natural resources—oil, natural gas, ores and minerals, water, and even the air we breathe. Everything on which and from which man lives and without which he cannot live, is *LAND*.

You will recognize the second visual aid as Rodin's "Thinker." However, I had our cartoonist put a suit of blue overalls on him. That is because he represents man as a worker of hand or of brain, or both. In short, he is what economists call *LABOR*.

*LABOR*, working on land—the surface of the earth and its natural resources—produces what is called *CAPITAL*. This term is represented by the railroad locomotive in the third visual aid.

*CAPITAL*, in the economic and real sense, is not money, nor stocks, nor bonds. It is factories, machines, railroads, trucks, ships—anything which, after it has been produced from land, is used for

further production, transportation or distribution of either capital goods or consumer goods.

Of this economic triumvirate—land, labor and capital—the most fundamental is *LAND*, because it is the source of everything else. Yet, nowadays, the land factor is almost forgotten in our economic controversies. That is understandable for several reasons.

First, in our complicated civilization, most of us are out of touch with land. It is buried under buildings and pavements in our cities. And everything we buy from outside our cities comes to us so many steps removed from the land that we seldom think of the source—our Mother Earth.

Second, the most continuous and conspicuous economic controversies today are between labor and what labor thinks of as “capital”—the owners and managers of industry and business. Workers are in direct contact with employers in their daily lives, and winning wage raises and fringe benefits is the “bread and butter” of labor leaders.

Likewise, employers are constantly pressed by “labor problems,” which concern them obviously and directly.

So it is natural that workers and employers seldom stop to think that the economic share they are quarreling about is what is left after landowners and land speculators have taken their portion, which comes first because they control the source of all things, and labor and capital can produce only by buying their permission to use the land.

That brings us to our fourth and last visual aid, this sketch. The water pouring into the bucket represents the hard-earned fruits of labor and capital working together in all stages of production. The water going out through the hole in the side of the bucket represents the unearned tribute taken by the modern feudal landlords. They get their share first. What is left in the bottom of the bucket is what labor and capital must divide between them. They quarrel over it, not realizing that both are being robbed by a third party who contributes nothing to production. Obviously, when someone gets something for nothing, someone else gets nothing for something.

Now, as our next step toward answering the question whether feudalism persists in the midst of capitalism, note this well, for it is the first of two key points:

No man created the land—the earth. It was here millions of years before any man lived. Therefore, no man has a moral or an economic

right to say to others: "Pay me for the privilege of living on the earth and using its natural resources."

The second key point is this: No man creates the money value of the land he owns. That value is created by the needs and deeds of all the people in the community and the nation, in both their private and their public capacities.

As more people are born in or move into a community, the price of the land in and around that community goes up because more people need it to live on, to buy for houses, factories, shops and other purposes. The community itself must establish streets, schools, parks, etc.

Federal and local tax money spent to put up a school, a post office, a government defense plant, or to establish or maintain a police or fire department, boosts the value of all nearby land. The man who spends his money to build a house raises the price of the vacant lot next to it. Landowners and speculators reap an unearned and increasing harvest from these activities.

In effect, they command the labor of other men through their ownership of land, and that is the essence of economic feudalism. The same is true of men who charge other men ever-increasing prices for using the oil, gas, minerals and other natural resources which, by moral and economic right, over and above the cost of extraction, should be the free gifts of Mother Earth.

Now let us bring this down to your own experience. Many of you own a house. You remember its price. Suppose it was \$15,000. Little more than a decade ago, in 1950, the price of the lot averaged about 10 per cent of the total cost of the new home. Now the lot cost has doubled to 20 per cent, and is still rising.

At the 20 per cent figure, the buyer of a \$15,000 house pays \$3,000 for the bare land on which it was built. How long does it take you to earn \$3,000, or to save it out of your earnings? For that length of time, if you were that home buyer, you were the feudal serf of the man who sold you the land on which your house was built. In return for your \$3,000, he gave you nothing but his permission to use land which he did not create, and the money value of which he did not create. He commanded, and if you have not yet paid off the mortgage, is still commanding, your labor for the time it takes your hard-earned savings to add up to \$3,000.

And that's not all. That \$3,000 was added to your mortgage. If it's a long-term mortgage, the interest you will have to pay will about double the final land cost to you. Therefore, as a result of the persistence of economic feudalism in this country, the former

landowner and the mortgage moneylender are commanding your labor for as many months as it takes you to earn and save \$6,000. If you live in a house as a renter, you pay the land cost, too.

Here's another example, from my own experience. In 1926 the railroad labor newspaper I work for bought a piece of land on Capitol Hill, right across Independence Avenue from the House end of the Congress building. That was an absolutely unique location having many advantages, but this land cost us only \$24,000.

About thirty years later, Congress ousted us in order to put up the third House Office Building. We looked around for a site for our new building, and were offered a piece of land below Capitol Hill, across from the Capitol Plaza, and comparatively distant from the center of things and from the Senate and House office buildings.

That location is not unique in the way that our original one was, and is far inferior in all respects. But the price asked was one and a half million dollars. That was too much for us, but later this same land was bought by the Carpenters' Union and we may suppose that they paid at least what was asked of us.

That huge sum will come out of the dues paid by the union's members. Land costs always come out of someone.

For our new building we finally bought a plot at the corner of First and D Streets, Northwest, still more distant from Congress and still more inferior to our original land, and very little larger. Yet the price was nearly \$400,000.

The difference between that price and the \$24,000 we paid thirty years before has to be made up by raising the price of our paper to its subscribers.

Now let us look at an example which concerns everyone of us in this room this morning. You know how hard we are trying to pay off the mortgage on the site we are buying for our church. A few years ago we would have faced no such obstacle because the price of suitable land would have been only a few hundred dollars. Yet we had to pay \$16,000 for it and were lucky to get it at that.

Why? Because the owners and speculators in land for miles around Washington are holding it for unearned profits and in that way are creating an artificial scarcity of available land. They know that the population of this area is growing and that the need for land for useful purpose is increasing. So, the longer they hold out, the higher will be the prices and profits they hope to get.

What can, and what should be done to end this deadly hang-over of economic feudalism? Most liberals and labor spokesmen, un-

fortunately, offer no real remedy, only temporary palliatives which make the patient worse in the long run.

What they propose, and often get, are public subsidies and government guarantees to give the economic system a "shot in the arm" when it is being slowed down by rising land costs. Such artificial stimulation boosts land prices still higher, requires ever-increasing doses, and merely postpones the day of reckoning.

The government housing programs, particularly those for slum clearance and urban redevelopment, are good examples of how land profiteers are subsidized with public money supplied by the taxpayers who will take the losses if land speculators and mortgage-money-lenders run wild and cause a crash.

As a matter of fact, more and more urban redevelopment projects are being promoted by smart real estate operators. A public body buys the land at a high price, pays the heavy expense of clearing off the old buildings, then sells the land to a private developer at a fraction of the price the public body paid for it.

There just isn't enough public money to go very far in that kind of program, and slums are spreading faster than they are being cleared. Such a system has not worked and will not work.

Right here in Washington, the *Washington Post* recently reported that "Nathan Bernstein and his wife became the first individuals to get a piece of the vast southwest redevelopment project." They bought about three-fifths of an acre for \$139,000. That's at the rate of more than \$230,000 an acre, or \$5 a square foot. And, since the report describes Bernstein as a small businessman, it seems obvious he got some of the least costly land in competition with wealthy real estate corporations.

Such huge land costs have two results, among others. First, even with the public subsidies, apartments built by **private** redevelopers must, and do, rent for far more than can be paid by the low-income families for whom they are supposedly provided. In Washington's southwest redevelopment area, which is in this category, rents are reported to be as high as \$300 a month. Second, the comparatively low rents in **publicly-built** and **publicly-owned** housing require not only public subsidies for buying and clearing high-priced land, but also a continuation of these subsidies to keep the rents within reach of low- or even middle-income families.

Something different — a real, fundamental remedy — is needed. What can it be? Let us approach an answer in this way:

Slum property yields its owners profits of between 20 and 25 per

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cent—far more than any other kind of stable investment. That is largely because the more the buildings deteriorate, the lower their value is assessed, and the lower the taxes will be. Thus, the owner is rewarded for being a “slumlord” more ruthless than ancient feudal landlords.

But suppose this slumowner spends some of his money to convert his wretched old buildings into decent dwellings, or tears them down and puts up new ones? Either way he has not only increased the supply of good housing but he has also provided employment for workers in the building trades and in industries which fabricate and transport materials for construction. He has benefited manufacturers, merchants, architects, engineers and other professional men, as well as the economy in general.

Instead of being rewarded, however, this owner who redeveloped his slum property is penalized. The assessor comes around and boosts his valuation and from then on he must pay an annual fine in the form of increased taxes. In effect, he is treated as though he had committed a crime.

This tax system is upside down, according to a school of economic and moral thought fostered by the teachings of Henry George, an American, who long ago wrote a book entitled *Progress and Poverty*. It aroused controversy in its time, but has produced practical results in some parts of the world, and its teachings are now having a revival in our own country.

Those who agree with Henry George maintain that the man who should be encouraged and rewarded is not the one who lets his slum property run down, but the one who does a favor for everyone by improving his old buildings or tearing them down and putting up better ones.

How would this be done? By taxing the land under the buildings at its true economic value, which is usually much higher than the assessed value, and taking taxes entirely off the buildings or other improvements.

At first that may seem to be a startling thought, perhaps even an unjust one. But remember this, there is a fundamental difference morally and economically between land and buildings. No owner created his land, and its money value was created by the whole community. Is it unjust then for the creators of that value—the people of the community—to get the annual return on it in the form of taxes?



In contrast, buildings and all other improvements are man-made. They would not exist unless individuals had invested money and labor in them. When the community taxes them, it is taking something the community did not create.

The purpose of the tax system which Henry George advocated goes far beyond clearing slums by reversing the impact of local and state taxes. Its purpose is no less than to end persistent economic feudalism and its attendant evils. It proposes to do that by making it unprofitable to hold land out of use, or to use it inadequately while waiting for increasing population and public need to boost its selling price.

If landowners and speculators had to pay more taxes on their land, they would sell much more cheaply to people who need land for use. Thus taxes on land values tend to reduce land prices and the cost of living. In that respect, land values are unique. All other kinds of taxes in whole or in part operate to raise prices and living costs.

There is an old and true saying that "the power to tax is the power to destroy." Every dollar of tax destroys something for better or for worse. The question is what do you want to destroy—the productive activities of labor and capital, or the feudalistic obstruction of men who command the labor of others through landownership and speculative profits?

Federal taxes as well as local taxes are full of favors for landowners and land speculators. Here is just one example:

Earned income pays federal tax rates ranging from 20 to 91 per cent. Unearned profits from land pay only the capital gains tax, which ranges up to 25 per cent at the most. What is more, Uncle Sam gives back to the landowner much of the local real estate taxes he has paid, because such taxes are deductible from taxable income. Thus a wealthy land speculator in the 50 per cent tax bracket, in effect, deducts half his real estate tax from his federal income tax.

More and more people are awakening to the problem of economic feudalism and are seeking its remedy. I only wish I could say that the liberals and the laborites of our country were leading the search.

*House & Home*, a monthly magazine covering all phases of the home-building industry, is a Luce publication, and as such would generally be considered conservative. But on the land and tax question, *House & Home* is "radical" in the old American sense of that word, meaning that it goes to the root of things, seeks out and tries to remedy causes.

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Through its intimate and practical knowledge of the home-building industry, *House & Home* became convinced that this industry is being strangled by high and rising land prices, and that the only cure is to tax land values more and houses less. It printed a whole special edition on that subject in August, 1960 and called the land speculator "Public Enemy No. 1."

*The Reader's Digest*, scarcely a liberal magazine, recently published an excellent boil-down of the *House & Home* material under the title "Land Speculation and How to Stop It."

Feudal lords, big and little, are exacting more and more billions of tribute from the rest of the people. This will get worse as the population explosion puts heavier and heavier pressure on the land and other natural resources.

Warnings of this came long ago from the classical economists. One of them, David Ricardo, put it this way:

Advancing wealth and productivity bring more people, but they do not bring more land. As a result, those who own the land can command an ever greater return for an increasingly scarce resource. Meanwhile, capital and labor conflict with each other for the rest of the product, and get smaller and smaller shares while the landowners get more and more.

Therefore, Ricardo said, "the natural price of labor is that price which is necessary to enable the laborers . . . to subsist and perpetuate their race." This came to be known as his "iron law of wages."

Ricardo and other classical economists correctly foresaw that in times and places of rapid economic growth and relative scarcity of workers, wages could rise temporarily. But now the population explosion is on full blast and the industrial revolution, instead of creating more jobs, as it formerly did, is resulting in millions of workers who cannot find jobs even at Ricardo's "subsistence wage."

This economic insecurity will continue and grow worse until the land and tax question is answered, and answered right, for it is the inevitable result of the economic feudalism which has cursed mankind throughout the ages and lingers on in our own country.

Things move fast nowadays, and the time is growing short. Dare we delay too long in solving the biggest and most fundamental of our economic and moral problems—the problem of Man and his Mother Earth?