

A WARNING AND A PROMISE A Danger Signal to the Jewish Commonwealth

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[This is the third and last of a series of articles by Mr. Post on the Problem of Land Tenure in the Jewish Commonwealth. Mr. Post has written these articles for THE MACCABEAN with the object of elucidating the land tenure principles of the Pittsburgh Programme. The first two articles appeared respectively in the July and August numbers of THE MACCABEAN. The entire series will be reprinted in pamphlet form.—Editorial Note.]

REVIVAL OF A DEAD FAITH

"A faith that was dead revives." The writer of those words had been reared where faith in an omniscient, omnipotent and beneficent Creator was confessed and taught. He had accepted that faith without hesitation through boyhood and into early manhood; but a working-man's life and an inquiring mind prompted him to question and drove him on to doubt. He could not reconcile the grinding inequalities of the world with beneficent intelligence in its creator; and pious promises of post-mortem joys seemed to him irrelevant. The more widely he observed and the more deeply he thought, the more certain he became, for a time, that no intelligence at all rules the universe.

Further consideration, however, revealed to him evidences of some kind of intelligence as a ruling force. But this revelation only made the matter worse; for the Intelligence he thought he recognized was wholly lacking in benevolence. Instead of a beneficent God it seemed a malignant Devil.

Such was Henry George's spiritual outlook when in the middle 70's of the nineteenth century he began his inquiry into the cause of increase of want with increase of wealth, into the reason for persistence of poverty among the industrious multitudes in spite of material progress—his momentous inquiry of which PROGRESS AND POVERTY was the published outcome.

In the course of that inquiry he came to see that the force which created and governs the universe is benevolent as well as intelligent. He began to discern a wisely loving Father in place of an insanely satanic practical joker. So his old faith in the Fatherhood of God and the consequent brotherhood of man came back to him, and he made his confession in the concluding chapter of PROGRESS AND POVERTY. "Out of this inquiry," he wrote, "has come to me something I did not think to find, and a faith that was dead revives."

THE LAW OF RENT

This revival of Henry George's original faith was caused by his growing comprehension of the familiar phenomena of rent for land, of those varying premiums for the various natural resources of the earth with which exploiting corporations, all dealers in real estate, and most socially intelligent people are familiar.

Rent, let it be understood, is that part of industrial production which flows from producers to owners of natural resources in varying shares. The economic law that measures those shares in the distribution of products is known as the law of economic rent. George described it in these terms: "The ownership of a natural agent of production will give the power of appropriating so much of the wealth produced by the exertion of labour and capital upon it as exceeds the return which the same application of labour and capital could secure in the least

productive occupation in which they freely engage." As no one can engage in any occupation without access to natural resources, this is the same as saying that the rent of any natural resource is determined by the excess of its produce over that which the same application can secure from the least productive natural resource in use. The accuracy of that definition of economic rent, the rent or price of land, the rent or price of all kinds of natural resources, will be apparent to whoever takes the pains to grasp it.

In its normal operation the law of rent leaves to producers their entire produce from such natural resources as are so abundant and so freely available that no producer will pay for the privilege of using them. For instances of such extreme availability we must look to sparsely settled countries. Karl Marx notes an impressive Australian instance in the 33rd chapter of his CAPITAL, where he tells the true story of an "unhappy Mr. Peel." But in well settled countries there are spots where rents are low enough to serve as "no rent" locations for all the purposes of understanding and illustrating or exemplifying the law of rent. From a natural resource that is free or commands only a small rental or price, the whole produce, or virtually the whole, is retained by the producer. No one but the producer can appropriate any of it, because opportunities for free or approximately free production are easily available. The totality of his own product therefore constitutes his own earnings. But for the use of natural resources superior to those that are free, or almost free, the producer can retain only so much of his product as equals what he could retain if he had produced from free, or nearly free, resources. The rest, varying from a small share to an enormously large share according to the inherent richness and convenient location of the natural resource, is rent. It is the price of the privilege of producing. For illustration: If a producer can produce 10 units from natural resources of a grade that is abundant enough to command no rent, and 20 units from better natural resources of a grade that is monopolized, the extra 10 units will be rent for the better natural resources.

Evidently, therefore, while rent varies with the differential usefulness of natural resources, the producer's own share in production is approximately the same everywhere for the same effort and skill. This is true regardless of whether the producer owns the natural resources he uses, or pays rent to a landlord, or works for stipulated wages. If he is the owner he will probably confuse his rent with his earnings instead of separating the two; if he is a wage earner the rent will be deducted in his contract of employment—probably without his knowing it. But the difference between earnings as the share of producers, and rent as the price of permission to use monopolized natural opportunities for production, is essentially the same in all industrial relationships.

BENEFICENCE OF THE LAW OF RENT

One's first impression upon grasping the principle of rent may be that it is a shrewd "capitalistic device" for diverting products from producers to labour exploiters. That is indeed the way in which it operates when social institutions recognize abuses of land ownership as legitimate. But the law of rent is no such device. It is a beneficent natural law for distinguishing individual earnings from social earnings. When not perverted, it tends to enrich both individual producers and society as a whole, with every advance in productive power.

His realization of that characteristic of the law of rent is what revived Henry George's dead faith in a beneficent Creator. He saw that under the normal operation of that law material progress would augment the incomes of individual producers as absolute quantities even though reducing them as proportions, while augmenting the

income of society both absolutely and proportionally. For illustration: Suppose that any number of individuals are producing 20 units each, of which each retains 15 units as earnings and turns over for common purposes, under the normal operation of the law of rent, 5 units as rent for the natural resources he uses; suppose then that a labour-saving device is introduced by means of which, without any increased exertion or with even less exertion, the production of each individual is increased to 30 units; suppose also that under the normal operation of the law of rent each producer now retains 18 units instead of 15 as earnings, turning over as rent for social purposes 12 units instead of 5. In those circumstances material progress would have increased their respective shares as producers from 15 to 18, which, though a proportional increase of only 20 per cent., would be an absolute or actual enrichment of 3 units; at the same time the same material progress would have increased the share devoted to common uses (rent) from 5 units to 12 for each producer—a proportional increase of 140 per cent. and an absolute increase of 7 units. In other terms, the results of advances in productive power, distributed by the normal operation of the law of rent, would go in increasing proportion as well as quantity to the common uses of producers as a whole, and in diminishing proportion but increasing quantity to individual producers.

The principle thus illustrated would constantly tend—improvements in the arts, increase of population and advances in general refinement continuing to make further and further demands upon natural resources—to enlarge social income for common uses in greater and greater proportion while substantially increasing the actual incomes of individual producers. Society would thus be able to do more and more for the improvement and comfort of all its members, and each individual would be able to do more and more for his own comfort and improvement. Poverty would no longer accompany progress.

There is, therefore, in the natural law of rent convincing evidence of an intelligence in the universe, which recognizes individual and social solidarity in human nature, each with a sphere of its own, and provides wisely and beneficently for both. At any rate, Henry George found in this law of social progress that convincing proof of beneficent design of which other evidences had been to him unconvincing. For here he grasped a natural law which in its normal operations would stimulate individual faculties and reward the individual equitably according to his degree of usefulness, while providing for society a fund no part of which anyone could reasonably claim as his very own, but which would increasingly serve the social needs of all. He realized that in the normal operation of this beneficent natural law, "society would approach the ideal of Jeffersonian democracy, the promised land of Herbert Spencer, the abolition of government, but of government only as a directing and repressive power"; and that "at the same time and in the same degree . . . we should reach the ideal of the socialist, but not through government repression," for "a government would change its character and would become the administration of a great co-operative society . . . the agency by which the common property was administered for the common benefit," while individual property was left to individual administration and enjoyment.

It was to that natural law that George referred in the free trade and socialism chapter of his "Protection or Free Trade," where he said in a note: "I neither claim nor repudiate the name" of socialist; "and, realizing as I do the correlative truth of both principles, can no more call myself an individualist or a socialist than one who considers the forces by which the planets are held to their orbits could call himself a centrifugalist or a centripetalist."

NATURAL LAW IN THE SOCIAL WORLD

There have been social scientists who denied natural law in the social world, who limited the reign of natural law to the realm of physics. But surely no real scientist at this day holds to that discredited fad of German "kultur." Man seeks the line of least resistance as persistently as the rifle-bullet does. It is his nature to. He acts according to a natural law, a law of human nature. And out of this human characteristic of the individual spring all the economic phenomena of human association. One of those phenomena is the law of rent. Using it, society prospers; permitting its abuse, society suffers.

Can one possibly reflect upon social phenomena without realizing that social life is governed no less by characteristics of human nature than by characteristics of physical nature and animal nature? With the one as with the other, like causes tend uniformly to produce like effects. No more true can it be that a column will tend to fall if it loses its centre of gravity, than that social tendencies are generated by laws of human nature.

That physical hunger stimulates the will to apply intellectual and physical faculties to external objects in order to procure food is a law of all animal nature, human nature included. It is a natural law of the human animal. But man is more than an animal, and the boundaries of natural law do not end at the outer edges of his nature, leaving the interior areas lawless. In all the realm of human nature, social as well as physical, natural laws must hold sway.

It would not be reasonable to suppose that man's social life is haphazard, while natural law reigns below that level all the way down to crystals. To reflect rationally upon the history of human experience is to infer that natural laws of human society, springing out of laws of human nature, are as certainly existent and inerrant in their tendencies as laws of matter.

We recognize, for instance, a law of human nature which corresponds to the physical law that motion follows the line of least resistance. Henry George formulated it in these words: "Men seek to gratify their desires with the least exertion." Its social validity may be tested by the phenomena of prices, values, labour-saving inventions, predatory crimes, predatory legislation, predatory institutions. "By comparing societies in which different conditions exist, or by in imagination separating, combining, adding, or eliminating forces as factors of known direction," as George did, the operation of that law of human nature may be clearly traced. Whatever the desire, human efforts to gratify it proceed along the line of least resistance. It is the same law of human nature which on the one hand has clouded history with shadow-pictures of lawless robbery and institutional privilege, but on the other has enriched civilization with inventions of marvellous utility.

This law of human nature, which inspires men to produce satisfactions from natural resources with the least exertion, leads on with irresistible logic to revelations of a moral law which confirms in producers the natural title to their products—that of maker. Of this title they cannot be fairly divested except as they transfer their products in the course of voluntary exchange. They do transfer part of their products in the course of voluntary exchange when they surrender that part to other respective communities for the privilege of using natural resources of greater utility than those to which any of their brethren are compelled to resort for lack of better. This they do under the operation of the natural law of rent. If they pay the rent into a common pool for the good of all, and as morally the natural property of all, an equilibrium of fairness is maintained. Whoever produces more, not because his working ability and achievement are

better but because his allotment of natural resources is more productive, compensates the rest in proportion to the advantage he secures through monopolization of natural resources which in fairness are no more his than theirs.

THE WARNING

If those payments do not go to common use, the equitable operation of the law of rent is disturbed and its potential good becomes potential evil. Therein is to be found the warning which Zion must heed or pay the natural penalty.

Let the forthcoming Jewish Commonwealth divert its differential rents to monopolists of its natural resources, and some of its citizens will revel in unearned riches while others, robbed of their natural birthright and their natural earnings, will struggle like serfs for a bare living.

If Zion patterns after other peoples in giving rent to individuals or corporations or private groups of any kind, as their private property, the social evils that have befallen those peoples will assuredly befall her. For her material progress, keeping pace with that of the rest of the world, will make greater and greater demands upon her natural resources. This will increase the unearned incomes of the private owners of those resources, both proportionally and absolutely. Consequent expectation of still greater demand for her natural resources, through confidence in continued material progress, will increase rent abnormally at the expense of individual earnings. The outcome will be excessive rent, both absolutely and as a proportion of produce, and consequent reduction of earnings to the margin of a bare living. Material progress then will but perpetuate and intensify poverty.

The natural law of rent, like every other natural law, brings disaster when defied or ignored.

But in that rational vision of Henry George's there is the promise of a splendid future for Zion. If she conforms her property institutions and her fiscal policies to the natural law of rent, material progress will spell material prosperity for all her people, individually and collectively. By leaving to individual producers their share of production, which the law of rent in normal operation measures equitably, and taking for common uses the resultant social increment, which also the law of rent in normal operation measures equitably, Zion shall flourish as no other nation ever has. She shall flourish as no nation can which disinherits the working masses and gives their natural birthright and their natural share in social wealth to a privileged few.

Let this commonwealth, with its historic background, acknowledge and enforce the natural law which prescribes earnings for the earner and rent for all, and an ugly warning becomes a generous promise.

THE PUBLIC

In its issue of December 6th, THE PUBLIC announces that it must suspend publication.

THE PUBLIC was founded in Chicago in April, 1898, by Louis F. and Alice Thatcher Post, who for many years acted as joint editors. In June, 1913, Mr. Post joined President Wilson's administration as Assistant Secretary of the Department of Labour, and the editorship of THE PUBLIC was undertaken by Mr. Samuel Danziger assisted by Mr. Stoughton Cooley and Mrs. A. L. Graves. In January, 1917, the publishing offices were moved to New York, with Mrs. Joseph Fels as editor, assisted by Mr. Cooley and Dr. J. W. Slaughter.

It is stated that the subscription obligations of THE PUBLIC for the year 1920 will be taken over by THE NEW REPUBLIC without financial consideration on the part of either publication.

DEMOCRATIC AND DESPOTIC FINANCE

Democratic finance, it has been asserted, is marked by extravagance. Wrong. *The most wasteful finance has always been that of despotisms.* The ancient régime in France fell; the despotisms of Germany, Austria, Russia, and Turkey have fallen through wasteful and corrupt administration. One and all became social inflictions. One and all lived, as every despotism must live, by sops to greed and to intrigue inspired by greed.

Ministers as heads of departments have become departmental heads responsible first and mainly to the Prime Minister, and only in a secondary sense to Parliament. This is copied—it may be, of course, unconsciously copied—from the ex-Government of Germany. The Prime Minister himself does not attend in Parliament, save when he has some statement to make. Also a copy from the practice of Chancellors of the ex-Government of Germany dealing with a Reichstag having only the shadow of authority. Policy is not known except to secret cabals and Parliament without grip upon it. Again a copy from the ex-Government of Germany. Manipulation of elections and "management" of the Press through standing and organized bureaux. Features of the ex-Governments of Austria and Germany. Proscription of political opponents. A feature of the ex-Governments of Austria and Germany. Institution of a secret political police. A feature of the ex-Governments of Germany, Austria, and Russia. "Deals" with interests behind the back of Parliament. A feature more particularly of the ex-Government of Germany. Doles and guarantees to agriculture, coal-owners, corn-dealers and millers, and specified industries. Opposition bought off out of the public purse. Multiplication of official places and appointments. Support insured out of the public purse. Enrolment of bodies of men outside the law and unknown to the Constitution. A practice of despotism.

All this is the outcome in part of unbalanced ambition, in part of prejudice, in part of panic. Let us not mince words about it. To some the glorious national effort called forth by the war appears, looking back upon it, a terrifying portent of popular power. Their dislike of popular power has been fanned by their fears. A comparative handful, dubbing themselves the "State," talk of working railways and mines in the event of stoppage. "Controls," obstructive though they are of the common livelihood, are favoured as affording the means of countering the opposition "if the worst comes to the worst." This is the depth of folly. It would be beneath notice were there not at the back of it a resolve to whittle away popular and constitutional authority. As the despotic features of the Government have been thrown up, the squandering of the public funds has grown. If six hundred thousand men laid down their lives in order to transplant to these islands, previously free from them, the political abuses of the Continent, very well. But let us know where we are. And let us be under no mistake as to the character of despotic finance.—"D." in the "Westminster Gazette" (London), December 11th.

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