

CHAPTER 11

“Social Services”

THE STATE consists of a number of people who, having somehow got hold of it, make use of the machinery of coercion to the end that they might pursue their version of happiness without respect to the discipline of the market place. They batten on Society. Taking into consideration the paraphernalia of coercion—laws, propaganda, and the police—the State might be called an institution; but at bottom it is a gang of people. The character of the State is more evident when the gang is an alien group, a conquering horde or imperialistic power, or where a distinct social class, a nobility, rides herd; then again, as under communism, where a self-anointed and self-appointed group devote themselves to the use of power. Obscurantism sets in and disguises the character of the State when the personnel of rulership is subject to periodic change, and particularly when the oligarchy convinces both itself and Society that it serves a noble purpose. It is in the phrase “social service” that the true character of the State is lost.

There are services which are indeed social, for without them there could not be a Society. The cobbler is a social servicer because he shoes people. So is the manufacturer of toothpicks or the doctor or the entertainer, or any person who devotes himself to satisfying human desires. Whether

anyone is a social servicer is determined by Society, by those who willingly give up to him their possessions to avail themselves of his offerings. The more successful he is the more social he is, for his success records the quality and quantity of satisfactions he has rendered to others.

But the “social services” with which the State occupies itself are quite different in character from those that Society designates as services in the market place. They are enterprises which have nothing at all to do with the market place, are not subject to competitive conditions, do not exist because Society has chosen them to exist, and would not exist but for the power of political management to impose them on Society. Society is compelled to keep them going. Whether they are services or not is determined by the dictum of the State. Since the State is possessed of a monopoly of coercion, and has no other competence, the “services” it presumes to render cannot be subjected to any other judgment. But, though coercion is its own justification, the acceptance of it by Society calls for moral support; and so it is said that there are some services which can best be performed collectively and these are called “social.”

What can be done collectively that cannot be done without the use of force? What are “social services”? The category varies with the incidence of power. In one State the operation of a railroad comes under that heading, in another this is held to be a private business. Insurance was once a service rendered by specialists to those who availed themselves of it; now the field is being invaded and promises to be preempted by the State. Even in the same State the definition of “social services” undergoes change by force of law, as when the United States outlawed the delivery of mail by

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anybody but itself. The reason for this is plain: each activity that the State takes unto itself reduces the scope of social activity, adds to its personnel, and improves its position vis-à-vis Society. That is, its power increases in proportion to the number of “social services” it engages in. The process of acquisition is self-accelerating. In a highly integrated Society, where specialization is rife and each specialization impinges on another, so that none can stand up alone, the invasion of the market place by the State in one field soon brings it into contact with another, so that it is pushed by the logic of necessity into designating more and more occupations as “social” in character. Once started on this process of pre-emption the State cannot, if it would, contain itself; it must go on. Eventually it must abolish the market-place technique entirely; everything that man would do for himself to better his circumstances is the proper sphere of political power. Thus, the ideal of “social services” is the complete State, or communism.

Whenever the State appropriates or engages in a field of economic activity it either monopolizes it outright or surrounds it with conditions that are peculiar and advantageous unto itself, so that private operators in that field are put to flight. In the first place, the State does not tax itself and thus is relieved of a cost its competitors must bear. It is under no necessity so to manage its business that its income shall meet its expenses, for it can make up for losses by taxation. In the second place, the bookkeeping of the State is a meaningless invention of its own. Competition with the State, even when it is permitted, becomes impossible. Indeed, the State knows that it is unable to meet the performance of private business and therefore refuses to face the test of the market place. Its

interest is not in rendering service but in expanding its power over Society. What are called “social services” are merely means for such expansion.

And yet, the idea of “social services” had a sound beginning. As usual, the taproot of the idea is to be found in man’s search for a better life. In the days when he was organizing a Society, even as he thought of a Government to keep things on an even keel, so he thought of other devices to make life more livable. Experience had taught him that his accumulations of labor products could be wiped out by the accident of fire. His neighbors were under the same apprehension. The upshot of this common concern was a volunteer fire department; each member of the community subjected himself to the occasional need for his services as a fire fighter because in so doing he served his own interest; in helping to save his neighbor’s property he was buying protection for his own. Then there was the matter of roads, building them, keeping them open to use, repairing them. Since without roads there could be no communication between neighbors or between the various specialists offering services, a few days a year devoted to this work was not too high a price to pay for the benefits received. If there were children in the community, their educational needs were taken care of by a volunteer who had some competence for teaching. In short, voluntarism took care of a need that had not yet grown important enough to engage the services of a full-time specialist.

These services have a valid claim on the name “social.” They are specializations that favor all the citizenry and yet are not identified with their separate endeavors. Thus, while the butcher, the baker, and the candlestick maker can the better ply their trades where there are thoroughfares leading to their shops, these thoroughfares are equally conveniences

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for the housewives who patronize them. If one of these merchants closes up shop, another will take his place if needed; if the thoroughfare is destroyed, the entire community suffers. The maintenance of the street is a social service just as an elevator in a tall building is a service for all the tenants, even though they have nothing else in common. And so with a fire department, a sanitation system, a water supply.

The part-time volunteer social servicer was outmoded by the needs of a growing population. Specialists had to take over, and specialists have to be paid. But specialists do not have to have police power to perform their services. Authority does not build waterworks, put out fires, or keep streets in repair; engineers, trained workmen, and machines do these jobs, and the only part authority can possibly take in the operation is to collect money from the citizenry and pay the bills. Yet, such is the innate characteristic of political power to enlarge upon its scope that these services are made functions of the oligarchy; the workmen who perform the work are designated “civil servants,” are enrolled in the army of the State, and thus acquire a vested interest in its perpetuation and in the enlargement of its powers.

The putting out of fires could very well be entrusted to insurance companies, which have a vital interest in doing the job efficiently and at the least cost. A street-cleaning concern working under contract and hoping for renewal would be compelled by competition to do the work well and within the price agreed upon; there would be no making up a deficit by extra drafts on the taxpaying public. If a telephone company can operate efficiently and meet its obligations, including taxes, so could a private post-office system. In short, there is no service required by Society that is in any way improved by its politicalization, and that could not be better done if it

were subjected to competitive conditions. The only reason for the political operation of these services is to give the State (and there is a State in every city) the semblance of a competence it does not have, so that its accumulation of power may appear to be socially beneficial.

State power is in direct proportion to State income. The more money the State has to do with, the more it will do; it is incapable of inhibiting its passion for power. A tax is a compulsory transfer of property from the producer to the ruler, and with the transfer goes the privilege of disposition. Even though the disposition of tax funds is circumscribed by law, it is still the State, not the original owner, who makes decisions. The higher the tax the narrower the scope of the producer's choices, and if all his earnings are taken from him—the Communist's program—he becomes completely dependent on the will of the legalized spender, even in the manner of how he shall live. Thus, the freedom of the individual is commensurate with the amount of his property he is able to dispose of, as he sees fit, and the power of the State is commensurate with its confiscations. And this is so even if the confiscated property is spent in ways that, according to the State, redound to his benefit. A well-kept slave is still a slave.

Nevertheless, there are these over-all or common services that enable a Society to grow both in size and in productivity, and these must be paid for. It is a poor environment, not attractive as a place to live in, and therefore not conducive to enterprise, where rivers of mud must do for streets, the outhouse is the only sanitation system, the well is the source of water supply. There is no question as to that. The only question is whether there is any means of paying for the services

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needed for growth other than taxation. Perhaps they can pay their own way, even as the elevator and the heating system in a large building are self-supporting. When we follow the growth of a prairie spot into a large city, step by step, we see that inherent in this development there is a source of revenue comparable to the services which make it possible.

To the first pioneer, before there is a Society, the only consideration in the selection of a site to work on is the wages this particular piece of land will yield him for his labors. To him, this is the "best" land. There is plenty of this land around, and the second, third, and other immigrants are likewise concerned only with productivity. In due time, the influx exhausts the best land, and newcomers are compelled to work the second best. A differential in desirability has arisen because of scarcity. The best is better than the second best because the same amount of labor will yield more, and if the newcomers wish to work the better locations they will offer the first occupiers a premium for the privilege. They will offer to pay rent. All things considered, the rent they will offer to pay will be equal to the differential in yield.

So far, fertility determines the rent of land. But, when the population increases to the point where specialization and trade set in, a differential in desirability of locations arises that has no relation to crops. The blacksmith does not need an acre to ply his trade, only a lot, and the doctor needs even less space. On minute fractions of a farm, men produce goods and render services that are in considerable demand, and specialists in these lines bid high for these fractions. Their bidding is the result of crowding, and the crowding in turn is due to the concentration of population in the area of these sites. Thus comes Main Street, with its general store, its hotel, its theater, and its library.

Main Street is not merely a thoroughfare. Here one can enjoy the pleasures of social life, here one can produce things of value, here one can put one's savings to productive use. It is more than a location, it is an opportunity to render and to receive services. The opportunity is sought after, and the intensity of desire for sites on Main Street fixes rental value. The bids do not represent a charge on the occupier's income, wages on his labor, or interest on his investment, but rather measure the opportunity which the desired spot will give him to work and to invest his capital. It is for the opportunity that he is willing to pay a share of the production made possible by the location. The opportunity costs him nothing, because if he did not apply his skills and his capital there, if he were compelled to locate “off the beaten track,” his returns would be commensurately less. If he has rare skill to offer, like singing, it is necessary that he display it here, for elsewhere customers would be few. If he has much capital to invest, he puts up his building or his haberdashery shop at this center of population because on the prairie his capital would be unproductive. He pays for the opportunity to produce out of the production the site makes possible, not out of his earnings. In point of fact, the rent comes in by the front door.

Main Street—used here as a symbol of the market economy—is made possible by population. Population concentrates in the locality, in the first place, because the locality promises a return on invested labor and capital, because it has good land, a harbor, a mine or, eventually, a factory. That is the first magnet for people. But, since men do not live by bread alone, the wages earned in the locality begin clamoring for services that only Main Street can provide, and as wages increase so does the clamoring. Among the services

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demanded are those that are conducive to better living, security from fire hazards, sanitary conditions, better streets, a water supply. And as these aids to better living appear, the place becomes attractive to more people, and the bidding for locations becomes more lively. The rental values of these locations increase. But so do the productive possibilities. Rent is the reflection of density and productivity of population. Procreation and immigration are only partial boosters of rent; even more important are the wealth-producing capacities and facilities of these occupiers of sites.

The cause-and-effect relationship between rent and population productivity suggests that rent is a proper fund to apply to those services that cannot be ascribed to the efforts of individual producers, but which are necessary to all of them. This is the device first suggested by the French Physiocrats in the eighteenth century and later advocated by Henry George under the name of the “single tax.” As a fiscal measure it commends itself on several grounds. In the first place, it is really not a tax, because the element of coercion is absent from the collection of rent. Rent has to be paid even as one must pay for the services of a doctor or the acquisition of any economic good. It is a price paid for the exclusive use of a desirable site and is determined by free competition. As in the case of a necktie or a ticket to the circus, the price is set by voluntary bidders; the owner of the site has nothing to do with establishing its rental value. The only question involved is whether it is in the best interests of Society, which creates this rental value, that it be paid to the owner or to the public treasury to defray the costs of the social services. To the occupier the matter is of no consequence; he does not care whether the recipient of the rent is an idiot, a genius, a corporation, or the community.

Then, there is the matter of equity. Since the social services attract population and are therefore conducive to greater production, which in turn increases rent, it would seem that the cost of maintaining them is a proper charge against rent. It can be argued that rent rises in proportion to the availability of services provided by private specialists, such as factories, doctors, railroads, entertainers, and merchants. But these are the concomitants of population density, which is directly influenced by the conditions which make the locality a desirable place to live in. It may be possible to earn as much money wages for a given amount of labor in a mining camp, where no social services are available, but a mining camp is a poor place to spend one's life in. The density and productivity of population is the primary cause of rent, but contributory to density and productivity are the social services provided in the locality. Hence, it seems equitable that this rent be used to defray the costs.

Finally, there is the obvious improvement in the abundance of the market place if taxes were abolished, if production were relieved of the cost of providing social services. A tax is a levy on earnings; it is a draft on the wages that would, if left with the earner, result in effective demand for goods and services. They are made poorer by the levy. On the other hand, rent is not a charge against production but is merely payment for the opportunity to produce. The merchant who says that he does not care what the rent of his location is so long as he can do the business there, is an excellent economist; he knows that he is not out of pocket for the rent he pays, that this payment is merely a yardstick of the volume of sales made possible at that location. If he sets up shop in a less traveled area, he will pay less rent, but he will also do less business. And he knows that the price he

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must charge for his merchandise is determined by competition, not by the rent he pays. Unlike a tax, which must be added to the price of the merchandise and absorbed by the consumer, rent is absorbed in commercial transactions; it cannot be passed on to the consumer.

For all that, the “single tax” does not come to grips with the basic malaise of Society, which is the tendency of political power to encroach on freedom. It is true that Henry George faced this fact, but, like all advocates of reform, his inclination to blow up his proposal into a panacea led him to pass encroachment over as an inconsequential matter that would automatically correct itself. He argued that the prosperity resulting from the abolition of taxes would offer emoluments in private enterprise that politics could not match, and that only those who had achieved a competence would enter political life for the glory of public service. But the argument does not accord with the facts of history, nor does it take into account the ineluctible urge in political life for more and more power. The power complex is not to be cured by a fiscal reform. Even as taxes are used to accumulate power, so could the rent of land. It has been estimated that rent in a highly productive country, like the United States, is a larger sum than its taxes, and if this is so its diversion to the State would make that institution stronger and more arbitrary than it is now. It could use the rent fund to take over an industry, such as the steel mills, by the simple device of declaring it a “social service.” In a “democracy,” how many votes could be bought with rent?

The best that can be said for the use of rent to defray the cost of social services, in lieu of taxes, is that the plan might work well in a small community. But that is so not

because of the inherent virtue of the plan but because in a small community political power is more immediately responsive to social power, and any attempt to make use of the rent fund for political purposes would meet with the quick disapproval of the neighbors; that, however, is also true when taxes are misused in a small political unit. Hence, for all the merits of the “single tax,” it does not meet the antisocial problems resulting from political institutions, the cure for which is the decentralization of power, the keeping of the politician within the purview of the people whose money he handles. Which is another subject.