

## CHAPTER III

### LAND AND CAPITAL

THE preceding discussions on the meaning of the land question and the nature of land value have already suggested the line of attack that is to be continued here. In fact, several points made before may well be recalled in this connection. One was an attempted definition of land, a definition that was expansive enough to avoid the restricted and parochial connotations so often provoked by the phrase "land question." Another was the rather daring proposal that this very land question might provide a basis for broadening and unifying the chaotic search by economic theory for social remedies. A third argument—really a foundation for the preceding—insisted that land was fundamental in any economy, even the most technological, and that therefore the private control of land should bear at least part of the scrutiny that has been so often directed elsewhere. These assertions require further elaboration.

Land was defined, in the first chapter, in the broadest of terms. It was held to mean nothing less than man's natural environment; it included every-

thing that was not made by man. Capital, the product of human labor and saving, would therefore have to be placed in a different category. And this, of course, is the reason why a detailed treatment of the dissimilarities between land and capital is necessary. Furthermore, the resulting implication was that land, being the literal ground and source, directly or indirectly, of all the production of wealth, was prior in every way—functionally, logically, chronologically—to produced wealth, within which capital was to be located. Land was the base of the economic pyramid, capital part of the superstructure.

Now, it has long been the custom for writers on capital to preface their own remarks by an extended survey of the thirty-six different meanings the word has had, and than to add a thirty-seventh. . . . These prefaces seem almost as obligatory as the invocations to divinities by epic poets. In the present case, however, the reader will have to give the writer the benefit of the doubt of having gazed at that opaque background of controversies over capital; there will be no encyclopaedic parade of definitions. All that will be attempted will be a passing mention of the most acceptable—if that is possible—connotations the word has for contemporary economists.

Any familiarity with modern economic theory will force one to recognize that there have been two leading concepts around which, as a rule, economists have rotated. The older of these two major

ideas has been generally associated with the Austrian school of the late nineteenth century, and with its predecessors, the marginal utility theorists such as Gossen, Walras, and Jevons. This is, of course, the subjective or psychological approach to value determination, an attack, roughly, upon the objective, *logical* categories of the classicists. The second of these orienting concepts, connected chiefly with the name of Veblen in this country, is the functional or institutional approach. Here we have an attack—still speaking in very broad terms—upon the *ethics* of classicism, *i.e.*, upon hedonistic psychology. As a result of these two reactions from traditional economic theory, the orthodox terms of the classicists have undergone revolutionary changes, and the ideas of wealth, value, and capital have been almost completely amended.

This is the reason why it is very likely that the two opening chapters on the nature of land and of land value may easily find themselves subject to disqualification by academic economists. Systems of classification, such as are indicated by attempted definitions and distinctions, are quite suspect in present-day economic theory. (Even theory itself has come under some suspicion.) Especially unwelcome are the so-called rationalized groupings that intrigued the classicists, *e.g.*, land, labor, and capital divisions. Neither a functional nor a psychological approach has much patience with logical categories. Now, there will be no rash effort here to quarrel, in

wholesale fashion, with such an anti-logical emphasis; in fact, the significance of its pragmatic application to most economic problems can in no way be minimized. But one serious exception may be suggested, and that is the familiar dispute as to the relation of land to capital. Here, particularly, has the attack upon the value of definition been a severe one.

The present work, however, refuses completely to accept the failure to discriminate between land and capital. This failure seems to be very serious, much more serious than any simple distaste for defining terms. It is believed here that the deliberate or unwitting inclusion of land within the concept of capital has shunted the search for economic sanity on to a most unpleasant detour. One of the major purposes of this exposition, therefore, is to attempt to reemphasize the classical distinction between land and capital. It is not simply a question of logical classification, of neatness and order, of what might be thought the crotchets of rationalism; the refusal to retain this cardinal separation may well be responsible for much of the obliquity in economic theory.

This attempt may open with the recognition, first of all, that the classical definition of capital as goods or stock (or wealth—although the discussion of that term will be waived) used for further production has been subjected to heavy body blows by the modern theorists. In particular, has the objective, tangible connotation of "goods" been at-

tacked, at least as it has applied to capital, and, to a lesser degree, the "productive" characteristic of capital has also been questioned. This quarrel between the objective and subjective emphases of capital is nothing really new. It is a cleavage that can be traced through the entire historical development of the term (and that history has been carried back to the beginning of the seventeenth century). In fact, the rival interpretations of capital as physical stock, or as worth, value, "fund," have been the very focus of the controversy. But it is only in modern theory that the subjective aspect has come to be regarded as the more approved. Without becoming too entangled in the question of the relative significance of the contributors to this newer orthodoxy, a few samples can be suggested illustrating the changed connotations of the capital concept. These quotations are meant simply to be representative—representative, that is, of different recent and contemporary views.

Since this present treatment is definitely not an attempt at historical development, instead of starting with a mention of the pioneer work of John Bates Clark, as would be the traditional thing to do, let us quote first from what is professedly the most recent and authoritative statement of the meaning of capital, the article by Professor Fetter in the *Encyclopaedia of the Social Sciences*. In recent economic texts, he tells us, the "definition" of the word tends "toward the more general usage of capital in the valuation, property, investment sense of

the terms."<sup>1</sup> Thus, capital is to be considered "as the market value expression of individual claims to incomes, whether they have their sources in the technical uses of wealth or elsewhere. . . . It (capital) is the sum, in terms of dollars, of the present worths of various legal claims." So, "physical objects of value are not capital, being sufficiently designated as goods, wealth or agents." Capital, therefore, has a real meaning only within the price system and the market place. Professor Fetter has expressed himself similarly in other places. For example, "wealth and capital are not the same thing or even related as genus and species. Capital is essentially an individual, acquisitive, financial, investment ownership concept. It is not coextensive with wealth as physical objects, but rather with legal rights as claims to uses and incomes."<sup>2</sup> Here again he repeats that capital refers only to the dimension of private property and the price system. In other words, to rephrase this approach and to relate it with the investment and "capitalization" concepts, capital is the present worth of future

<sup>1</sup> These quotations are from pages 189-190 of Vol. III. It may be noted that Professor Fetter is one of the leaders of the anti-classical, anti-Ricardian movement in this country.

<sup>2</sup> From Professor Fetter's essay on the capital concepts of Clark in *Essays in Honor of John Bates Clark* (New York, Macmillan, 1927), p. 156. See also an earlier article by Professor Fetter on the new concepts of capital in the *Quarterly Journal of Economics*, Vol. XV (1900-1), pp. 1-45. Here he defines capital as "economic wealth whose quantity is expressed in a general value unit." (P. 44.) In general, Professor Fetter is quite critical of the older economists: for him, Böhm-Bawerk is "surprisingly old-fashioned," and Adam Smith includes in his definition of capital all the extant errors and confusions.

income. This, then, is the very familiar subjective and "technical" (meaning by technical, that which refers only to the present business system) significance of the term, one in which classical economics is sacrificed for contemporary business practices. Representing this approach, a recent elementary textbook<sup>3</sup> refuses to define "capital" at all, confining itself merely to an account of income and capitalization procedures.

The names of John Bates Clark and Thorstein Veblen have already been mentioned. Both may be regarded as powerful contributors to the changing meaning of this moot term. Clark was one of the earliest to insist that capital be considered as money expression or market value instead of concrete goods. He attempted to separate the concept into "capital-goods" and "pure capital," the first including physical agents (therefore land), and the second being thought of as the permanent fund of value resident in them.<sup>4</sup> Clark, thus, not only refused to separate land from capital, but he also excluded objective goods from "pure" capital. Veblen's criticism of the classical approach to capital was chiefly concerned with his more general attack upon a labor theory of value. The usual exposition of capital had been

<sup>3</sup> *Economic Behavior: An Institutional Approach*, by the New York University department of economics, Atkins and others (New York, Houghton Mifflin, 1931).

<sup>4</sup> Clark's *Distribution of Wealth* (1899) contains his contributions on this point, while his *Philosophy of Wealth* (1885) is especially important for his discussion of marginal utility. Professor Fetter's essay, just mentioned, is a very clear and comprehensive statement of Clark's treatment of capital.

in terms of productive goods depending ultimately upon labor; this, for him, was meaningless. A community's common stock must include such things as experience, experimentation, habit, knowledge, initiative, and the like. These imponderables—"and in any known phase of culture this common stock of intangible, technological equipment is relatively large and complex"<sup>5</sup>—become embodied in material appliances. Labor is not their source since labor is "but a function of . . . immaterial technological equipment."<sup>6</sup> It follows that capital is an "institutional" not a labor product, and also that "intangible assets are capital as well as tangible assets; that is to say, they are items of capitalized wealth."<sup>7</sup> Capital, in fact, is "assets" not "plant." It is abstract, not concrete. So Veblen, the anti-academic, is added, in this particular case, to the ranks of the academy.

Irving Fisher's concerns are largely with finance and the fiscal intricacies of economic life. Above all has he been involved in the determination of interest and income (not to mention his more recent "dollar" program). His emphasis, then, is upon the mobile functioning of capital. Professor Fisher does not deny the "objectivity" of capital, but he does take great care to distinguish it from its in-

<sup>5</sup> *The Place of Science in Modern Civilization* (New York, Huebsch, 1919), p. 328. This volume is a collection of some of Veblen's essays, including two on the nature of capital. These essays on capital first appeared in the *Quarterly Journal of Economics*, Vol. XXIII, August, and November, 1908.

<sup>6</sup> *Ibid.*, p. 339.

<sup>7</sup> *Ibid.*, p. 373.



come, and it is to the latter that he devotes his attention. In fact, for him, the determination of interest and income are the most important problems of economics. Without going into his theory of capital and income it may be said briefly that he lays great stress upon the temporal factor, that is, capital may be looked upon as all wealth at a given time. "A *stock of wealth* existing at an *instant* of time is called *capital*."<sup>8</sup> He here introduces his suggestive figure of speech of a "flow"—capital being contrasted with other wealth as a flow during a given period. "Capital is a fund and income a flow."<sup>9</sup> The "rate" of this flow attracts his particular interest. Professor Fisher's break with the classicists is not so severe, although his emphasis does disparage the significance of the capital "concept" as compared with the determination of its income.

This short digest of some of the modern critics of the traditional approach to capital cannot be concluded without a mention of Davenport's name. His criticism of classicism was largely an attempt to eliminate the ethical content of traditional economic terms, and to substitute the functionalism of a "cost" economy. Thus, his interpretation of capital, while still regarding it as "physical," refused to distinguish it from land, since such a distinction, he felt, could be solely on "moral" grounds. (This point will be returned to shortly.) Davenport's definition

<sup>8</sup> *The Nature of Capital and Income* (New York, Macmillan, 1906), p. 52. (Italics in the original.)

<sup>9</sup> *Ibid.*

of capital, then, was "all durable and objective sources of private income."<sup>10</sup>

In ending this note on the anti-classical emphasis in contemporary treatments of capital, one must realize that, as with practically every other concept of economics, the very opposite of unanimity exists. There is no single definition of capital acceptable to the "science" of economics. In fact, the classical use of the term is far from dead, and is followed, not simply in many elementary textbooks, but in the speculations of outstanding political economists.<sup>11</sup> The point of this résumé, therefore, is not to label present-day political economy as either this or that; any such effort would be a vain one. Its point is simply to indicate a recognition, *i.e.*, that traditional definitions of terms like land and capital are being increasingly discounted.<sup>12</sup>

Perhaps an apology is necessary for this preceding excursion. After all, the interest of the present chapter is not focussed on capital *qua* capital. It is upon the relation of land to capital. However, it is

<sup>10</sup> *The Economics of Enterprise* (New York, Macmillan, 1919), p. 161.

<sup>11</sup> In this country Professor Taussig may perhaps be looked upon as representing a school which still has its roots in the soil of the classical writers. See, in this connection, the definition of capital in his much used *Principles* textbook.

<sup>12</sup> For a brief outline of the anti-classical nature of much of modern economics the following books are very helpful: *Contemporary Economic Thought*, Paul T. Homan (New York, Harpers, 1928); *The Trend of Economics*, edited by Professor Tugwell (New York, Knopf, 1924); *The Development of Economics* by O. F. Boucke (New York, Macmillan, 1921); and the second half of William A. Scott's *The Development of Economics* (New York, Appleton-Century, 1933).

obvious that the land-capital controversy follows as a necessary corollary from what has just been presented as a very thin cross-section of modern anti-classicism. If capital is a psychologically-determined fund of value, or, "objectively," if it is *any* material source of income, then naturally there can be no distinction between it and a source of value and income such as land. For the typical "emancipated" economist, land is therefore a species of capital because it establishes a legal claim to income; or because it is a physical object of value no different from any other physical object (wealth or goods), among which, of course, would be included those things that the classicist mistakenly called "capital." This has been the reason (or apology), then, why there has been any digression here concerning the capital abstraction. But it goes without saying that the interpretation of capital that is being assumed in this place still retains certain classical characteristics: *e.g., capital is objective, it is produced directly or indirectly by man, and it functions as a means for further production.*

But economists have refused to divorce land from capital for other than merely abstract reasons. Not classification but technology has fused the two. Functionally and technically land is a part of capital. Two of the most concise and unequivocal expressions of this attitude may be found in Davenport<sup>13</sup> and Fetter.<sup>14</sup> Both of their arguments are devoted

<sup>13</sup> *Op. cit.*, pp. 168 ff.

<sup>14</sup> *Quarterly Journal of Economics (op. cit.)*, Vol. XV, pp. 30 ff.

to a specific attack upon the well-known summary of Böhm-Bawerk.<sup>15</sup> (However, it must be noted that Böhm-Bawerk, especially in his criticism of Ricardo, appears to value both land *and* capital solely by discounting; certainly he does not seem to recognize the force of opportunity cost as directly affecting capital value. To admit that capital is reproducible and then to value it as if it were not is quite confusing. But his summary is being referred to because it is a convenient and succinct review of the classical arguments, and also because it has drawn down the specific attack of certain modern economists.) It will not be necessary to repeat the seven or eight arguments that Böhm-Bawerk employs, since, in his attempt to be catholic, he included several that are not overly significant. At least two of them, moreover, introduce "ethical" reasons for the separation of land from capital, *e.g.*, that land is the product of nature and not of labor, the "source" argument; and also the "unearned increment" of the landowner. And for Davenport and Fetter, along with a goodly share of other modern economists (should we call them "pre-New Deal anti-ethicists"?), moralizing in economics is taboo. Economics is simply a study of technology, and the

<sup>15</sup> *The Positive Theory of Capital* (Smart trans., London, Macmillan, 1891), pp. 55-56. Böhm-Bawerk defines capital as "... the complex of intermediate products which appear on the several stages of the roundabout journey [of production]." It is "a group of products which serve as means to the acquisition of goods." (*Ibid.*, pp. 22, 38.) There is for him, however, a distinction between national or social and private or productive capital.

treatment of land and capital, for example, must be purely descriptive, *ad hoc*, evidencing the tacit (technical, not moral) acceptance of the given status, *i.e.*, recognized business practices. Therefore, any separation of land from capital on other than functional grounds is *prima facie* unacceptable.

The two most significant "functional" suggestions of Böhm-Bawerk are those of reproducibility and of diminishing returns-marginal utility-Ricardo. The second of these has been discussed in the previous chapter. As for the reproducibility argument, it is clear and simple, functional not ethical. Land is a given, static element which can neither be increased nor decreased *to any significant extent* by the efforts of man, *i.e.*, of labor. Unlike capital, land is not subject to production or reproduction; it cannot be duplicated. The amount of capital is *relatively* elastic, that of land is *relatively* fixed. Now, these remarks should provoke varying reactions. They perhaps will seem obvious to most individuals, but among such individuals will hardly be included the "emancipated" economist. To him they will be no more than another avatar of classicism. His criticism of the non-reproducibility-of-land argument is something like this:

"Land" as a concept is ambiguous. As Professor Ely tells us, there is no single element, "land." There are simply "lands" of different kinds, and no blanket description can be given of them. Lands are of different qualities and of different degrees of availability. There is no fixed and given factor of

land, since a distinction must be made in terms of "what" land you happen to be talking about. (Thus, as a corollary, you cannot make abstract judgments about "land" in terms, for example, of taxation or property status.) Therefore, so long as there is a distinction between the amounts of land available for *different uses*, the *quantity* of "land" does vary. Furthermore, increasing knowledge, particularly in the field of transportation, can act, for functional purposes, the same as elasticity of supply. That is, greater accessibility means more land and the trend of modern industry is constantly to increase accessibility. Consequently the land factor is not static. Again, the fertility of land demands labor attention, and even land site (although here the emancipated economist sometimes falls into downright casuistry) can be affected in terms of reclamation procedures. Witness the efforts of New Deal governments! Still further, much capital is not reproducible, *e.g.*, bridges and irrigation dams; here, there can be no distinction, in terms of the criterion of reproducibility, between "land" and "capital." While far from complete, this line of attack is felt to be a representative summary of the contemporary criticism of a familiar classical contention.

To attempt to answer such an approach it seems necessary first to admit every point that is made and then to respond with that most illustrative example of present-day cynicism—"so what?" And this is not meant to be facetious at all. If economists

really intend arguments like these to be taken seriously, then they must submit to the charge of deliberate or unintentional beclouding of the issue. But if they have a reasonable sense of humor, then it can be pointed out that:

Every suggestion brought forward in this connection by the modern economist may be granted, and still the only region that seems to be affected is that twilight zone between two economic concepts; the littoral of each may be extended by proposals like those above but there are great hinterlands behind. The most classical of economists could not possibly deny that, excepting for purposes of logical classification, there is a merging of land and capital at their borders.<sup>16</sup> The perennial example of the fence or ditch or irrigation trough that has been on a piece of land for generations and has become indistinguishable from the land itself, may be genuinely accepted as offering a difficulty in drawing a hairline between what is land and what is an improvement upon land, but it is quite another thing to elaborate that type of difficulty into a sweeping condemnation of *any* distinction between land and capital. To do so seems to indicate something like a lack of proportion. No one can possibly deny that *some* land is "made"; neither can anyone deny that *some* capital is not reproducible. In fact, it will readily be admitted that the absolutistic in-

<sup>16</sup> This whole point is discussed by the present writer in *The Philosophy of Henry George* (New York, Macmillan, 1933), pp. 103-105.

terpretation of concepts has no place outside of logic, and that hard and fast rigid distinctions, carefully insulated, have no more significance in economics than in any other discipline; but that is by no means a refutation of the validity of distinctions. The existence of an intermediate category affords no justification for the disregard of the two end or limiting categories. Since when did the presence of mulattoes vitiate the existential character of whites and negroes?

The contemporary attacks upon this non-reproducibility proposition are really devoted to showing that land and capital are only relatively and not absolutely dissimilar. Well, all that is necessary is to make the degree of dissimilarity an amazingly large one and our quarrel vanishes! There is no plea here for categorical unconditionals. But there is a feeling that, in economics as elsewhere, distinctions are of *functional* value. And certainly the distinction between an economic element like land, which by no stretch of an emancipated imagination can be regarded as fundamentally amenable to supply control, and capital, which is the direct product of human efforts, seems a crucial one, crucial because of its operations not because of its logic.

"Reproducibility" is perhaps a difficult word. If it is to be made so broad that every aspect of human effort is to be connoted then it would be a term that applied to land, since it can hardly be denied that land requires "attention." (Constant drought makes that clear.) In preserving fertility and possibly in



choosing a site, human (psychological) effort comes into play. But is that "attention" the same as tangible "production" or "reproduction"? Is it intellectually clarifying—not to say honest—to imply that because land in present economic society is very rarely pristine that therefore it is "made" no less than capital? Reproducibility, if the term is to be understood correctly, must mean duplication (of course, not necessarily identical duplication). That cannot possibly apply to land site,<sup>17</sup> and it applies only indifferently to land maintenance. This, then, is what is felt to be the germ of the classical "reproducibility" argument (and whether it is what the classical writers meant must be a matter of opinion): land is different from capital because, to no comparable degree, is the former as susceptible to control in terms of its origin or restoration as the latter. The contemporary criticisms of that argument appear never to reach it.

The importance of this argument for the whole thesis of the present work is so vital that it may be rephrased in different language. Reproducibility arguments mean simply that to the users of land no *real* alternatives are open; this is not the case with the users of capital. With all due respect to the qualifications and modifications mentioned above, the amount purchasers pay for land is *not*

<sup>17</sup> This particular point of the human element involved in land site has been specifically discussed by Professors Brown and Cannan in a series of articles previously mentioned: *American Economic Review*, March, 1930, pp. 78-79; and June, 1930, pp. 248-250.

limited by other possibilities; it is limited only by prospective income, it depends wholly upon demand. Capital rests, in addition, upon alternatives, upon "cost of production." This is the real significance of Professor H. G. Brown's interpretation of cost of production that was discussed in the last chapter. If it can be shown that land and capital differ with respect to their divergent dependences upon cost of production, then the reproducibility argument is strengthened by a corollary which, however, has itself independent weight. In other words, theories of value have direct bearing upon the land-capital dispute. That is, the objective (roughly, the classical) emphasis stressed cost of production, while the subjective school featured marginal utility and the psychological pressure of demand. The former would naturally coincide with the familiar distinction between land and capital, with capital value depending largely upon cost of production and land value being determined by the capitalization of its prospective rent; the latter approach would naturally discount both cost of production and the difference between land and capital. (It is unnecessary to add that the work of Marshall included an ambitious attempt to reconcile these two points of view by means of a temporal factor: "long-run" production depended upon cost of production, "short-run" upon the marginal utility of demand.) But with a cost of production theory, such as was previously outlined, which does not confine itself to labor cost and which does include the essence of

marginal value, the land-capital distinction reappears minus some of the baldness of the older labor cost doctrines. Cost of production, according to this interpretation, is the amount of alternative goods which the same effort and saving would produce. It affects demand as well as supply, since the presence of alternative possibilities acts as a determining factor for consumers as for producers. Well, it is clear that the value of land cannot be related to this "cost of production"; such cost implies other available possibilities.<sup>18</sup> At the same time, cost of production must be related to other value, *i.e.*, capital value, since here it is precisely the presence of other opportunities that sets a limit to value. Thus, cost of production and reproducibility mutually interact, one in value theory, the other in the definition of economic vocabulary. And they are not simply one more example of the vicious circle, as some economists insist. They operate as proposition and corollary—reversing their relationship according to whether theory of value or definition of terms is given the preferential position.

This discussion of reproducibility may be concluded by asking whether the large-scale differences

<sup>18</sup> "It is not the intention to suggest that the buyer or renter of land space has no alternative. He may use a smaller piece of land more intensively instead of a larger piece less intensively. Thus, he may put a twenty-story building on a small area instead of putting a ten-story building on a larger area. He may choose a poorer site instead of a better one. But the buyer or renter of capital has alternatives of these kinds and has *in addition* the alternative of becoming himself a producer of the sort of capital wanted." Professor Brown in *Economic Science and the Common Welfare*, 6th ed., p. 246, n.

between land and capital in this dimension are at all met by our modern critical economists. We are told, by Ely *et al.*, that the utilization of land is possible only through labor, since the use of land demands accessibility, and that therefore in this sense land is *produced*. "How utterly irrelevant is all this to the real problem about land rent! If landowners alone paid the entire cost of 'creating means of access' to their land, such as building all the railroads, roads, bridges, and wharves required, maintaining them, and replacing them when worn out or obsolete; if the various owners paid, each, in proportion to the increased land value received by them; and if the total capitalized land value did not exceed the reproduction cost, minus depreciation and obsolescence, of these 'means of access,' then Ely's discussion would have relevancy to the problem of private enjoyment of land rent."<sup>19</sup> We are told that bridges and dams and irrigation projects are irreproducible, and that therefore to distinguish between land and capital is old-fashioned! In other words, we are indirectly informed, by an argument like this, that depreciation of *all* capital can be neglected. Or perhaps we are supposed to believe that land *site* depreciates just as much as manufactured articles. (That *fertility* does decline is obvious, but what "land economist" is prepared to argue that the depreciation of farm land *in general* is commensurate with that of buildings and

<sup>19</sup> H. G. Brown, *The Economic Basis of Tax Reform*, p. 115, n.

improvements?)<sup>20</sup> This is the type of argument that is used to overthrow the classical contention that land space is set by natural forces, that man can *in no significant way* amend that work of nature or extend it, and that man can and does produce and reproduce goods—wealth and capital. Is it any wonder that some of us become very impatient with our emancipated economic theorist?

And all this is heralded in the name of functionalism. That is to say, we are told that functionally there is no difference between economic factors provided that they all yield income. Thus there can be a “widening” of the concept rent to include income other than that of land; and an interpretation of wealth as a purely legal term; and a refusal to distinguish land from capital. As long as  $x$  is the present worth of future income, it is capital. It doesn't even have to be physical (Fetter). The giving of income is the only functional criterion. Now, this is an approach that seems remarkably vulnerable for a reduction to absurdity, since almost anything can be capitalized in terms of its prospective yield. Brains, “rackets,” personality, a city lot, a railroad, a factory, ability to pick pockets or to corner markets—won't they all pay dividends? And are they all therefore examples of an identical economic element? That some of these items introduce “ethical” standards

<sup>20</sup> Professor Commons draws a rather useful distinction in land value between what he calls *site* value and *foundation* value, the latter involving labor efforts. *Institutional Economics* (New York, Macmillan, 1934), pp. 811 ff.

cannot be held against them, for Professor Fetter himself, to illustrate, is not averse to defining capital in terms of "legal claims," and surely the casuistry of distinguishing between the within-the-law status of, say, stock manipulation and the outside-of-the-law category of a "fence" for stolen goods is as metaphysical as the nicest of moral judgments. As long as there is a failure to see a difference between physical goods and psychological or physiological efforts, or between stock that is used for further production and stock that is held idle, or, of much more import, between "wealth" that is produced by man's efforts and the natural opportunities to produce that are themselves the product of no man, then any attempt to define capital must lay itself open to the most extravagant inconsistencies of interpretation.

If everything is to be lumped together and called capital, with no further attempt made to secure distinctions, the term loses both meaning and *functional* significance. For example, should land and capital be held indistinguishable, why do not they both react similarly to the efforts of labor? Why does not labor applied to "one form of capital—land" produce more of that category, for that is precisely what happens with all "other" capital? Why do production cost and reproduction possibility play a part in determining the supply and value of one (capital) and not of the other (land)? The contemporary insistence upon an absence of such functional dissimilarity seems rather puzzling. To

continue: Let us assume two economic elements. One of them is capable of being reproduced upon an increasing demand; its value is determined roughly by a dynamic ratio between that demand and the contraction or expansion of supply. The other is not so amenable to demand pressure since its supply is not as variable; its value, consequently, is more the result of a one-way determination. Will these two factors function the same? Can *space* function in the same way as movable and replaceable goods? After all, land can perhaps be best understood in that way, as space.<sup>21</sup> Space, it is true, may be "annihilated," as by transportation, but unless we plan to discuss economics in terms of figures of speech, that destruction of space does not seriously affect its rôle in production. It is still quite safe to say that space is "there," a datum; and it is still applicable to insist that its handling must involve a technique other than that which applies to man-made goods.

It may be recalled that this outburst was stimulated by the criticism of writers like Davenport and Fetter of Böhm-Bawerk's support of the classical argument of reproducibility. That argument has been upheld upon the very grounds on which it has been attacked, *i.e.*, that of technical and functional economics. But it was mentioned also that two other significant arguments in Böhm-Bawerk's summary,

<sup>21</sup> It might be added that the pooh-poohing of space as an attribute of land by some of our contemporary economists would tend to make them more metaphysically-inclined than they would perhaps care to admit.

the "source" and the "unearned increment" approaches, were likewise severely criticized, but for different reasons. They have been amputated from economic theory because of their ethical nature.

The "source" argument is the familiar contention that land is the gift of nature and not the product of man, and that therefore it should be treated differently from the creation of labor, *i.e.*, wealth and capital. Such an approach is supposed to be a half-theological, half-ethical judgment that has no place in technical and functional economics; what difference does it make where land came from? But is this argument ethical at all? The proposition is no more than another formulation of the reproducibility thesis. The "genetics" of land is important not for the rather mysterious reason that the origin of land makes it magically distinct from other economic elements, but because it throws clear light on the functioning of land. The statement that land is not, to any crucial degree, the result of labor is significant not because there is implied any metaphysical or hypostatized attributes to either land or capital; it is but one more phrasing of the belief that land cannot be reproduced by human effort. This has a functional rather than an ethical importance. Land is not product, but possibility, opportunity instead of achievement. It is the foundation and not the result of human energy. To distinguish, therefore, between that which human effort makes and that which, although independent of that effort, is essential to the production of economic goods



would seem a worthwhile enterprise of economic theory.

That the "unearned increment" argument is ethical may be readily admitted, but is that a criticism of it? This position was discussed in the last chapter as a distinguishing factor in separating land value from the value of other economic factors, and it definitely involves some type of moral judgment. The question of the relation between economics and ethics is not going to be introduced here, especially since the present writer has touched on this particular point in another connection.<sup>22</sup> It may be mentioned, however, that there has been much less talk of a purely objective economics in the last few years. The belligerently historical, coldly scientific, and aloofly institutional schools, to whom all "moralizing" is anathema, may still operate in the academic classroom, but at least they do not contribute to the ranks of "brain trusts." In fact, the willingness of economists to cooperate in national and political programs—whether or not that cooperation is recognized as sound—is a welcome change from the affected insistence upon purely descriptive economics that featured so much of pre-"depression" theory. This tacit recognition of the place of values in economics is, to be sure, no acceptance of a hortatory or "moralistic" ethics, any more than it is an acceptance of an outmoded

<sup>22</sup> *The Philosophy of Henry George*, Part II, Chapter IX; and "The Place of Values in Economics," *Journal of Philosophy*, June 19, 1930.

utilitarianism or a felicific calculus. It is, in every case, the acknowledgment of a pragmatic, operational ethics, an ethics that talks of processes and changing standards, an ethics that was assumed, for example, by men like Professor Tugwell long before they went to Washington.<sup>23</sup>

In other words, because the special privilege argument separating land from capital is ethical does not prevent it from being at the same time "functional." If the reasoning up to now has been at all acceptable, then the statement that land rent is unearned is no more than a summary of the contentions that land value is social value, since it is the creation of the community, and that no other significant economic value is social in precisely the same way. These suggestions are functional (or the meaning of that word is not understood here). And to say that, therefore, land rent is an individually unearned income, and that it is a special privilege which cannot be justified as a legitimate aspect of economic distribution, is to offer both an ethical and a realistic observation (the common assumption seeming to be that ethics and realism are different!). This means simply that an economic situation is noted and a judgment made. And unless economic theory should obstinately refrain from making judgments—a practice which may or may not have been responsible for the hitherto impotency of such theory—then there should be no possible

<sup>23</sup> Note, for example, the volume edited by Tugwell, *The Trend of Economics* (New York, Knopf, 1924).

quarrel with (at least the ethical content of) the proposal that as a private income land rent is indefensible.<sup>24</sup>

The more recent definitions of capital, mentioned at the beginning of this chapter, are all "descriptive." They accept the given status, and their concern is almost completely an *ad hoc* one. This attitude can be quarrelled with if for no other reason than that it precludes any critical analysis of what purports to be capital; it precludes any judgment. That is to say, admitting it true of the present *legal* features of our economic system that land and capital are largely handled in the same way, isn't that handling certainly irrelevant to the problem of change in the present system? Our modern economists can't have their cake and eat it, too. They cannot argue that in the present system land occupies the same position as capital, and then say that therefore economic theory *justifies* the contention that land and capital have the same function. It may indeed be that the attempt, practically, to give them both the same function or to treat them as if they had the same function with respect

<sup>24</sup>It may be observed that Davenport, who was a leader in seeking the removal of ethics from economics and in lending his weight to a technical and functional "cost" theory, himself admitted, and not reluctantly, the force of the so-called ethical arguments for separating land from capital. His point was simply that such matters were for sociology and social ethics, and not for economics. In addition, he was one of the strongest critics of the position that the presence of *other* possible unearned incomes should mitigate the handling of rent's unearned status. (See *The Economics of Enterprise*, p. 169; and an article in the *American Economic Review*, March, 1917, p. 11.)

to their consequences (and one cannot discuss functions except in terms of their consequences) is a great cause of existing dislocations in our social order. In fact, the more one might admit the land-capital connection in the *legal* structure of the present system, the more obvious might become the conflict between the working of economic forces and such a legal structure, and consequently the need for a change. If economic theory is going to be descriptive, it is necessarily enjoined from making a *de facto* argument into a *de jure* one, *i.e.*, it cannot claim the support of economic *science* for the simple reporting of business practice. One might as well argue that because both health and disease have physiological causes of the same general physico-chemical nature, there is no difference in the functioning of the two. This is the kind of dilemma that results from the abortive attempt to make a social study such as economics non-ethical and amoral.

In concluding this long polemic on land and capital, it is difficult to know what point should be selected for final emphasis. Perhaps the dimension of social value may be of paramount consideration. The argument here directs attention to the fact that the press of population and all the amenities of civilized society express themselves in the demand for land—as they do in the demand for everything else; but, whereas the demand for land ultimately raises land rent and land value, the value of consumer goods and of capital goods will rise *or* fall,

not merely as demand varies, but also in proportion to the elasticity of a reproducible supply in meeting that demand. That seems to be the critical difference between land value and capital value. Given an unmonopolized supply of any economic element, in the production of which there is some measure of competition, increased demand and higher social organization may or may not result in increased value. This is not the case with land value. The two types of value function in contrasting fashions. It follows that the phrase "social value," referring in this connection to value which is created by the community and which does not grow from individual efforts, cannot be applied indiscriminately; it refers peculiarly to the value of land. Or, the summary argument may be a little more abstract and insist that land represents a passive factor in production, whereas labor and capital are active instruments, the first operating directly and the second, indirectly. Land only lends itself to production; it absorbs wealth without literally creating it. Again, to be more concrete, it may be said that land is a less transient element than capital. Land site, for all intents, is permanent; most land fertility, given a modicum of labor attention and scientific treatment, is a long-run natural contribution.<sup>25</sup> Commodities are produced to be destroyed. Buildings are old in twenty years, outmoded in thirty or forty; other improvements vary in their longevity,

<sup>25</sup> The elements of land fertility that are exhaustible and replaceable should be regarded as capital.

but all are "consumed." Their partial consumption in fact begins as soon as they are produced—thus, depreciation. Reproducibility might be again brought forward as a final review. But the point here is not to discover some rhetorical peroration. Unless the preceding pages have made an impression, there need be no striving for a last-minute effect. And if they have, then all that is necessary is to urge the retention of the distinction between land and capital. The recent attempts, for whatever reason, to merge these two distinct economic forces are working a mischief that has set both conservative and radical theory hurtling along the wrong roads.

Why have so many pages been devoted to this wellworn land-capital controversy? What is the value, indeed, what is the point of insisting so strenuously that land should be considered as a unique economic element? Is not the reaction from the classical approach, which did separate land from capital, simply a matter of economic terminology, a change in vocabulary style? These questions are in no way out of order. In fact, there really would be no reason for laboring the argument unless some rather significant inferences should follow. For this matter of land and capital is not merely a nice point of discrimination. It is not a plea for the retention of distinct logical categories in economics. And the ethical content of the separation demanded here is not one more example of philosophic contentious-

ness. Instead, a major reason for writing this book is the conviction that the blurring of the fundamental differences between land and capital is the chief reason for the flagrant neglect of the real meaning and urgency of the land question.

The inferences that follow from such a distinction between land and capital should be clear and simple, but they need to be made articulate. If labor and capital cannot operate without land, *i.e.*, without sites, rights-of-way, lots, farms, favorable geographical locations, and all else that comes under the heading of land, then, to that degree, land is the dominant factor in economic production. If capital and all the tools of production that man uses are essentially reproducible and replaceable, whereas land space and site value are just as essentially irreproducible, then land, under private control as it is, represents the final and limiting restriction in economic production. If land rent and land value are essentially unearned incomes, depending upon such private control of a given, irreplaceable economic element, then the exploiter of that unearned increment occupies the keystone position in economic distribution.

If-then arguments are purely deductive, but in a work on the *theory* of the land question no apology is going to be made for deduction. However, should inductive arguments be demanded, it may be suggested that the road down which to look would be that leading to the land and natural resources so frantically guarded by our giant industries. Public

utilities, oil, iron and steel, and munitions—these, if not the largest, are at least the most publicized of the giants, the most vulnerable, for example, to Congressional investigations and propaganda indictments. Here, of course, the alliance between “capitalistic” enterprise and land is so close that any loosening of the cement would spell annihilation. But these industries are no more than samples of what must be true (theoretically) and what is true (factually) with every significant producer. Not one could operate without access to land; the power of monopoly and exploitation possessed by the vast expressions of capital investment is secondary to and depends upon the more basic control of man’s natural resources. Like Antaeus, capital must derive its strength from the Earth.

This is no doctrinaire argument. It goes back to the commonplace that man is a land animal and that all his activity, economic or otherwise, is grounded upon land. Without access to land, man could not live and could not produce; without production availability, any capitalistic technology would be meaningless. The primary basis of economic life is not the accumulation of capital goods. That accumulation, whether it be the crude hammer of a paleolithic man or a vast Pennsylvania steel plant, is a secondary stage, secondary functionally as well as chronologically. In other words, the relation of land to capital is not simply the genetic one of parent to child (the child seems now to command more attention); it is, at the same



time, a conserving one. Like the Cartesian God, land preserves as well as creates. A conclusion then would seem to be that the control of land is the final economic control. It is ultimate and basic, and all other power of monopoly and exploitation rests upon it. It is the pedestal on which capitalism stands. To proscribe man's free access to land is to limit all economic freedom; it means forcing man down to a marginal economic life.

It is very strange that this line of approach fails to appeal to the typical radical in economics, or even to those who still profess themselves liberals.<sup>26</sup> The radical, of whatever left wing complexion, is an adherent of some form of collectivism, and liberalism too often conceals an outmoded Manchesterism. But both assume that "capitalism" is the perpetual economic crux. The same is true, of course, of our contemporary economic "planners," who are "communists," according to the conservatives, and capitalism's apologizers, if the communists are right. In either case, they, too, insist that technical manipulation of the capitalist system is the way out of our difficulties. Not one of these critics of the existing status (none of the defenders, either) pays any concentrated attention to what is being presented here as the land question. This neglect, es-

<sup>26</sup> At one time in the history of at least American liberalism (and the same was true in England), the matter of land reform was paramount. The following names may be suggested: Frederic C. Howe, Brand Whitlock, Hamlin Garland, Lincoln Steffens, Newton D. Baker, Herbert Quick, Clarence Darrow, and many others including, of course, that of Cleveland's beloved Tom Johnson.

pecially by socialists, is strange because there is so much in radical and liberal literature that recognizes explicitly the fundamental nature of land. Socialistic writings, for example, have made particular mention of the basic monopoly present in the private ownership of land; they have admitted, in so many words, that land control is the parent and constant supporter of capital control, and yet socialists then proceed to turn away from land reform as something partial and relatively insignificant, as simply an item in the whole collectivist program. Typical quotations of this recognition by socialist theorists have been presented in another place by the present writer,<sup>27</sup> but some of them are of sufficient importance to repeat, and other references, not noted before, may be added.

Karl Marx himself was most definitive and unambiguous in his discussion of the vital functional position occupied by land. To illustrate:

The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole [capitalistic] process.<sup>28</sup>

To this extent the monopoly of landed property is an historical premise, and remains the basis of the capitalist mode of production, just as it does all other modes of production, which rest on the exploitation of the masses in one form or another.<sup>29</sup>

<sup>27</sup> *The Philosophy of Henry George*, pp. 246-253.

<sup>28</sup> *Capital* (edited by Engels, revised by Untermann from 4th German ed., translated by Moore and Aveling, 3rd ed.; Chicago, Kerr, 1919 reprint), p. 787. This is from the last chapter, XXXIII, of the first volume.

<sup>29</sup> *Ibid.*, Vol. III, p. 723. (Vol. III in this edition is the Untermann translation from the first German edition, edited by Engels.)

We have seen that the expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production. The essence of a free colony, on the contrary, consists in this—that the bulk of the soil is still public property, and every settler on it therefore can turn part of it into his private property and individual means of production, without hindering the later settlers in the same operation. This is the secret both of the prosperity of the colonies and of their inveterate vice—opposition to the establishment of capital. . . . However, we are not concerned here with the condition of the colonies. The only thing that interests us is the secret discovered in the new world by the political economy of the old world, and proclaimed on the house-tops: that the capitalist mode of production and accumulation, and therefore, capitalist private property, have for their fundamental condition the annihilation of self-earned private property; in other words, the expropriation of the laborer.<sup>30</sup>

From the point of view of a higher economic form of society, the private ownership of the globe on the part of some individuals will appear quite as absurd as the private ownership of one man by another. Even a whole society, a nation, or even all societies together, are not the owners of the globe. They are only its possessors, its users, and they have to hand it down to the coming generations in an improved condition like good fathers of families.<sup>31</sup>

Thus they [landowners] pocket the result of social development brought about without their help; they are born to consume the fruits of the earth. . . . *The capitalist performs at least an active function in the development of surplus-value and surplus products. But the*

<sup>30</sup> *Ibid.*, Vol. I, pp. 841-2, 848.

<sup>31</sup> *Ibid.*, Vol. III, pp. 901-2.

*landowner has but to capture his ground rent created without his assistance.*<sup>32</sup>

In the society of to-day, the means of labor monopolized by the landed proprietors, [the] monopoly of landed property is even the basis of monopoly of capital, and by the capitalists.<sup>33</sup>

Land nationalization [will] bring about a complete change in the relations between labour and capital and will result in the final end of capitalist production both industrial and agricultural. Then indeed will class differences and privileges disappear, together with the economic basis from which they have sprung. Society will become an association of free producers. Living on the labour of others will become entirely a thing of the past. There will no longer be a Government or State whose existence is separate from Society itself.<sup>34</sup>

There is no intention here of placing too much emphasis upon such fragmentary quotations. It is clearly realized that they are occasional rather than key remarks, and also that they may be interpreted—as undoubtedly Marxians would insist—simply as recognitions of a particular form that capitalism has taken. Socialists in general would argue that land, while indeed a necessary element in production and one which demands socialization, is none the less a subdivision of the general capitalistic system, and cannot be isolated from its relations to

<sup>32</sup> *Ibid.*, pp. 726-7, 748. (Italics mine.)

<sup>33</sup> From 1875 letter to Bracke reprinted in the *International Socialist Review*, May, 1908, Vol. VIII, No. 11, pp. 645-646.

<sup>34</sup> From an unpublished essay preserved in the Marx-Engels-Lenin Institute in Moscow. See *Land and Liberty* (London), May, 1934, p. 60.

capital. But statements like these from Marx do indicate at least a sporadic and an almost inspired notice of the elemental character of land, a notice that is found from time to time in the work of nearly all the socialist theorists.

Achille Loria was a critical observer of capitalism although hardly a Marxian. His interest in the land question was intense, and the following selections indicate graphically the point that is being proffered in the present pages. These quotations are all from the Introduction to his important *Economic Foundations of Society*:<sup>85</sup>

. . . While free lands exist that can be cultivated by labour alone, and when a man without capital may, if he choose, establish himself upon an unoccupied area, capitalist property is out of the question. [This is the natural economic form.] (P. 2.)

. . . Free land being given, the . . . division of society into a class of non-labouring capitalists, and a class of non-capitalistic labourers is . . . out of the question. . . . Access to the free lands, whence the labourers derive their power and their independence, must, consequently, be in some way cut off before capital can acquire any profits. (P. 2.)

. . . The capitalist's exclusive appropriation of the soil then suffices of itself to deprive the labourers of their liberty of option and afford a perpetual income

<sup>85</sup> Keasbey trans. (London, Swan Sonnenschein, 1899). Loria's *Analisi della Proprietà Capitalista* (Turin, Bocca, 1889) is another elaboration of the thesis that with free land and individual cultivation there would be abolished class differences, privilege, and unequal division of wealth.

to property. . . . Thus the basis of capitalistic property is always the same; it rests upon the suppression of free land and the exclusion of the labourer from access to the productive powers of the soil. (P. 5.)

. . . In order to avoid increasing penury, society will practically be compelled to re-establish free land, and accord to every individual the right to occupy as great an area as he can cultivate with his own labour. (P. 7.)

Waiving the question as to how Loria intended to restore free land (in his *Constituzione Economica Odieria* of 1900, he suggested the paying of a "territorial wage"), his argument that the control of land determines the degree of capitalistic oppression and reduces wages to a minimum is the very point that has been made by all modern land reformers. In fact, in some of his phraseology Loria almost repeats Henry George.

Werner Sombart was another who held that the source of private accumulations from which capitalism takes its rise is landed wealth.<sup>36</sup> And Norman Thomas, to jump to a completely different example, writes that "all real wealth, that is all the material things which we enjoy, come from the application of labor to land or the products of land."<sup>37</sup> Mr. Thomas, incidentally, has been a socialist who always has paid particular attention to the implications of the land question.<sup>38</sup>

<sup>36</sup> *Der Moderne Kapitalismus* (Munich and Leipzig, Duncker and Humblot, 1902, 1928 ed.), Book II, Part II, Chap. XII.

<sup>37</sup> *Human Exploitation* (New York, Stokes, 1934), p. 13. His first chapter of this vivid history of human exploitation deals fittingly with land.

<sup>38</sup> See Geiger, *The Philosophy of Henry George*, p. 267, n. 69.

The same is true of Bertrand Russell. Take, for example, this statement from one of his most recent works:<sup>89</sup>

As regards the analysis of the power of money, I think that Henry George was more nearly right than Marx . . . All power to exploit others depends upon the possession of some complete or partial, permanent or temporary monopoly, but this monopoly may be of the most diverse kinds. Land is the most obvious. If I own land in London or New York, I can, owing to the law of trespass, invoke the whole of the forces of the State to prevent others from making use of my land without my consent. Those who wish to live or work on my land must therefore pay me rent, and if my land is very advantageous they must pay me much rent. I do not have to do anything at all in return for the rent. The capitalist has to organize a business, the professional man has to exercise his skill, but the landowner can levy toll on their industry without doing anything at all. Similarly if I own coal or iron or any other mineral. I can make my own terms with those who wish to mine it, so long as I leave them an average rate of profit. Every improvement in industry, every increase in the population of cities, automatically augments what the landowner can exact in the form of rent. While others work, he remains idle; but their work enables him to grow richer and richer. . . . The men who have most economic power in the modern world derive it from land, minerals, and credit, in combination. Great bankers control iron ore, coalfields, and railways; smaller capitalists are at their mercy, almost as completely as proletarians. The conquest of economic power demands as its first step the ousting of the monopolists. It will then remain to

<sup>89</sup> *Freedom versus Organization* (New York, Norton, 1934), pp. 209-210.

be seen whether, in a world in which there is no private monopoly, much harm is done by men who have achieved success by skill without the aid of ultimate economic power. . . . The harm that is done by great industrialists is usually dependent upon their access to some source of monopoly power. In labor disputes, the employer is the immediate enemy, but is often no more than a private in the opposing army. The real enemy is the monopolist.

The point here is not to quote names and statements. It is to indicate that in radical and liberal theory, in the writings of socialists and near-socialists, there has been more than occasional reference to the primary functioning of land even in capitalistic systems. Therefore, it is strange that the land question is so generally overlooked by our contemporary critics. Of course, there have been others, outside of the socialist ranks, who also have called attention to the thesis that is being elaborated here. One of the latest is Professor Franz Oppenheimer, well-known sociologist from Frankfurt-a-M. In an interview given on a recent visit to this country he is quoted as saying: <sup>40</sup>

There is no real conflict between communism and capitalism when they are examined logically. The conflict rests on a premise accepted by both sides, which is incorrect. Both sides admit that free competition is associated with great evils. Then they proceed to reason. The capitalist says these evils are unavoidable. The communist says they are unbearable. Both are in

<sup>40</sup> In the *New York Times*, Sunday, Nov. 24, 1935, p. 5 of first news section.



the same error. . . . We have not had free competition in 6000 years. . . . Where there is any important monopoly, there is no free competition. One excludes the other. Yet the monopoly of land is one of the most striking features of our economy. A minority is in possession of the land while the majority has little or none. The landless majority must depend on the others, and that is a characteristic of monopoly. There may be competition among the monopolists, but that is not free competition. The task of our time is, therefore, not to abolish competition but to free it by abolishing the monopoly of the land. History gives evidence that capitalism is lodged in the land monopoly. . . . There is a serfdom of the land as well as of mankind. Revolutions of the past have only liberated man. We must now liberate the land.

Another sociologist who made the same point was the late Professor C. N. Starcke of the University of Copenhagen (author of the well-known *The Primitive Family*). He wrote that "it is the private ownership of land which conflicts with the gregarious animal's natural demand to move freely within the group, and, in so far as man is concerned, to be able to support himself within the group. The private ownership of land makes all the other members of the group void of subsistence, rootless and slave-bound. The rulers have always understood what the possession of land meant."<sup>41</sup> Thus, men

<sup>41</sup> From his *Laws of Social Evolution and Social Ideals*, Friis tr. (Copenhagen, Levin and Munksgaard, 1932), p. 354. In this connection Professor Starcke quotes with much approval the statement of Bertrand Russell, in *Icarus*, that "so long as the sources of economic power remain in private hands, there will be no liberty except for the few who control these sources."

like Oppenheimer and Starcke, and there are many others, find that the socialist approach has not been as fundamental or as "radical" as it has thought itself. It has really been dealing with a secondary, almost (if the word is not too extreme) a superficial, aspect of economic life.

This brief reference to socialistic philosophy has not been to suggest criticism or to make overtures. Indeed it is believed that entirely too much valuable energy has been wasted in intramural strife among left-wing thinkers; too often have intolerance and perversity and obstinate dogmatism prevented the mutual discussion of the most vital issues and programs of social reform. The intention here is rather to insist on drawing the conclusion of our two paramount premises—that land and capital are separate, and that land control is the foundation on which the exploitative power of capital rests. That conclusion must therefore look to the land question for the source of the injustices that socialism blames on capital.

It has just been suggested that the interest of socialism and of our contemporary "planning" is focussed too narrowly on capitalism, on a capitalism that is essentially a derivative phenomenon. This restricted focus may be looked upon as the source of both the strength and the weakness of modern economic criticism. It is an element of strength because it permits of a concentrated and delimited examination of the characteristic economy of present-day society. But at the same time that nar-

rowed attention weakens any effort to constitute a theory or philosophy of social reform, and also any attempt at genetic examination of the source of capitalism's power to exploit.

Modern socialism, for example, recognizes clearly that it must be considered as a peculiar yet inevitable companion of modern capitalism, and that without the Industrial Revolution and the development of contemporary machine production it would be almost meaningless. (This holds true for neo-Marxians, metaphysical or historical, as well as for the "pragmatic" socialists of the Thomas-Walling-Laidler school. It also applies to the work of all our economic planners—the relation between planning and socialism, positive or negative, being too subtle for the present writer.) Socialist theorists willingly admit—rather, insist—that theirs is an opportunistic approach, a definitely traceable historical event; it is "realistic," "scientific," "modern." Marx himself, it may be recalled, never urged socialism as any universal panacea, or as anything that mankind must be persuaded to adopt; it was rather an inescapable phase of industrial development, and the work of socialists was to be that of exposition, not of propaganda. "This machinery of ours," writes Norman Thomas, "is something new under the sun. And the failure to recognize it as such impairs the value of many brilliant and profound attempts . . . to read our future in the light of our past." The scope of modern socialism is thus frankly limited to modern conditions; it is inextricably linked up

with nineteenth and twentieth century industrial development.

Such a limitation to contemporary conditions may appear to contain the very power of all forms of collectivism and of planning, but it is a power that sacrifices perspective and completeness. The machine may indeed be new, but not so are economic exploitation, social misery, tyranny, and injustice. To curse or to worship a system like capitalism is to disclose bewilderment at the machine. It is to base economic philosophies upon a *mode* of production, a mode which, while certainly not temporary or of any shorter life than that of modern culture itself, is nevertheless no more exempt from the dominance of the determining economic elements of land and labor than is any more primitive method of producing wealth. The attack upon capitalism is the modern expression of the perennial protest against want and misery. Socialism and planning may be applicable peculiarly—but *not* controllingly—to nineteenth and twentieth century conditions, but what of the evils of the feudal system, or of Roman society, or even of the problems of any future civilization? Are *they* matters of "capitalism"? (Or are they unimportant? For if they are irrelevant, then so is any philosophy of economic history.)

Socialism and planning appear to be parochial reforms. They presuppose a particular economic set-up. But can there be harmony in *any* social order that considers the base of all production, of

all life, as something to be privately exploited? Economic reform, if it is to be fundamental, cannot confine itself to any special circumstance; it must expand its horizons to include the very sweep of human culture itself. If not, it can command only limited attention as a program of social reconstruction; it never graduates from technology. In the dismal history of human exploitation, there is nothing unique in capitalism except the aggravated and spectacular misery that it discloses. The argument here is suggesting that the roots of that misery reach into a subsoil beneath the layer of capitalism.

The intention of these pages, as was mentioned before, is not to criticize collectivism, planned economies, or new deals. It is to indicate that they really may be unnecessary. If there is any way of solving the land question, then the technical machinery required by socialistic or semi-socialistic plans might prove to be simply a matter for political discussion rather than a vehicle for fundamental economic reconstruction. At least, there seems to be pragmatic value in concentrating upon an economic problem that might well undercut the ponderous and topheavy structures that are so familiar in contemporary argument and practice.

Two points indicated in the last few pages have been left very much up in the air. One of them is the suggestion that the land question may present an economic approach that is not circumstanced by any particular set of conditions; it is the thought

that the private control and exploitation of land may fix and determine the various forms of economic power as they appear throughout history. Land perhaps offers the unifying and simple synthesis that economics has always lacked. An elaboration of such a point of view requires an excursion into the field of history; this will be found in the next chapter.

The other incomplete item refers to a possible solution of the land question. That is, "private property in land," "exploitation and control of land," and similar phrases have been used up to now rather indiscriminately. Likewise, the text and the quotations of the preceding pages have in no way indicated whether land nationalization, a socialistic program, or some other suggestion is to be seriously considered as a possible avenue of approach to the land problem. An attempt to propose a way of handling land will constitute the last chapter, and that attempt will be located in the familiar dimension of taxation.