

CHAPTER II

THE CAUSE OF INEQUALITY

WHAT causes the unequal distribution of wealth by which one class is made superabundantly rich, while another, vastly greater, has a hard struggle to get a living?

The will of Heaven, some say. President George F. Baer of the Anthracite Coal Trust was credited by the newspapers of the country, in the summer of 1902, during the second great hard-coal strike in Pennsylvania, with writing to a correspondent: "The rights and interests of the laboring man will be protected by the Christian men to whom God in His infinite wisdom has given the property interests of the country." Whether or not President Baer said this, it represents the thought, or at least the utterance, of a certain class of privileged people.

Others assign a scientific, rather than a religious cause. Mr. Carnegie, for instance, says in his book, "The Gospel of Wealth,"¹ that we should "accept and welcome" the condition which "inevitably gives wealth to the few . . . as being not only beneficial, but essential to the future progress of the race," since the keen competition that such concentration involves insures "the survival of the fittest."

Now, of course, if "God in His infinite wisdom" gave the major part of the wealth of the country to certain men, it would be sacrilege to question their possessions. Or if the operation of natural law "inevitably gives wealth to the few," then that few would be justified in using any means whatever in defense of it.

¹ pp. 4-7.

But who really accepts either of these contentions? Certainly not Americans, as a people. Their great charter of liberties set out with the declaration that "all men are created equal." Their national existence started on the principle that one man is entitled to as good a chance in the world as another, and no better. As a people, they simply asked for a fair field and no favor. And because it was possible for each to demonstrate that nature was open to him, — that he could take up and use for himself without let or hindrance of any some of its soil, its forests, its rocks, its watercourses, and so by his own exertions win direct from the natural elements his own and his family's subsistence, — the early American was a bold, hardy, rugged, generous, independent man. All he asked was to be let alone. He sought no one's favor. Indeed, few had favors to grant, except such as pass between equals. Wealth, even learning, was not the measure of stature; it was manhood, truth, self-respect, self-reliance. The core of his religion was not that "God in His infinite wisdom" had given this world to some men. It was that God had made the world large enough for all men to enjoy in peace and plenty. And the science that most interested him was not the one relating to the survival of the fittest, but the one relative to a square show, which he believed our free political conditions and a vast, new, virgin, unappropriated continent guaranteed. Writing to his father, De Tocqueville said of the Americans: "I am at present full of two ideas: first, that this people is one of the happiest in the world; second, that its immense prosperity is due not so much to peculiar virtues or to its form of government, as to the peculiar conditions in which it is placed. . . . Amongst the novel objects that attracted my attention during my stay in the United States, nothing struck me more forcibly than the general equality of conditions among the people."

But when nature later became appropriated, — when all the accessible soil of the United States of America had

become the private property of some to the exclusion of all others,—a privileged class appeared. Those who owned a share of nature possessed a material advantage over those who owned nothing of it.

Now the word "privilege" means not a natural, but an artificial condition. Even its derivation shows that. It comes from the Latin *privilegium*, meaning an ordinance in favor of a person; and *privilegium* comes from *privus*, private, and *lex* or *legem*, a law. Hence, in its essence, the word "privilege" means a private law, a special ordinance or a usage equivalent to a grant or an immunity in favor of a particular person.

This word privilege, or private advantage, had application to land monopoly which destroyed Rome. In Rome's early, hardy, virtuous, independent, republican days the principle of equal rights to the soil was recognized in a way suited to a primitive agricultural community. Each citizen had his little plot for living on and working, and besides, each had access to the "public domain" for fuel and grazing. The committee from the Senate waiting upon Cincinnatus to call him to the dictatorship found him plowing his two-acre farm. After a time new laws were passed governing the public lands. But of these laws only comparatively few could avail themselves. Enacted nominally in the interest of all, they resulted really in the benefit of a few. They were in their practical workings *private laws*. They were general in form and language. On their face all had equal opportunity under them. But they really created and protected land monopoly. They were as distinctly to the advantage of particular persons as if private acts had been passed by the Roman Senate and sanctioned by the Tribunes.

In the same way our institution of private land ownership, derived from the later Roman usage and clothed with legal status and social sanction, as it is, has nominally been for the good of all, but really it has worked for the advantage of some, since it has stimulated land specu-

lation and fostered land monopoly. While ostensibly for general benefit, it has been in effect a privilege or private law — an institution for the gain of chance individuals and to the general loss.

It was against this state of things as much as against anything else that Thomas Jefferson's famous utterance, "equal rights for all, special privileges to none," was directed. For earlier, in a letter written from France to Rev. James Madison (dated Fontainebleau, October 28, 1785), he wrote:—

Whenever there are in any country uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right. The earth is given as a common stock for men to labor and live on. If, for the encouragement of industry, we allow it to be appropriated, we must take care that other employment be provided for those excluded from the appropriation. If we do not, the fundamental right to labor the earth returns to the unemployed.¹

This was not a stray, undigested remark of Jefferson's. He was not given to haphazard utterances. He here stated a bedrock truth, which four years later he extended in a letter to his most intimate friend, James Madison, son of the foregoing Madison (Paris, September 6, 1789). "I set out on this ground," said he, "which I suppose to be self-evident, that the earth belongs in usufruct to the living; that the dead have neither powers nor rights over it. . . . This principle that the earth belongs to the living and not to the dead is of very extensive application and consequences in every country . . . and it renders the question of reimbursement a question of generosity and not of right."²

Jefferson saw no need of announcing the principle of equal rights to land more prominently, — in the Declaration of Independence, for instance, — for he never dreamed

¹ Jefferson's Writings, Ford Edition, Vol. VII, p. 36.

² *Ibid.*, Vol. V, pp. 116-122.

of the astounding, wholesale appropriation which has occurred. He thought that for "ages to come" there would be enough and plenty for all who wanted good, accessible land. But the then generally adopted principle of private property in land, taken with the later special enactments to get owners for the public domain, has resulted precisely as if particular laws had been passed for the advantage of such individuals as chanced to be first and to the disadvantage of all coming afterward.

When we examine the matter in the light of simple reason we may see that of all privileges land ownership is the greatest, — that, indeed, it is the chief cause of the unequal distribution of wealth. For consider: In the beginning God made nature and man. He did not endow man with the power to produce something from nothing, but required him to apply his powers — that is, his labor — to nature so as to draw forth the things necessary to satisfy human desire. The part of nature to which man was to apply his labor was land.

Now a man has an inherent right to himself, and, consequently, to the fruits of his labor. By the same reasoning, he has no right to another or to the fruits of that other's labor. If this be so, it follows that land cannot in justice be made private property, for to be private property it must be owned by some to the exclusion of others, which would reduce to more or less dependence those others who must use it. Legally, however, in many parts of the world men have been, and in some parts of the world yet are, enslaved and are called "property." Similarly, in most of the civilized world land is owned by a part of the inhabitants and is called "property." Such "property" has the legal as well as what the moralists call the "social sanction." But this reckless use of the word destroys its real and legitimate use. Property refers to something that may be owned without infringing the rights of another. It cannot mean a human being, nor the thing to which a human being must apply his

labor to satisfy his wants and desires. It can mean only that which his efforts may produce from nature. To that he can give title as producer. So that only such things as are derived from labor can be property. This is its sole source and title.

Ownership in a man would give the right to his exertions. Not a right to the slave's body, but a right to his labor was the contention of some of the American pro-slavery advocates. "The traffic of human souls," contended one, "which figures so largely in the speeches of the divines and demagogues, and which so fiercely stirs up the most unhallowed passions of their hearers, *is merely the transfer of a right to labor*. . . . When we say that slaves are property, we merely mean that their masters have a *right to their service or labor*."¹

Similarly, ownership of land gives a power to exact part of the fruits which labor upon it shall bring forth. This ownership is not a right of property springing from labor. It is a power to appropriate the fruit of labor. It is not property, but a power to take, to confiscate, property. American black slaves and Russian white serfs were in effect still slaves even after emancipation, owing to the retention by the masters of the land which the former had to use. The serfs while still in bondage admitted that they belonged to their masters, but asserted that the land they worked belonged to themselves. When emancipated, they contended that the land should have gone with them. But in fact emancipation meant only the exchange of one kind of servitude for another. The serfs themselves were freed, but the land from which they had to draw their subsistence was appropriated. In this way servitude was continued without involving the responsibilities which serfdom had imposed upon the masters, among them that of taking care of the laborers.

¹ "An Essay on Liberty and Slavery," by Albert Taylor Bledsoe, LL.D., Professor of Mathematics in the University of Virginia, published by J. B. Lippincott & Co., Philadelphia, 1856. See pp. 91 and 326.

Where practically all available land of a particular kind is subjected to private ownership, a monopoly of land is created. The power of this monopoly in the hands of any one — of an imbecile, if you please — might make him rich out of the tribute that would have to be paid by such as were driven by necessity to use his land.

Even if land were, as private property, originally divided equally among all the inhabitants of a country, some would soon have more than their original share, some less. The law of privilege works toward concentration. Private ownership in land in the end inevitably makes a few landlords and the mass landless.

We can see this concentrating movement all over our country: in the East, West, North and South; in the cities and their suburbs; in towns and villages; in the farming, mineral, timber and grazing regions. Everywhere there is concentrating ownership.¹

Or to put this in another form: As population increases, competition among the many for the use of land increases, which forces up the value of land. This begets speculation on a future rise, and the value of land is determined, not by present uses, but by what it is expected future competition will compel users to pay for it. Expectancy forestalls the future. Rent — the payment for the use of land — advances with expectancy. It advances even faster than the increasing power to produce wealth. It tends to absorb all the advantage arising from multiplying inventions and improvements in the arts; it tends to appropriate the benefits of social growth and social im-

¹To be sure the great western land grants, those of railroads, for instance, are being cut up and sold off as farms, but that only signifies that they are entering a new and higher classification — from non-used to used lands. Becoming farming lands, the concentration principle at once reasserts itself. Later, it commences all over again, when the farms pass into a higher use as urban and suburban lots. This involves a new subdivision, followed by a new concentrating movement. With the advance of such land to a higher class, the number of users to owners is more disproportionate as compared with that which existed in the class below.

provement; it tends to pile up riches in the hands of its recipients at the expense of the mass of users, among whom competition increases as their numbers grow. Under speculation, rent, or ground value, as it is sometimes called, tends to rise, until the point is reached beyond which users cannot give more and at the same time retain enough of their produce to sustain them and encourage them to continue producing. The late Professor J. E. Thorold Rogers puts the case most aptly:—

Every permanent improvement of the soil, every railway and road, every betterment of the general condition of society, every facility given for production, every stimulus supplied to consumption, raises rent. The land owner sleeps, but thrives. He alone, among all the recipients in the distribution of products, owes everything to the labor of others, contributes nothing of his own. He inherits part of the fruits of present industry, and has appropriated the lion's share of accumulated intelligence.

We have only to look about us to realize that land values, taken as a whole, have swelled to enormous proportions in the United States. We have no adequate statistics on the subject, but whoever will look will observe the rise in villages, towns and cities; in agricultural regions, taking them at large; and in mineral and timber regions, taken similarly. A small lot at the corner of Broadway and Wall Street, New York City, which in 1827 sold for \$18,000, in 1905 sold for \$700,000. While the ratio of increase there may have been more or less than in other places, this case illustrates the general tendency. Speculation in land sucks and sucks; and it grows as it sucks. The greater and more lasting the prosperity of a community, the greater the stimulus to speculation. The more such stimulation, the higher goes the price of land, which means the more and more that must be paid for its use.

And since the ownership of land is rapidly concentrating, the speculative advance in the price of land means an augmenting payment to a lessening number of persons

by the masses of the people, who are not land *owners*, but who have to be land *users*, for no man can do without the use of land in some form.

Is it not obvious from this that the forced price of land arising from monopoly and speculation is an appropriation, a robbery? Speculation is going on generally. Wherever in the United States men are settled there is more or less effort to get possession of land, not so much for what labor can at the time produce from it, as for what its possessors may get from its "rise" — from the anticipation of what labor will after a while, when competition is keener, be forced to pay to use it.

The matter sums up to this: The power of production is fast increasing. The shares going to labor and capital, the active and passive factors in production, might reasonably be expected to increase accordingly. But they do not. They remain the same, or lessen. What seem like leeches absorb practically all the increase. And of these leeches, land speculation is the greatest. Wages and interest, the returns to labor and capital, remain stationary if, indeed, they do not fall, because of the increasing rent that must be paid for the use of land. Rising speculative rent and other forms of privilege make a colossal robbery from the productive activity of the country, since they appropriate the advances in material prosperity.

For an indication of the power of monopoly of all kinds of land, take an instance of one kind. The *Chicago Tribune* (January 1, 1903), referring to the fact that the Steel Trust was buying up competing steel companies, "not so much to get their plants as to get the mines they owned," proceeded in explanation:—

The mere purchase of the steel mills of independent concerns will not give the steel corporation that monopoly of a great industry which the men at the head of it would like to acquire. There will always be capital available for the construction of iron furnaces and steel mills, except in the contingency that a sufficient supply of ore cannot be obtained. If the steel corporation shall become the owner

of the cream of the ore lands, it will have a natural monopoly and will occupy an impregnable position. The supply of iron ore is not so limited as is that of anthracite, but some ore beds are rich and are so near the surface that they can be cheaply worked. Other deposits are of inferior quality and are not so easily worked. The independent company which had to depend on the inferior mines would find effective competition impossible.

The appropriating power of the private ownership of land can perhaps be more appreciated in that form embodied in grants to individuals of public highways — permits for long or short terms to transmit, without effective competition, through such highways intelligence, light, heat, power, water, products or persons. The rental value of naked "rights of way" possessed by public franchise corporations through the streets of New York City is estimated at this time to be not less than \$40,000,000 annually.

And out of these various forms of land ownership comes a superimposed speculation, which, to those who can control it, is prolific. This is speculation in mining, railroad and "industrial" stocks. These stocks are issued by companies based upon land monopoly of some kind. Those controlling the companies can and do "get in on the ground floor" prices before the first sale to the public. They also can and do manipulate the stocks to greater or less degree, "unloading" at inflated prices to the public, and buying back again when the public has discovered the deception, and prices have fallen. The scion of one of our distinguished families, who was disinherited with a paltry million, but who, threatening long and costly litigation, was instead given seven millions, has, within a half-dozen years, while living like a prince and actually entertaining princes at home and abroad, increased his fortune, it is believed, to \$25,000,000. In one year he is thought to have cleared \$10,000,000. In the language of Wall Street, he "hit the market right." In more precise language, he got in with the speculators. But for land and other monopoly elements in these stock mar-

ket companies, there would have been no such stock speculation, and this young man would not now be known chiefly as a successful money getter, but would probably be earning honor, and incidentally a reasonable income for himself, as an inventor, for which he has, despite the present handicap of his millions, shown unmistakable aptitude, some of his locomotive contrivances being used with good results on large railroad systems of the country.

Private ownership of land has been treated at much length because in its direct forms, and in its indirect or public franchise forms, it constitutes the worst of all privileges, since it commits the heaviest robberies from the wealth producers. But there are other important kinds of privilege. One of these is taxation, when it is made to fall, as is generally the case, only slightly upon monopoly advantages, which it might be used to kill or to absorb into the public treasury. Instead of doing this, it is caused mainly to fall upon industry and the produce of industry. Such taxation burdens production and kills off competition among producers. The protective tariff is a shining example of such a law. It is sought by domestic producers to discourage foreign competitors. The higher such tax, the less the competition and the greater the centering of production in a few hands.

Still another is embodied in opportunities and immunities under the laws and in the courts enjoyed by certain individuals and combinations of individuals called "corporations," which, although not very important in themselves, become enormously powerful when used to exploit other forms of privilege, such as natural opportunities and franchise grants, as will later be seen.¹

There are still other subsidiary forms of privilege, but speaking in a general way, the privileges causing the unequal distribution of wealth may be named in four divisions, to wit: (1) natural opportunities privately held

¹ Book II, Chap. II, and Book VI, Chap. I.

under special or general laws; (2) various kinds of taxation on production and its fruits; (3) franchise grants; (4) powers of incorporation and various sorts of immunities in the courts.

These different kinds of privilege empower their holders to appropriate, without compensation or adequate compensation, a large or small share of the produce of labor. When the production of wealth is great, the powers of appropriation enable their possessors to heap together masses of wealth.

The existence of these various forms of privilege explains, and nothing else will explain, the sudden rise of private fortunes in the United States. So long as privileges were few and carried only weak appropriating powers, the mass of the people of the country had practically equal access to natural opportunities, and were deprived of but a small share of the produce of their labor. The country was then, as observed by Mr. Bryce, practically a land of equality in respect to the production and distribution of wealth.

But as the monopoly of land and other privileges appeared and strengthened, great private riches, accompanied by degrading and imbruting poverty, began to appear.

This is not to set intelligence, energy, honesty, and thrift at naught. With a fair field and no favor, they should count for everything. But is there such a thing amongst us as a fair field and no favor? Surely not with great privileges in existence. Thousands upon thousands who have the qualities of intelligence, energy, honesty, and thrift, under present social adjustments find intense difficulty in getting subsistence. Privilege forestalls them, and sells to the highest bidders opportunities to get subsistence or better.

Nor is it to be supposed that because social conditions were more equitable a century ago than they are now, the men then were inherently better than they are now. I

do not revert to the past as to an age when men were perfect. Human nature does not change. What do change are its manifestations, and these vary with environments. John Hancock vainly tried to make a corner in whale oil. Had he lived in this period, he might have been a Rogers or a Rockefeller. Washington was as keen after landed possessions as many of our Western ranching or lumber kings. Advertisements in Franklin's paper, *The Gazette*, give strong suspicion that that philosopher in the early half of his life engaged in the purchase and sale of slaves. While Jefferson publicly and privately condemned slavery, and feared the wrath of a "just God" would be visited upon his country for permitting the existence of the institution, he acted as Southern men of his means and station did — he kept slaves. Alexander Hamilton was the master spirit in a franchise grab which, if attempted to-day in any of our cities, would make a furious municipal scandal and uproar. I revert to the past not as to an age when human nature was any better than it is now, but to a time when there were more equal opportunities.

In those early days of the Republic subsistence was the thing that all could get, and get it without cringing to any. Now multitudes are haunted by the wolf of the mind — the fear of want. And since "all that a man hath will he give for his life," everything may be sacrificed in the strife for a living. Even though we enjoy a republican form of government, and have none of the monarchical civil distinctions, yet the superabundance heaped up for the possessors of privileges will outrival that of princes. Republican citizens will become, in effect, princes in riches. They will, in fact, become very Princes of Privilege.