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**67****THE LAND-TO-LABOR PIPE**

*If the Prince and the Proprietor of Land close their Estates and will not suffer them to be cultivated it is clear that there would be neither Food nor Rayment for any of the inhabitants. . . .*—Sir William Petty, *Economic Writings*

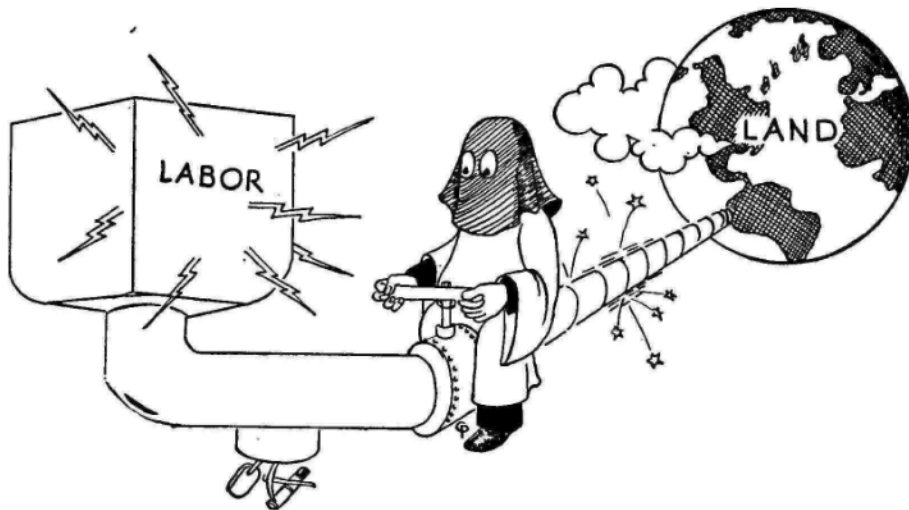
TO BEGIN WITH, let's examine the long pipe that joins land to labor. We already know that wealth is nothing more than labor joined to land. Therefore, it must follow that so long as land and labor keep flowing to each other, wealth must result. To say the same thing another way, so long as man can add his energy to land in some form— or to a land product—food, clothing, shelter, and gadgets must result.

On the other hand, if the land-to-labor pipe is clogged—if labor cannot get at land or if land is held beyond labor's reach—we must expect the stockpile of wealth—the stockpile of food, clothing, shelter, and gadgets—to shrink, or, what is the same thing, we should expect to increase poverty. And, conversely, wherever we find poverty we may be sure that we'll find land and labor being shut off from each other in one way or another.

Since that is so obviously true, let's try by the process of elimination to discover who or what can *possibly* clog our land-to-labor pipe; who or what can keep labor and land from getting together. Those who hate labor unions would naturally suspect them of keeping the land-to-labor pipe clogged—for unions do have the power to keep their members from adding their labor to land or to land products. But it is hardly likely that unions are clogging

the pipe very much, if at all, because a very small percentage of the world's laborers are union members. More significant, poverty existed long before labor unions were organized. Therefore, we may be sure that something much older and far more powerful than labor unions is clogging our land-to-labor pipe.

A government backed by a sufficiently large army might be able to keep man from adding his labor to land—to keep him from producing the food, clothing, shelter, and gadgets he needs. But that would be the height of stupidity, a height to which even governments can't hope to aspire. For it is evident that a



government can't collect taxes from citizens who have no wealth to tax, and its citizens can't have wealth unless they produce it. Since they can't produce wealth from which taxes may be taken unless they, the citizens, are permitted to add their labor to the land, a government's advantage lies not in clogging the pipe but in keeping it clear at all times. All governments, since earliest times, have known this to be true. That is why, in every way they can think of, governments encourage men to labor on as much of the nation's land and produce as much wealth as possible. They encourage their industrialists and farmers to produce more wealth by offering them subsidies, tariff protection, and other privileges. Builders are encouraged to add their labor to

The land with government financing and with special tax exemptions. And even tramps and other loafers are encouraged to produce wealth by threats of arrest backed up by the anti-vagrancy laws common to most civilized countries. Only the common laborers who work in factories and offices don't have to be encouraged. Their hunger and other desires, their wives' unhappiness, and their children's bony bodies and uncertain futures are all the encouragement they need. Communistic governments in Europe and in Asia, upon taking over a neighboring country, split up its large estates into small farms and then distribute them among the peasants. Neither they nor any government gives land to its people because it loves them, but because all governments know that the natural thing for any human to do with land he "owns" is to work it for all he can get out of it, and that the more wealth he does get out of it, the more wealth the government can take from him in the form of taxes. The same thing goes on, and always has, in every civilized nation. Our own Homestead Act, which allowed our grandfathers to take up large tracts of western wilderness, was passed only to attract men (they poured in from every part of the world) to use the millions of idle acres we had. The government gave away millions of acres to the railroads in order to get men to build roads through the wilderness and thus induce settlers to battle their way out to the frontiers and add their labor to idle territory. We may safely say that governments—all governments—encourage the joining of labor to land, and certainly do not intentionally keep land and labor apart.

The landowner has a legal right to allow his land to be used or not, as he chooses. But it is hardly likely that he'd be foolish enough to keep his land away from the laborer. Since landlords love to collect rents and can't do so unless someone is using their land, we may be sure that landlords rarely, if ever, choose to withhold their land from labor, even though they do have the legal right to do so.

If it isn't government that causes poverty by keeping labor away from land, and if it isn't labor unions or the mean old

landowners, who or what is left to blame? In spite of the venomous hissing of the Marxists, it isn't the capitalists either. We know, from past pages, that capital is useless until it is used by labor, and that labor can't produce wealth without land upon which to use the capital. Any capitalist, therefore, who would keep labor and land apart, even if he could (he can't), would at the same time be keeping his capital from earning interest for him. So long as capital must be used on land—by labor—the idea that capitalists deliberately keep labor from getting at the land is fantastic. Only a Marxist could seriously consider anything so absurd, for who ever heard of a capitalist who did not want to earn more, and more, and more?

Only one suspect, the laborer, is left. And yet we cannot believe that he would refuse to labor upon land if it meant wages in his pocket. He can't live without food, clothing, and shelter. He can't earn wages with which to get such things unless he produces wealth. He can't produce wealth if he shuts himself off from land. Therefore, the laborer would be the craziest of all if he chose to clog the pipe that carries his labor to land.

Nobody seems to be guilty! And yet we do know that someone or something must be keeping some land away from labor, because poverty does exist in every civilized land; and we do see huge areas of unused land everywhere—even in the most crowded cities. Perhaps it isn't a someone who is doing the dirty

work. It may be a condition that's clogging up the Wealth Machine. That is to say, just as a cancer is not caused by a somebody but by an unnatural condition in the body's cells, the pipe may also be choked off by a growth that results from an unnatural condition in our economic system.

The only condition that can possibly keep man from using land must be the same one that keeps him from doing so many of the things he wants to do. Many humans live in broken-down shacks and squeeze themselves into tiny apartments, although they'd prefer one of the many vacant apartments and mansions that are for sale or for rent. Many families live on cabbage soup, beans, and bread, although markets are full of capon, filet

mignon, beefsteaks, lobster and other palate-tickling foods. Many people wear patched, poorly tailored, ill-fitting, and ugly clothes, although the shops are willing, even anxious, to get rid of their racks of new, beautifully styled, and gloriously ornamented garments. It isn't because people don't want fine clothes, food, and shelter that they don't use them, but because they can't afford to buy them. That's elementary. Similarly, when we find millions of unemployed men, including those who have lost their farms and businesses, who are not adding their labor to land to produce wealth for themselves—to produce their wages—it cannot be because they don't want wealth, but it might be because they just can't afford to use the land in order to produce it.

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## 68

### LAND SPECULATION

*And -fields shall be bought in this land, whereof ye say, it is desolate without man or beast.—Jer. 32:43*

IF ALL of the better land were overcrowded and fully used, poorer land, naturally, would be forced into use. For a natural law forbids two objects occupying the same space at the same time. It must follow, then, that it is also natural, as poorer land is forced into use, for rent to increase and wages to fall when the better land becomes overcrowded. We may not like it, but there's nothing we can do about it, since the operation of natural laws can't be stopped by any power on earth.

*But the better land is not overcrowded.* We need only examine our home town—wherever on earth it may be—to see that all the best land in it isn't being used! Even our most populous cities have large areas of land in the most crowded and valuable

sections which are only partly used or left completely idle. Densely populated as it is, we can hardly consider even Manhattan Island crowded to the point at which people are actually unable to find space and are left no choice but to use poorer land. For this wonder city of towering skyscrapers, usually thought of as being overcrowded, is in fact hardly half used. We can still find many empty lots in the very busiest parts of Manhattan, and hundreds of partially improved parcels of land used only as automobile-parking lots. Many hundreds of tiny one- and two-story buildings may be found occupying land throughout Manhattan, including areas like Times Square, Columbus Circle, and even older Union Square. The Greenwich Village section consists of many acres almost entirely covered with a hodgepodge and clutter of hundreds of broken-down hovels and stores, all of which might be easily replaced with a few modern apartment houses and one or two decent shopping areas. And yet, with all this idle or partly used land right in the heart of Manhattan, an amazing number of merchants try to squeeze a living out of stores hidden away on out-of-the-way—marginal—side streets. And if Manhattan isn't overcrowded, we may be sure no other part of the world is.

Only one explanation for this unnatural condition is possible: *land speculation*. That is, much of our better land is being held out of use by the owner, in hopes that it will become so desperately needed in the future, he might easily demand and get many times the price he originally paid. Here, then, is our first clue to the mystery of the clogged land-to-labor pipe. Land speculators hoping for a future profit are holding large areas of better land out of use, away from laborers and capitalists who, if the price asked weren't too high, might use them profitably.

Land speculation is much more dangerous than it sounds. It isn't just "gambling," as most of us have learned to believe. If it were, the Poleco-ist wouldn't be concerned. For gambling, as we have seen in earlier chapters, doesn't affect the economy. What one gambler loses another gambler wins, and the community at large suffers no loss of wealth. But land speculation is

different from ordinary gambling. As we shall see, it lowers production of wealth, increases the cost of living, lowers wages, pushes rent up far beyond its natural level and, worst of all, it is directly responsible for industrial depressions—or hard times, as they are more commonly known. Consequently, land speculation, although rarely discussed in economics textbooks, is extremely interesting to the Poleco-ist.

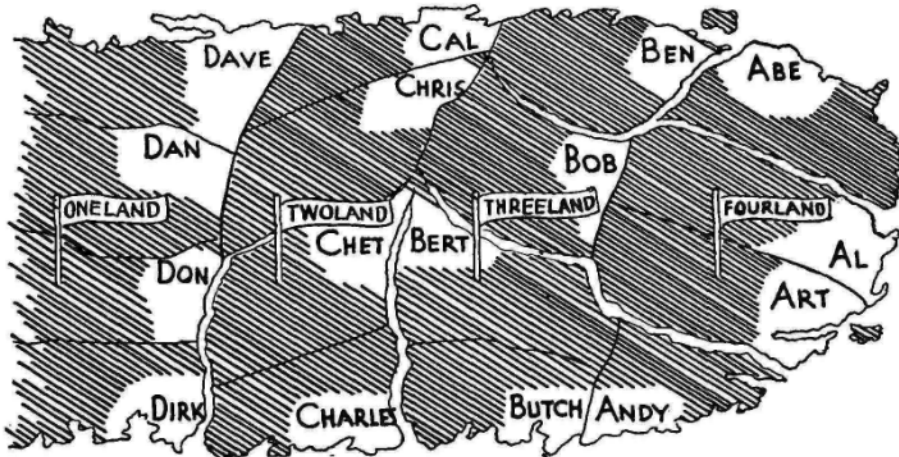
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### HOW LAND SPECULATION AFFECTS OUR ECONOMIC SYSTEM

*For now the Lord hath made room  
for us, and we shall be fruitful in the  
land.—Gen. 26-22*

THAT LAND SPECULATION—not land speculators—is as great a villain as we have painted it will be more fully appreciated if we should return to see how our old friend Al, the Fourlander, and his contented though less fortunate neighbors are making out. It will be recalled that when we



left our friends some pages back, wages on all the land—Al's as well as Dave's—was one thousand bushels, which was the wages a certain amount of labor and capital employed on Oneland would produce. With the same amount of labor and capital, Dave could have increased his production four times if he were allowed to use his labor on Fourland. The only reason he didn't use Fourland—or even Threeland and Twoland—was that he arrived too late. By the time he reached the area and got around to grabbing some land for himself, nothing better than Oneland was left.

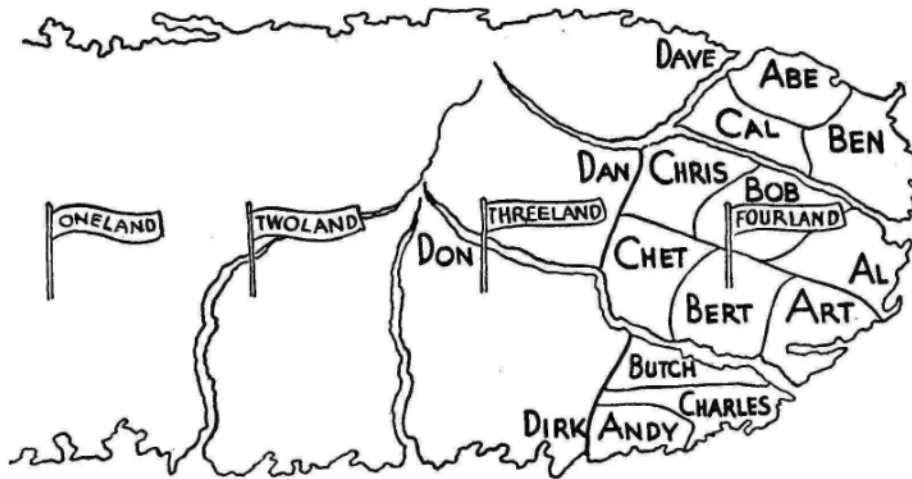
Now, we must remember that not all of the better lands at that time were *in use*; they were simply owned. Al didn't fence in only the amount of Fourland he intended to use but, acting like a human being, he sought to satisfy his unlimited desires



by taking as much land as he could fence in. And when the Threelanders, Twolanders, and Onelanders arrived, they too acted like humans and did the same thing. All early settlers, including our Pilgrim Fathers, Daniel Boone, and even George Washington, laid claim to thousands of acres more than they intended to use, because they knew that there is only so much land, that eventually all land in the vicinity would be fenced in, and that those who came later would need some land badly enough to pay handsomely for the privilege of occupying or scratching a living out of it.

Abe, Ben, and the rest of the boys don't know they're land speculators. They think they're capitalists. They don't think they are doing anything wrong; nor are they. They're simply following their human nature. They're providing for their old age, for their children and grandchildren. They came upon a wilderness that belonged to nobody, and took it. They knew that if they didn't grab it someone else would. They meant no harm, and so far as they can see they're hurting nobody. The trouble is, they can't see far enough.

For, if we suppose that the boys had originally fenced in only as much land as they needed, that situation would have worked out this way:



One more harmful effect of land speculation: the cost of living is increased beyond its natural level. We have learned from earlier chapters that as poorer land is forced into use, rent on all better land must increase. That means that the cost

of using land on which we produce goods or build our homes must go up, which in turn must naturally leave us less of our earnings with which to buy food and clothing. At the same time, because all food and clothing are land products, the cost of producing them on poorer land becomes higher. For it is obvious that if we use poorer land to produce the raw materials from which all food and clothing are made, we require more labor and capital—which is the same as saying that our cost of production goes up. These two self-evident facts, combined, add up to a third: whenever poor land is forced into use by land speculation or otherwise, we are not only faced with a higher cost of living but are compelled to meet it with a reduced income. Therefore, land speculation, which unnecessarily pushes the margin out to poorer land, must make all who need food and clothing (and that means all of us) so much poorer and must force a lower standard of living on us.

Therefore, if we could eliminate land speculation, we could enable man to use his labor and capital on the best *unused* land. As shown in the tabulation on page 258, the natural result would be higher wages, lower rents, higher production, and lower cost of living.

Even if what we have seen so far were the *only* effects of holding land out of use, the subject is certainly worth *thinking* about. And yet land speculation is rarely discussed by economists or professors of economics; very few modern economics textbooks so much as list the words in the index. To avoid a discussion of a matter so much a part of our economic lives is, at the very least, suspicious. It is even possible that land speculation, the clogger of our land-to-labor pipe, might well be the ogre that frightened our professors of old.

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## DEPRESSIONS

*And there shall arise after them seven years of famine; and all the plenty shall be forgotten in the land of Egypt; and the famine shall consume the land;—Gen. 41:30 . . . it is because the thing is established by God, and God will shortly bring it to pass.—Gen. 41:32*

AN ECONOMIST, or economics professor, who can't understand abstract ideas such as wealth, wages, interest, or integrity might be forgiven. Abstract ideas can't be seen or felt, and they are, therefore, difficult to grasp. Unfortunately neither a title nor a university degree can make the understanding of abstractions easier. But hard times, or business depressions, are easy to understand! Their effects can certainly be felt, and they themselves can be seen to grow, beginning as tiny sparks developing slowly until they reach full blaze, which finally smolders and dies. As far back as history can take us, we read about depressions exactly like the last one we had, and we may be sure that the next one will follow the same general stages of development. We have plenty of specimens to study, for a new depression, with all its horrors, has come along to plague the people at least twice every generation. The subject also offers invariables, for the development of each depression follows with startling precision that of the one that happened before. It must be so, because depressions are the natural consequence of certain *natural* conditions. And they are not, as modern economists would have us believe, complicated, complex, or necessary. Perhaps Turgot knew what he was talking

about when he wrote of the tendency of modern political economists toward darkening "things that are clear to the open mind"; for few subjects are as clear to the open mind as depressions and at the same time seem so baffling to the modern economist.

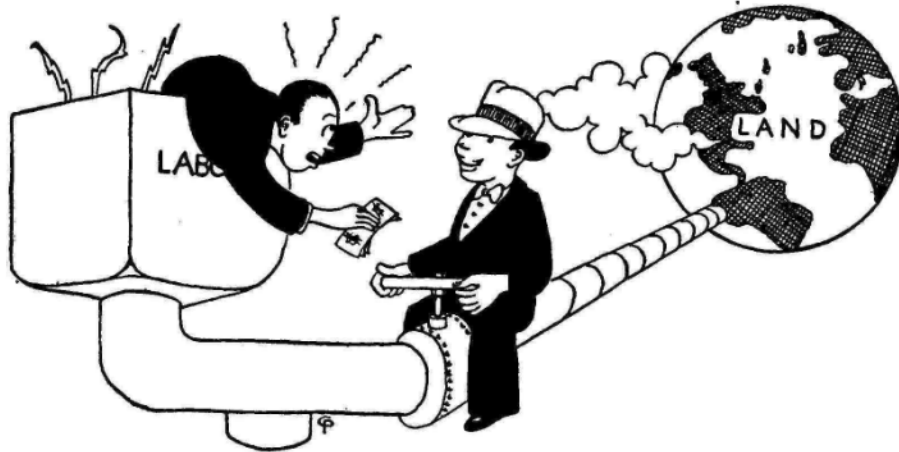
The Poleco-ist, on the other hand, might be suspected of oversimplifying the problem of industrial depressions when he says that industrial depressions are caused by land speculation. We should demand more than the Poleco-ist's opinion to back up his charge that depressions are *natural* results of land speculators unwittingly keeping man from joining his labor to land. So let's look into the nature of industrial depressions and see, if we can, what makes them tick. Once we understand their nature and satisfy ourselves as to their true cause, we can eliminate them and the fear of them forever by simply removing the cause. But in removing the cause we must be careful not to interfere with any person's natural rights. For to eliminate hard times by denying even one man the freedom to enjoy *all* of his natural rights is to substitute tyranny for poverty. And that would be no better than removing the mote from a child's eye with a hammer and a chisel.

It's hard to believe, but depressions really begin during prosperous times, when production is high and everybody is earning and spending unusually high wages. Depressions begin during those rare periods when the factories and farms are working overtime to supply the unlimited desires of consumers who have plenty of foorcloshes to spend, foorcloshes that got into their hands as wages and interest earned while producing goods for war on farms, in factories, and shops, and in other productive fields.

Since depressions begin during "boom" periods, let's start an examination of the depression cycle there. Unfortunately, prosperous times are usually war times. Sometimes an important new industry, such as railroading or the automobile industry, may bring a short wave of prosperity; but as a rule nothing makes the general public quite so prosperous as war. It is ironic that pros-

perity and all its blessings grow most luxuriantly in soil soaked with the blood of boys and littered with their mangled bodies and ideals. It doesn't seem to matter, so far as prosperity is concerned, whether war goods made for killing or consumer goods made for living are produced. It would appear that the production of battleships as well as bungalows, guns as well as butter, bombs as well as bread, add to the stockpile of wealth—wealth from which man may draw wages, interest, and rent.

Mankind, as we know, simply collects from the stockpile what mankind's labor adds to it. During prosperous times, almost everybody is producing more food, clothing, and building ma-



terials and almost everybody is taking a greater quantity from the stockpile, either in goods or in foorcloshes which may be exchanged for goods later. Most of the unredeemed foorcloshes are spent for services. That is why doctors, dentists, beauticians, night-club owners, entertainers, and other unproductive laborers do so well during boom times. But there is one thing that mankind can't remove from the stockpile, because he doesn't add it— and that thing is land. And since every article of wealth he does add is a land product, he must spend some of his foorcloshes to buy or rent more land just as fast as he increases his production.

It becomes self-evident, therefore, that while increased production means increased prosperity for all, it also means an increased

demand for land. For land is the only source from which to draw the raw materials from which all food, clothing, and shelter are made. Since prosperity means a greater demand for such articles of wealth, and since more of such things are consumed, the greater must be the number of acres of land needed to produce them. The desire for factory sites and retail locations, as well as for farmland and residential land, becomes intense. It follows then, beyond a doubt, that with the demand for land increased, the selling price of land must shoot skyward. And when land values promise to rise, land speculation breaks loose in all its madness.

The wave of land speculation that followed the Korean outbreak and World War II is still vivid in our memories. Old-timers will remember a similar period of wild buying and selling of land during World War I, and our histories tell us that the periods during which all previous wars were fought were no different. High rents and inflated sales prices for land are the general rule during high-production periods. During such periods, many of those who don't have land go out to buy some at the lowest price they can manage, even though the price they do pay is far above the land's actual value. The result is, of course, a wave of reckless buying and selling of land. Some plots, during such periods, have been known to have been sold and resold many times within a year. With each new sale, since everyone involved expects to make a profit, the price of all land inches up a little higher.

Before long, the price that results from such speculation becomes much higher than the economic rent the land in question can yield to the user. Consequently, if a man wants to use land to produce goods on it, he will have to pay more for it than it can possibly earn for him. He must make up the difference some way, and there are only two ways to do so: he can bribe a government official, and in return get special privileges eventually paid for out of the taxpayers' pockets; or, if he is a little businessman of little influence, he must be satisfied to take the difference out of his wages and interest, which his capital and labor have

produced. That means he can't take quite so much from the stockpile as his labor and capital added to it, while the land speculator, the bribing industrialist, and the bribed government official can take considerably more from the stockpile than they added to it.

All of the extra fookloshes that fall into the hands of those who collect inflated rents, those who bribe, and those who accept bribes can't be redeemed at the stockpile. For there's a limit to how much even the richest man can spend. Most of their fookloshes, therefore, are put away in bonds and savings. At the same time the average consumer, after paying his rent and taxes, doesn't have enough left to buy back as much as his labor added to the stockpile. Since those who can afford to buy don't need more food/clothing, and shelter, and those who do need it can't afford to buy, the unavoidable result must be a surplus of food, clothing, shelter, and gadgets left, uncalled for, on the stockpile. Put more simply, more goods have been produced than are wanted or can be paid for. Some economists call this condition *underconsumption*; others call it *overproduction*. The Poleco-ist calls it *maldistribution of wages, interest, and rent*.

It is at this point that the bloom fades from the boom—the economy passes from the speculation stage to the hard-times phase of the depression cycle. For, as we must expect whenever more goods exist than people can afford to buy, prices fall. That in itself isn't too bad, because it allows those who have some fookloshes to spend to get more for them. But there is also a bad side to low prices. Those who are working marginal land—the merchants who are using out-of-the-way locations as well as farmers who are using poor-quality land—were just getting by before the selling price of their goods fell. But now, due to lower prices, even though the marginal merchant and farmer may make the same number of sales, they take in less money. The rent the merchant and farmer pay out, however, doesn't fall! For to get at the land in the first place, they had to agree to pay a certain yearly sum which was based on the very best of times. The very natural result of falling prices is



that it costs the marginal merchant or farmer more to produce wealth on the particular land location he is occupying than he can get for it. The merchant working the margin has no choice then but to quit his business. The marginal farmer must either sell his farm at a loss or hang on until the bank or insurance company holding a mortgage on his land forecloses and takes his property from him. Regardless of which choice our marginal producers make, they are out of work—they must go out and look for a job. And even while they're unemployed and earning nothing, they must continue to pay so much each month for a place for their families to live. Few humans will allow anyone who won't or can't pay rent to live on their land—and landowners are humans.

But putting men out of work isn't all the damage a fall in prices does. Much worse is the fact that those who are out of work can't buy goods. As a result, the income of the grocer, clothier, barber, department-store owner, and countless others who sell either goods or services must decrease just as fast as the number of employed decreases. Many of these merchants, squeezed between lower prices and fewer customers, must close up shop. And farmers on somewhat better land who, because of their greater production, might have gotten by even at the lower prices, find they are unable to sell *all* of their crop at even the market price. As a natural result, they, too, lose their farms and join the steadily growing army of unemployed. But even that isn't quite the worst. With the general increase in unemployment, those retailers who are still in business can't sell so much as they formerly did and therefore can't order so much from the wholesalers who supply them. And the wholesaler, naturally, soon finds his warehouse becoming overloaded and is left with no choice but to stop buying from the manufacturer. And the manufacturer, finding it impossible to sell his goods to an overstocked wholesaler, must cut down on his output—must allow part of his plant to lie idle. For only an idiot would produce goods he can't sell; and idiots don't remain in the manufacturing business very long.

If that were all there was to falling prices, the slump in manufactures would be endurable. Unfortunately, the full details are far more disturbing. For manufacturers who are forced to cut down on their output don't need so much labor or capital as they formerly did, and the obvious happens. In spite of all that the unions try to do to stop it, millions of factory workers are thrown out of work. Millions of dollars' worth of accumulated capital is also made idle. Not only that, but factories working only at half capacity need fewer raw materials, a fact which again cuts down the income of the farmers, miners, cattlemen, and sheep raisers. While all of this is going on, larger and larger amounts of surplus wealth which few people can afford to buy accumulate on our stockpile, and prices naturally hit a still lower level, at which only the most productive land and busiest city locations can produce at a profit. At this point, any farmer working anything poorer than land of the very best quality just can't get by. Many of these farmers find it necessary to destroy their crops, although millions in the cities have hardly enough to eat. Only the retail stores owning the very best locations can stay in business, and then only if they pay their employees far lower than *natural*—or marginal—wages. Factories also pay less for more labor, because millions of unemployed farm and city workers compete desperately for the comparatively few jobs available. Minimum-wage laws written by brilliant lawmakers become absolutely useless, since a hungry man believes that a little is better than nothing. He therefore sells his labor for almost nothing if such wages will enable him to buy a loaf of bread for his family, a bit of milk, an occasional piece of candy, or a toy for his homeful of children—children conceived in more prosperous and carefree years.

Just about this time, the newspaper writers suspect that a depression (that had begun several years before) is about to start. Bright young reporters rush to interview economists and other "experts."

"Would you say, sir," the reporters usually begin, "that in view of the large number of unemployed men now unable to

find jobs, a tendency toward a period of depression is indicated?"

"Not at all," the "expert" is sure to answer. "There are always a certain number of unemployables, people who are too old (past forty), too inexperienced, too neurotic, or in other ways unsuited to useful production." And then, with the smile of condescension behind which so many experts hide, he adds, "We could hardly call that a depression, now, could we?"

"I suppose not, sir. Would you tell our readers how many men must be unemployed before we know that the depression has arrived?"

Regardless of the number of unemployed at the time, the wise one's answer is always the same. If one million, three million, or even five million people are out of work at the time of his interview with the press, such unemployment, according to the "best minds," is "a normal condition," "seasonable readjustment to the changing times," "a settling of an overinflated economy."

On the other hand, if the same reporters should ask any man who has been out of work for even a few weeks, how many men must be out of work before we are in a depression, he'll get this more intelligent answer: "One man out of work makes a depression, mister, if that one happens to be me."

Finally, the depression that began years before is felt by those who really "matter." Farms are being foreclosed so fast the banks become overloaded with properties, and being the new owners of the foreclosed properties, the banks must take over the distasteful duty of paying the taxes. Finally, the hardship of paying out money in taxes for properties that aren't producing anything becomes so great, the moneylenders pass their burden on to the government which, in turn, passes the costs on to the good old taxpayer.\* At the same time, manufacturers who had overequipped their plants during boom times are now unable to cut their overhead enough, and are either folding up or are being bought up by stronger competitors. And, of course, with business at a standstill, the selling price of stocks and bonds falls

\* This is done legally under the Farm Mortgage Refinancing Act, Farm Mortgage Foreclosure Act, Frazier-Lemke Bankruptcy Act, and others.

and thousands of people who had gambled on winning are so astonished to learn that gamblers sometimes lose, they curse the government, jump out of windows, slash their wrists.

By this time the entire nation has hit bottom. Jobs are scarce. Young men who were trained to become doctors, engineers, teachers, and entertainers are glad to get low-pay, unskilled and menial jobs. Most of those who formerly held the menial jobs can find no work at all, and apply for charity. The highways are jammed with wandering men and boys picking up a living any way they can. Hungry girls leave home to beg for jobs, any kind of jobs. Stenographers and waitresses can't earn enough to support themselves, much less a husband, and must live as normally as they can without a legal mate. Those girls who are university graduates compete with each other for jobs as department-store salesgirls. If they're pretty and attractive, those holding special degrees from better colleges—Smith, Wellesley, Bryn Mawr, Bennington—have the best chance of being placed behind a counter on the store's main floor. Those who aren't quite so well educated or so pretty become factory hands, bar-and-grill hostesses, full- or part-time prostitutes, or gun molls. But even these fields become so overcrowded by outside competition for their jobs, their earnings are soon driven down to "coffee and cake."

Then the depression goes into the leveling-off stage. Poverty is still in the saddle in spite of the many political speeches, relief laws, reformers' rantings, economists' promises of "prosperity just around the corner," and financiers' rosy forecasts. Slowly, however, the people get used to their poverty. Consumers buy only what they absolutely need to keep themselves alive. They do with less dental care, fewer haircuts, and less frequent visits to the beauty parlor. They wear their clothes for a longer time, look for more entertainment in their own homes, and generally do without most of the services they formerly bought. Two and three families double up to share the expense of keeping an apartment. Young married people move in with

their in-laws, if their in-laws aren't still living with their parents. Man willingly accepts less for the use of his labor and capital goods than he formerly demanded. Most landowners are willing to accept less rent—just enough to pay the taxes on their properties. At this point the depression comes to a halt; but it isn't over. It simply doesn't get worse, but only because the economy has hit bottom and there's nothing lower than that.

Most significant, the speculative rent of a few years back has steadily fallen under its own weight until it now meets the natural rent line. In other words, the amount of foorcloshes a landowner can get for the use of his land falls until it becomes equal to what the store location or farm will give to the user in foorcloshes above the wages and interest his labor and capital might earn on the margin. During such times a man who wants to rent a store can get one by agreeing to pay a percentage of his earnings to the landlord. If business is good he pays more; if it's bad he pays less. He doesn't have to obligate himself to pay rents for a location that might not earn an equal amount of foorcloshes for him. Similarly, farmers can no longer gamble on good times by leasing land of doubtful quality. They become tenant farmers and pay a percentage—often as much as half of their crop—as rent. Conditions are far from good, but the people have become accustomed to their poverty and before long consider the conditions that surround them to be normal.

Only those are working who can afford to get at marginal land or better. Politicians and thieves manage to squeeze a living out of the swag they can grab. The rest of the people are living on charity taxed away from those who are working and from those who have saved a little money during the prosperous war years. But the government can't collect enough in taxes to support this great number of idle families on relief. It becomes necessary for the government to increase the national debt by borrowing funds from the banks and insurance companies, thus obligating future generations—children not yet born—to pay for the support of the unemployed of this generation.

For some strange reason, certainly beyond the understanding

of most reasonable people, this period of low production, widespread unemployment, and generally low standard of living is referred to as being normal. On the other hand, prosperous periods during which there are more jobs than people to fill them, when almost everybody is earning and spending money, when goods are passing over the retailer's counters faster than his wholesaler can ship to him, when factories and farms are working overtime, when the theaters, concert halls, cabarets, and opera houses are "packing them in," when young people can afford not only to marry but even go so far as actually to have children—such times are called *abnormal!* The modern economist refers to such periods of widespread prosperity as *inflationary*, a very dangerous and evil condition, something to be avoided. In fact, during prosperous periods governments increase taxes and actually tell the people they are doing so because there is *too much money* in the hands of the people! It sounds crazy, but it's true.

Later, with only a million or so men out of work, with manufacturers finding it increasingly difficult to sell all the goods they make, and with producers of raw materials being unable to sell manufacturers as much as they formerly did, the natural thing for the nation's citizens to do is to look around for someone to blame. No one seems to think it possible that the falling off of production is due to his own stupidity, or that land speculation has boosted the cost of land so high that production at a profit has become impossible, or that high taxes have cut so deeply into the buying power of the consumer he just doesn't have the necessary foorcloshes left with which to buy the goods he needs so badly. Humans don't like to blame themselves or to admit their own stupidity and shortsightedness. They'd rather look around for a more likely villain. So management blames labor unions and the unions blame the "bosses." Then both combine to blame the government.

Those running the government don't seem to know what to do about depressions. Yet they know they must do something to make the headlines, no matter how idiotic it may be. Knowing

how easy it is to get hungry people to distrust, suspect, and hate their fellow man—especially foreigners—the politicians pass a few tariff laws designed to keep those "lousy foreigners" from "dumping" their low-price goods over here, even though they know from past experience that setting up higher tariff walls to stop a depression is exactly like squirting benzene on a fire to put it out. Tariff laws have always been passed and enforced to fight every depression the world has ever had, and without exception the result has always been to fan the flames of depression higher.



And it is only natural that tariffs should intensify depressions, because they forbid trade—the exchange of goods—which is the same as forbidding production. For we must remember that the exchange of goods is part of production—perhaps the most important part. Forbidding the people of two nations the right to exchange goods is to forbid their producing goods, and this brings the same result as clogging the land-to-labor pipe. That this is true becomes apparent if we recall that when one nation goes to war with another, its first step is to cripple the enemy's economy, and it does this by blockading the enemy's ports, by stopping the enemy from receiving and selling goods.

A nation erecting a tariff wall against foreign goods accomplishes the same result as an enemy's wartime blockade of another nation's ports—it cripples the economy by cutting production. The reader might suppose, then, that instead of setting up tariff walls, it might be wiser to fight off depressions by doing away with their cause, which, as we have seen, is land speculation. But to do that, it would first be necessary to do away with landownership, and that would be a dangerous thing to do, as we shall see in later chapters.

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## 71

### THE FOUNDATION OF LAND SPECULATION

*As soon as the land of any country has all become private property, the landlords, like all other men, love to reap "where they never sowed. . . .—Adam Smith, *The Wealth of Nations**

ONE MORE THING about land speculation that should be understood (before we go on to finding some just way to remove it) is so self-evident, only one as meticulous as the Poleco-ist would even bother to mention it: *land speculation is possible only where all land is owned, because nobody would pay any price at all for land if he could get some of equal quality for nothing.* If landownership is indeed the foundation upon which land speculation rests, we should know more about it. Studying the nature of landownership might also seem a waste of time to the reader, since everyone knows that landownership is nothing more than ownership of land. Actually, there's more to it.



Owners of apartment houses and private dwellings like to think of themselves as landlords, owners of land. It is a thrilling

word, *landlord*. It brings to the mind of the apartment-house owner visions of a day long past when the word really meant what today it only implies: *a lord over the land and over every animal and human on it*. And in his vision he sees his serfs, hats in hand, bowing respectfully as he passes, the wives and daughters trembling with devoted adoration. But times have changed! Landlords are no longer loved or feared by their tenants; they're simply detested. All that remains to the owner of the apartment house today is the misleading title *landlord*.

Such were the melancholy thoughts that occupied the mind of Horace Flatrenter, apartment-house owner, the day the Poleco-ist walked in on him.

"So you, Mr. Flatrenter, are a landlord." The smile of toleration wrinkling the Poleco-ist's face as he spoke didn't make Horace any happier.

"Yes, Mr. Poleco-ist, I am a landlord."

"You aren't really, you know. You're just a building owner. A landlord, properly, is one who owns land. And when you own land you're really a lord. But you just own a building, so you're just another guy trying to make a couple of bucks."

"Shows how little you know about it. It so happens I not only own an apartment house, but I also own the land it's resting on." Horace reached into a desk drawer, removed a paper, and waved it in front of the Poleco-ist's nose. "And here's the deed that proves it. It says I own the land and all improvements on it."

"Oh, I'm sorry. I had no idea I was speaking to a real, honest-to-goodness landowner. But tell me, Milord, would you say that I owned a television set if I told you that I'm buying it on credit and have already paid more than half?"

"Certainly not! You don't own it until you've paid up all you owe on it."

"How about this natty suit I'm wearing? I bought it on credit, too. Would you say it's mine, that I own it, even though I haven't made a final payment on it?"

"Of course not. It's yours when you pay for it, but not until you do."

"How about my car? I've got a bill of sale that says it's mine. I only owe a hundred dollars more on it."

"The same thing. Nothing is yours until you pay for it. What kind of a dead-beat are you, anyway? If you want to own something, you ought to know you've gotta pay for it."

"Don't I own even part of my suit? The pants, maybe? I've paid more than half."

"Of course not. Just refuse to pay the rest of what you owe on it and see how fast the store'll come down and rip the suit off



your back, including the vest and the pants too. Unless you're wearing heavy, warm underwear underneath, you better pay for the suit, Mr. Poleco-ist, if you don't want to have trouble."

"I guess you're right, Mr. Flatrenter. By the way, do you have a mortgage on the apartment house and land you own?"

"Well, yes. A small one. About 50% of the assessed value. That's not much, you know. Some buildings carry mortgages that are greater than the market value of the property."

"I suppose the bank holds the mortgage."

"Yeah."

"Then the bank owns part of your apartment house and land?"

"Oh, no. I own it. See? I've got a deed. It's right here. It's all mine. I can do anything I want with it."

"Can you tear the apartment house down if you want to?"

"I suppose so."

"Without the bank's permission?"

"Well, no. But I could get their permission if—but why should I want to tear the building down?"

"I can't imagine. Tell me, Mr. Flatrenter, could you alter the apartments, that is, could you break them up into smaller apartments without permission of the bank?"

Horace thought for a minute. "Well, maybe not."

"Can you sell the house without the bank's permission?"

"Of course not. After all, they want to know what kind of people I'm selling to. They gotta do business with them, so they'd want to be sure of the people I sell to."

"Can you stop keeping the house in repair if you want to? That is, could you let the house go to pot if you couldn't afford to replace the roof or broken window panes? Or could you stop paying the fire insurance on the building if you chose to?"

"No. The bank wouldn't like that. After all, they have some money tied up in the property. Say, Mr. Poleco-ist, what are you getting at anyway?"

"Nothing important. I'm trying to understand why you think you own either the apartment house or the land upon which it rests when you can't do anything with either without the bank's permission. If it's true that I can't own a suit, automobile, or television set until I've made the final payment, how can you own a house that's only half paid for? If the bank wants to sell its mortgage on your house, it can do so without your permission. The bank can command you to buy insurance, keep the property in good condition, restrain you from cutting up your apartments into smaller units, and forbid you to sell your property if it wishes. It seems to me that the bank owns the apartment house and land that you call yours, that you are nothing more than a

rent collector and maintenance man working for the bank, and that the only privilege you have is the right to pay all the expenses and taxes."

Just as Mr. Horace Flatrenter doesn't really own either the apartment house or the land upon which it rests, although he does hold a deed that clearly states that he does, the folks who live out in the suburbs of every large city aren't property owners either; not so long as they have a mortgage hanging over their heads. They may call themselves *homeowners*, they may belong to Such-and-Such Homeowner's Associations, they may read magazines ostensibly devoted to "homeowner problems"; but the fact remains that so long as they are still in debt, it is the bank, insurance company, or private moneylender who holds the mortgage on their land and home that is the real owner. That becomes very clear to the so-called homeowner when he cannot make his yearly mortgage payment. No matter how little he still owes, according to the terms of the mortgage he must pay on time or lose everything: the land, the home he built on it, and every other improvement he has made on the property. In a few words, the man who "owns" property that is mortgaged owns nothing, has no privileges other than the right to pay taxes, insurance, and other maintenance costs that one might think should rightfully be paid by the true owners of the property: by the bank, insurance company, or private moneylender.

Therefore, when the Poleco-ist uses the word *landowner*, he means an *owner* of land; not one who has a piece of paper, % sort of pawn ticket, that says he owns it. For, in the final analysis, a mortgage is only a pawn ticket. If it were possible to carry a house and lot on our shoulders to a pawn shop, the ticket the pawnbroker would give us with the money we borrow would carry the same privileges and penalties that are printed on a mortgage. It would say, in effect, "I have loaned you a certain amount of money. To guarantee you will pay back the money you borrowed, you have left your property with me. If you pay your debt plus interest before a certain date, I'll return your property; but if you miss one single payment, your property will be auc-

tioned off to satisfy the debt you owe me." The only important difference between our pawning our property and mortgaging it is that the pawnbroker won't allow us to use our property before we have repaid the borrowed money. On the other hand, the pawnbroker is compelled to take good care of "our" property, while the mortgage holder compels us to take care of his property for him.

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## 72

### LANDOWNERS NOT NECESSARILY PEOPLE

*The Creator has made the earth for the living, not the dead. Rights and powers can only belong to persons, not to things.*

—Thomas Jefferson

IT MUST BE UNDERSTOOD, however, that the Poleco-ist doesn't think of landowners as mean old bankers and rent-gouging presidents of insurance companies. Nor does he think of them as being dyspeptic old men like John Jacob Astor who, according to Gustavus Meyers, delighted in tossing weak widows and innocent children into the street. The true facts are otherwise. In many parts of Europe, landowners are usually noble families like the Esterhazys, whose estates once included 159 entire villages; or the Junkers in Eastern Germany, who held vast estates for centuries. And in many parts of the United States a few very respectable individuals own vast areas of our country. Before World War II, it was reported that 182 men owned half of the state of Florida; that each of sixteen men owned, on an average, about three million acres of the nation's best timber-land; that eleven percent of New York City's population owned all of the city's five boroughs; that one-fifteenth of Manhattan Island was owned by only thirteen families: the Astors, Vander-

bilts, Rhinelanders, Potters, Morgans, Van Ingens, Wendels, Goeletses, Ehretses, Gerrys, the Hoffman Estate, the William Martin Estate, and the Eugene Hoffman family. And of course every town and city in the nation has its "most influential family" which, invariably, is the big landowner of the community.\*

But most often, the really large landowners are not people at all. Especially in this country, it is most often the decidedly worth-while institutions that own much of our land—universities, for example, like Columbia, which owns many valuable properties, among which is every foot of land upon which Radio City in New York is built. The Trinity Church Corporation, like most churches, owns a considerable amount of valuable land. Trust funds, such as Sailors' Snug Harbor, which was set up many years ago to take care of sailors grown too old to sail the seas, now owns many extremely valuable blocks of land in lower New York. In fact, one of the nation's oldest and largest department stores pays Sailors' Snug Harbor a tidy sum each year for the privilege of doing business on lower Broadway. Cooper Union, a very fine free school left to the people of New York in trust, also owns sizable areas, including the land upon which one of New York's tallest skyscrapers, the Chrysler Building, is built.

These institutions, like all landowners, collect all of the rent earned by the *land* they own, rent that is a result (as illustrated in Chap. 43) of New York City's large population. And of course all banks and insurance companies and many of our large labor\* unions and railroad companies also own or control considerable parcels of land throughout the nation. According to a news clipping that appeared in *The New York Times* of July 17, 1949, insurance companies held 10.8 billion dollars' worth of mortgages on American properties (including land, houses, and buildings).

\* It is interesting to note that the vast fortune of the late William Randolph Hearst is commonly believed to have grown out of his many newspapers and magazines. Actually, very little of his fortune came out of his publishing; his was a fortune that grew out of landholdings: ranches in California, Texas, and Mexico; oil fields and mines in Peru, Mexico, and the United States (including the Homestake, one of the richest gold producers in Lead, South Dakota).

The same companies held a billion dollars' worth of farm mortgages, all of which adds up to almost complete control of a considerable slice of *our* United States.

And then, of course, there are countries in which the government owns *all* of the land. The Soviet Union is typical. In other countries, government owns only some of the land; the British government, as this is being written, is in this class.

When the Poleco-ist uses the word *landowner* he means: *any* individual, institution, or government holding supreme power over any piece of land; holding the legal right to say, "Nobody shall use this piece of the planet Earth for any purpose whatsoever without my permission."



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## 73

### LANDOWNERSHIP RELATED TO POVERTY

*The first man who, having enclosed a piece of ground, bethought himself of saying, This is mine, and found people simple enough to believe him, was the real founder of civil society. From how many crimes, wars, and murders, from how many honors and misfortunes, might not anyone have saved mankind, by pulling up the stakes, or filling up the ditch, and crying to his fellows, "Beware of listening to this imposter; you are undone if you once forget that the fruits of the earth belong to us all, and the earth itself to nobody."—*  
Rousseau, *Social Contract*

EXACT FIGURES on the number of people and institutions that, combined, own all of our planet Earth are impossible to compile. But various researchers have from time to time come up with some exceedingly interesting facts on the subject. Recently (1944) Margaret Bateman published her report *Whose World?* from which we learn:

In Great Britain 1/10th of 1% own 3/4 of all the land.  
 In Scotland 3-1/270 own all the land. In Ireland 1-2/5% own all 20 million acres. In Germany a little more than 1% own all Germany.  
 In Italy 4% own 2/3 of the country.

In the Soviet Union the government owns all the land of the Soviet States—95% of it in collective farms.\*

In country after country, Miss Bateman's report shows the same pattern: a handful of landowners owning most of the nation's land. More than that, it clearly reveals that land *naturally* tends to fall into fewer and fewer hands in spite of any attempts on the part of land reformers to break up large landholdings and then distribute them in small parcels among the peasants.\*\* After the French Revolution, for example, France was cut up into many small peasant farms; yet a hundred years later the peasants owned only one-eighth of *La Patrie*. More recently, the same tendency for land *naturally* to concentrate itself into large estates and holdings was observed in other nations after the estates were broken up and distributed among the peasantry: in Japan, Czechoslovakia, and Italy. The actual words of a citizen of Santa Severina in Italy in 1951 might best clarify this seldom-discussed phenomenon: "When we occupied land with the Communist Party, we felt we were winning it for ourselves. But some of us got in debt and had to hand it [the land] back if we wanted the baron's money, and no one else has any to loan." Of course, the baron eventually owned all of the land formerly bought from him and split up among the peasants.

Even in our own country, only twenty-five percent of our

\* If we bear in mind that fewer than 3% of the population of the Soviet Union are members of the Communist Party and have any voice in that government, we might safely infer that fewer than 3% own, in even the vaguest sense, the vast area under Soviet Union control.

\*\* Even in the Soviet Union, where the power of the government to control the economic life is stronger and more ruthless than anywhere on earth, we learn from Lieut. Gen. Walter Bedell Smith's *My Three Years in Moscow*: "The peasants, who demanded land during the revolution, received it. The great farm estates were divided into small farm plots of a few acres each and given to those who had formerly worked them for landlords. . . . Gradually the inefficient and improvident among them began to sell or leave their land to more efficient neighbors, and there grew up again a new class of more prosperous farmers who began to employ labor . . . But as soon as the state was strong enough . . . small, independent farmers were destroyed as a class and the small farms "Were combined with large collectives and state farms."

farmers own their land, and if we consider as landowners only those farmers whose land is not mortgaged, the figure would be much less than 10 percent.\*

We need only go back to earlier pages to see that it is the *law of rent* that causes large estates to grow larger at the expense of the small, marginal landowners. So long as prices of goods are high, the little fellow can hold his own; but just as soon as prices fall, the small landowner cannot produce enough on his poorer land to pay his mortgage and is dispossessed. Since nobody but the big landowner, whose land is usually the best, can afford to buy the foreclosed land at auction, he usually gets it for a song and then adds it to his own landholdings.

Jefferson, while traveling through France just before the French Revolution, wrote:

Of twenty millions of people supposed to be in France, I am of opinion there are more than nineteen millions more wretched, more accursed in every circumstance of human existence than the most conspicuously wretched individual of the whole United States.

This was during the period which Hayes, in his *Political and Social History of Modern Europe*, reported as follows:

It is estimated that the clergy and nobility each owned one-fifth of France; and that one-third of all the land in Europe, one-half of the revenue, and two-thirds of the capital, were in the hands of the Christian churches.

The oleco-ist doesn't object to all of the planet slowly falling into fewer and fewer hands. He is a scientist and knows that nothing can be done to stop Ricardo's law of rent, a natural law, from operating. He interests himself in landownership not because it is the foundation of land speculation, but because it is evident that as fewer men and institutions gain ownership of

\* We need only examine the various reports issued by our Department of Agriculture to see that every generation finds a smaller and smaller percentage of Americans owning any part of their "own, their native land."

all the civilized world, the number of landless ones who must pay the landowners in wealth and homage for the privilege of occupying and working the planet Earth must grow, and must lead eventually to ever-increasing poverty. That's just simple arithmetic. And with his eye on history, the Poleco-ist worriedly looks back upon the collapse of Rome, when only 1,800 men owned all of the known world. He looks back upon the period preceding the French Revolution when one-third of the land of Europe, half of the revenue, and two-thirds of the capital were actually owned by the Christian Churches. He looks back upon ancient Greece and its high culture, and observes how it weakened as fewer and fewer citizens owned the land, and finally how, when a little better than two percent of the Greeks owned the entire empire, that highly developed civilization collapsed. He agrees with Arnold Toynbee, who in his *Study of History* wrote, "In all the [breakdowns of civilizations] we have reviewed, the most that an alien enemy has achieved has been to give an expiring suicide his *coup de grace*." The Poleco-ist observes that the "suicide" Toynbee refers to is land concentrated in the hands of a few families or institutions.

He is also interested in the fact that whenever in history land was still free to whoever chose to use it, the citizens lived on a very high scale, criminals were few, and beggars almost non-existent. To the Poleco-ist, then, the tendency of land to fall under the control of just a few men seems to have a great deal to do with poverty and, of course, with all of the social evils that spring from poverty. He, unlike the economists, therefore considers such historical facts to be significant in the study of wealth production and distribution.