

THE IMPORTANCE OF NATURAL RELATIONS

By John C. Lincoln

The story is told of a young man who had trouble with his mathematics in school. He failed in one examination because he did not know the relation between the diameter and circumference of a circle, which is ordinarily represented by the Greek letter, Pi, and which, to the fourth place is 3.1416. The fact that he failed in this examination and on this question stayed with him for years. Later he became a member of the legislature, and in order to arrange it so that nobody else would have the same experience he did, he introduced a bill into the legislature which ran something as follows:

"Be it enacted by the sovereign state of— that hereafter, the relation between the diameter and cir-

cumference shall not be 3.1416 but shall be 3."

All engineers will see the absurdity of this proposal and will recognize that natural relations have to be discovered and cannot be altered by act of Congress. All of us are anxious about what is going to happen when this present war is over. We are afraid of the dislocations that may occur in industry after defense production stops. Engineers should recognize the factors which govern employment and the production of natural property or wealth. It is only by recognizing the natural relations between these factors that we can expect to get the proper answer.

The first question that arises is

"what is employment?" It is more than exchanging one's time and effort for wages or a salary. If employment is defined as doing the things necessary to get a living, it will not be far off.

The Eskimos in Alaska are just as surely employed as a factory worker in the United States, even though they are paid in a very different way.

Employment is of two kinds. One produces services—doctors, lawyers, preachers, and politicians have this kind of employment. The other produces wealth—farmers, engineers, factory workers, etc. have this kind of employment.

Since there is an unlimited demand for wealth, there may be unlimited employment in producing wealth. The reason there appears to be overproduction is that the people who want the articles cannot pay for them.

It may be well to define wealth as material things produced by labor that fit human needs or desire. This definition excludes a large amount of property such as government and municipal bonds. Such bonds are property but no one would contend that the United States is more wealthy because they are outstanding. We can agree that if there was unlimited production of wealth, there would be unlimited employment.

The question arises, "what are the

factors in the production of wealth?"

These factors are two in number. The first is nature, or natural opportunity, or land. The energy that raised this year's crops came from the sun this year. The energy that propels the automobiles and flying machines and farm tractors came from the sun many years ago. The land on which our food is grown and from which our houses and clothes come almost directly, is part of the solar system, and with the air and rain and sunshine is the condition precedent for the production of wealth.

The other factor in the production of wealth is the human factor. When the world was young, the human factor consisted almost entirely of labor. As civilization advanced, labor was aided by stored-up labor, or capital. In this article, the word "capital" will be used in the sense of wealth used to produce more wealth. In recent years the word "capital" has been used in many different senses. It is sometimes used to include property that is not wealth at all, such as government bonds, and a hundred years ago the word was used to include labor in the shape of slaves. All wealth, then, is produced by labor assisted by capital, and therefore, the wealth produced belongs by natural right to the one who produces it. When a farmer produces a bushel of wheat

by his labor, aided by his capital in the shape of his horses and farm tools, he has produced something that did not exist before. While his natural title to the bushel of wheat is perfect, is it not perfectly clear that he cannot have the same natural title to the sunshine and air and land and rain that had to exist before he could think of starting to raise his grain? Is it not clear that his right to use the forces of nature is limited by the equal right of everyone to those same forces? It is clear that the use of land, or natural opportunity, is necessary to the production of wealth and, therefore, to wealth producing employment. If no land were used, no one would be employed. It is clear that any system that holds land out of use decreases employment in the same proportion.

Our present laws treat land, or natural opportunity, in the same way that they treat natural wealth. Natural wealth is produced from land by labor with the assistance of capital, but our present laws do not distinguish between land, which is the source of all wealth, and wealth itself. Wealth by its nature is individual property because it is produced by individuals or by groups of individuals. Land by its nature is common property because it was provided by the Creator for the equal use of all mankind. We all

accept the fact that air and sunshine and the seas are common property to which everyone has an equal right, but so far, our laws do not recognize the common right to land or natural opportunity. Until the fundamental difference between wealth and land is generally recognized, the chaos which is our present social system will continue.

Practically all the land in the United States is private property. The land value of the United States, divided by the population, is, roughly, \$1500. Today a person has to accumulate \$1500 in some way before he can get at his portion of land that the Creator provided for him. The Creator provided employment for everyone born in the world by providing land or natural opportunity for everyone. By our land system we have shut off most of the people in the United States from the land and thereby from the right to earn a living.

We cannot neglect natural relations without taking the consequences. Our present laws say in effect that there is no difference between property in land and property in wealth. We would admit that it would be absurd for anyone to claim ownership to a city lot or a farm in Mars. Is the earth any less a part of the solar system than Mars? My more thoughtful readers will think that this argument is theoret-

ically sound but will realize that experience has shown that exclusive, continuous, and private possession of land, or natural opportunity, is necessary for its best use, and that private property in land gives this continuous, exclusive and private possession of land. Further, that disturbance of our present system of ownership of land would make unpleasant and perhaps serious readjustments necessary in our economic life.

This contention would be correct.

We are faced with an apparent contradiction in rights. We all recognize that the manufacturer, for instance, must have exclusive, continuous, and private possession of the land on which his factory is located. This right is given him by the system of private property and land. Most of us would admit that private property in land prevents most people from enjoying the gifts of nature to which everyone has an equal right and from which everyone must get a living:

Is it possible to devise a system of land holding that will preserve these two apparently mutually exclusive rights? Henry George, about sixty years ago, invented a method which would preserve the rights of mankind in land, or natural opportunity, and at the same time make it possible to have exclusive, continuous and private possession of land.

He proposed to abolish taxation of wealth and to collect all public revenue from the rent of land.

This is a scientific and ethical solution because what the individual produces should by nature belong to him. Rent of land is a community product, due to the presence and activities of the community, and should be collected for the benefit of the community. Everyone will agree that the selling value of land is the land rent, actual or expected, capitalized. If this were done, the selling price of land would go practically to zero, which would, in effect, make land common property, which it naturally is.

This proposal of Henry George is simple, sweeping, and fundamental. It will involve a change in our economic system as fundamental as the abolition of slavery in the South.

What would the effect of the adoption of this proposal be? First, it is clear that no one could afford to hold land out of use, as is done so generally now. Land would be held only when it was being used. Since employment consists in the use of land or its products, in producing wealth, the most important effect would be an enormous increase in the number of jobs. The proposal of Henry George does not interfere with the ownership of land but it will decrease its selling value

to practically zero, and it will not pay to own land that is not used.

At the present time the activity which is most severely punished by our laws is an activity which will create employment. If a person originates a new industry which employs a thousand persons and necessitates the equipment of a factory costing a quarter of a million dollars, the law fines him ten or twenty thousand dollars a year in local taxes, and if he is really successful, it fines him in income taxes, social security taxes, unemployment taxes, and so forth and so forth. An ordinary crime is punished only once, but the crime of doing anything which will create employment is punished yearly by having the fine which is called taxes imposed every year. On the other hand, our system rewards a person who decreases employment by reducing his taxes. Many a building which does not produce much income but which does require labor for its upkeep, and thereby gives some employment, has been torn down, thereby discharging the people who took care of it, and the community rewards this action by decreasing the taxes on the property. There are hundreds of mines in Arizona, where this is being written, which are held by people who are unable or unwilling to work them themselves, but the taxes are very small. If someone attempts

to work these mines, thereby giving employment, our system immediately piles on the fines in the shape of increased taxes. It is clear that an enforced payment has the same prohibitive effect, whether the payment is called a fine or a tax. The most important right to anyone is the right to live, and the right to live involves the right to earn a living. A living can only be earned by getting at land or natural opportunity, and our present laws prevent a large majority of mankind from getting at the source of all wealth in order to earn the living to which they are entitled.

Suppose the man in the first paragraph of this paper should have persuaded his legislature to make it a penitentiary offense to use anything but 3.0 for the ratio between the diameter and the circumference of a circle. Such a law would have done a certain amount of harm. Most of us would agree that the laws concerning slavery a hundred years ago did more harm. The fugitive slave law and the decision of the Supreme Court in the Dred Scott case declared that the right of a master to his slave was superior to the right of the slave to himself. It required the education of a civil war to teach the people of the United States that when we pay no attention to natural rights or relations, the penalties are severe.

Up to a hundred years ago, the ownership of men was recognized by the law, and we all believe now that the natural thing is that man belongs to himself, and a social system founded on the assumption that one man can belong to another is scientifically unsound. The system of slavery lasted for thousands of years and persisted up to a time in the memory of people yet alive. But the failure of a social system founded on slavery was just as certain a thousand years ago as it is now when we can all see that it must be so.

All thoughtful people today agree that the greatest danger to democracy and the system of private enterprise and individual initiative that is possible only in a democracy is in the increasing power of government. In Russia there is a system of state ownership in which the political dictator is economic dictator. The same thing is largely true in Germany. In the United States we have traveled a long way in the last eight years toward what there is in Germany and Russia and there is a great danger that the complete control of business that the government is now exercising in time of war will not be released after the war is over. The reason that the New Deal has been successful in the United States is that it appeals to the large number of peo-

ple that are out of employment and therefore in poverty as the result of our land laws shutting out the majority of people from the source of all employment, namely, land or natural opportunity.

It will do the business leaders of this country no good to complain of the crippling hand of government in business so long as they do not propose a method of getting rid of unemployment with a system of private enterprise.

The fact that Henry George proposed to make land become property by taking ground rent for community expenses and abolishing all taxation is new to most people, should not be considered too severely. Five hundred years ago, one would have had to hunt the world over to find a man who did not believe that the world was flat. The question is—does the proposal of Henry George conform with nature? In other words, is it right?

Is anything more natural and right than the ground rent, a community product, should be taken for community expenses and that wealth, which by its nature is an individual product, should remain the property of the person or persons who produced it. To put it another way, the individual has no natural right to community-created ground rent and the community has no natural right to individually produced

wealth. If these relations are natural, we neglect them at our peril. We admit that no system can be healthy and prosperous where the laws make no distinction between property in wealth and property in man, so no system can be prosperous that makes no distinction between property in wealth and property in land. In both cases, natural relations are violated, and nature is very severe on the individual or the system that pays no attention to natural relations.

The government will continue to interfere in business and take an increasing part of the income of our business and distribute it to the pressure groups that are now getting it on the plea that the "forgotten man" needs it until business leaders realize natural relations and see to it that the unlimited opportunities for employment which nature provides are available to everyone instead of having most of these opportunities shut away from most everyone by our land laws.

What are the advantages of George's proposal? First, there will be unlimited employment. There will be more jobs than there are workers. Land, the source of wealth producing employment, will be available to anyone without one being obligated to pay someone for the

privilege of getting at the land in order to work.

Second, the abolition of taxation of all kinds will free all of us from government interference and dictation and enable the manufacturer, for instance, to use his time in making his goods instead of making government reports and taking care of public officials. At the same time it will greatly decrease the cost of goods to the consumer because at the present time, government taxation necessarily is included in the price of goods and it is not an unreasonable estimate that government taxation increases the cost of goods 25 per cent. In the case of tobacco, for instance, it increases it one hundred per cent or more.

Third, wages will rise to a point at which wages will be practically equal to the value added by labor in the production of goods.

See what the discovery of natural relations and working in accordance with them has enabled us to accomplish with electricity: telephones, electric transportation, radio — all have become common during the lifetime of those who are reading this.

Is it unreasonable to expect similar rewards if we will discover and comply with natural relations in the construction of our economic system?