CHAPTER III

MONOPOLIES

"*It may be said generally that businesses which are in their nature monopolies are properly part of the functions of the State, and should be assumed by the State. . . . But all other monopolies are trivial in extent as compared with the monopoly of land. And the value of land expressing a monopoly, pure and simple, is in every respect fitted for taxation.*"—HENRY GEORGE, *Progress and Poverty*, Book VIII, ch. III.

"*If the size of fortunes is taken into account, it will be found that perhaps 95 per cent of the total values represented by these millionaire fortunes is due to those investments classed as land values and natural monopolies, and to competitive industries aided by such monopolies.*"—Prof. JOHN R. COMMONS, *The Distribution of Wealth*, p. 253.

THERE is more than one reason why so many people look upon Capital, rather than Land, as the chief factor in production and the chief despoiler of labour. They are familiar with the colossal figures that are constantly paraded in the financial columns of the Press. They overlook the fact that much of this " wealth " is not real wealth. Stock can be and often is " watered." Companies hold shares in other companies, and the same amounts included in more than one balance sheet give an exaggerated idea of the real total. Sensational revelations in the Courts show from time to time that vast amounts of " capital " may exist only on paper, and, if we are to regard the Stock Exchange quotations as an index of real wealth, millions of " capital " can be destroyed in an hour by a mere rumour and magically come to life again as soon as the rumour turns out to be false. The factory or the mill is there to be seen, and its capitalistic owner or owners are known. It is with them that disputes about wages and conditions of work arise. Meanwhile, the site of the factory is covered by the building, and the owner of the site is in the background. Moreover, owing to the fact that a complete valuation of our land has not yet been made, people, who think of economic questions mainly in terms of money, are apt to regard the land question as of comparatively small importance, not realizing the relations between land and capital, between rent and wages; and they look to a " capital levy," increased income tax, super-taxes, nationalization of banks, or to fantastic schemes for the manipulation or manufacture of " credit," as more potent remedies for economic ills than the break-up of land monopoly by means of the taxation of land values.

If by " land " we mean only " agricultural land," and if we class as " capitalists " all persons and companies that possess large sums of money or that use large sums in some form of business, it is easy to convince ourselves that the land question is of relatively small importance. A certain arithmetician, who used to pose as an economist, could produce calculations of this sort with great facility. This country, he said, " fortunately for itself, has long ceased to depend upon land for its livelihood." Coal is " the greatest national asset." But coal comes from land, and, behind the mine-owner, who exploits the miner, is the " owner " of the coal-land, exploiting the capitalist who, before he can use his machinery and other capital, must pay to his overlords surface rent, dead rent, mineral royalties, wayleaves, etc. It is not in the mining districts that land can be bought " at the price of pocket-handkerchiefs."

An American " realtor," from whom we quote elsewhere,[1] long ago told part of the truth about capital and land. Three typical American millionaires—Armour, Field and Pullman—beginning " without a penny " had amassed huge fortunes. " It is now no secret," he said, " that where they have made one dollar " by selling beef or dry goods or railway carriages, " they have made two more by their far-seeing investments in Chicago real estate." The founder of the Astor dynasty similarly " made his fortune," not by selling furs but by using his earnings in land speculation. He held his purchases, and the growing population of New York made his fortune for him.[2]

It is often said, even by some who hold that land monopoly is unjust and a public danger, that it is by no means

[1] See p. 13.

[2] On large fortunes, see Henry George, *Social Problems*, ch. VI.

the only monopoly: that there are many "capitalistic" monopolies, just as unjust and dangerous, "such as the Water Monopoly, the Standard Oil Company," and so on.

What monopoly does a Water Company possess? The natural gift of rain cannot be completely monopolized, but some of it can[1]—if a Water Company can obtain the monopoly of land suitable for a gathering ground, or the exclusive right of collecting water from springs (issuing from land) or river or lake (land covered with water). More land will be required for filtering-beds and for storage reservoirs. Even so, as people can hardly be expected in these days to fetch their water from the reservoirs (as Londoners had to fetch it from the conduits or the Thames before Hugh Myddelton made the New River[2] and brought water from Hertfordshire springs) the Company has to obtain from Parliament another form of land monopoly, restricted indeed, but of cardinal importance to their enterprise: the exclusive right, within a defined area, of laying their supply pipes in the subsoil of the public streets. Such a right to a limited use of or on or in land is called an "easement." There are still artesian wells in London,[3] from which certain premises have for long drawn their water supplies. This is no infringement of the Metropolitan Water Board's monopoly (taken over by purchase from the old companies), but any attempt to lay pipes to supply neighbouring premises would be illegal. It is clear, therefore, that the monopoly of the "capitalistic" Water Company is founded on land monopoly in more than one of its forms. It is worth noting that the New River Company

[1] Henry George, lecturing at Dundee, said that in times of drought the people of Dundee go to church and pray the good Lord in heaven to send them rain. But when He sends it, it falls on land belonging to the Lord of Airlie, who charges the people £25,000 for the privilege of drinking it.

[2] The 72 shares into which the New River capital was divided did not exceed £5 each in value for the first 30 years. When the Company, which also had large holdings in land and houses, lost its monopoly, the price of a single undivided share ran well into six figures.

[3] Messrs Van den Berghs supplied water from their three artesian wells to relieve the water shortage in Fulham during the drought in the summer of 1934.

used to call its charges "water rents" and described its customers as "tenants." The water charges in London are now usually assessed, like the rates, on the rateable value of the premises supplied.

Oil, like coal, is a land product, a gift of Nature. The Standard Oil Company cannot obtain any monopoly in it except by getting control of the land from which it gushes. The Company has fortified its monopoly in many ways, within and outside the law, too numerous to mention, specially by getting control of railways and so securing preferential rates, and by acquiring easements over land for the pipe-lines which convey the oil from the wells to the markets.

The foundation of the "Railway monopoly" is a statutory right to take long strips of land of varying width and to adapt them to the purpose of transporting persons and goods. There is no legal monopoly in the ownership of such railway capital as locomotives and railway carriages. A Tramway Company enjoys a more restricted form of land monopoly, viz., the statutory right of using the surface of the public highways for passenger traffic in vehicles with flanged wheels running in grooved rails.

There is no legal or industrial monopoly in the manufacture of Gas, or in the production of Electric Current. Any householder may, if he chooses, set up apparatus to supply his house with either of these modern conveniences. Once again, the monopoly is not one of production but of supply. The operating company secures a monopoly of the right of distribution within a specified area by obtaining powers from Parliament which enable it, when necessary for its purpose, to open up the streets, and to use their subsoil for its pipes or cables; a right which no one else is allowed to exercise within its area of supply. It is a monopoly of land for this special kind of use.

Some of these monopolies, based on one form or other of land monopoly, and involving the use of large amounts of fixed capital, have grown up in connection with what have become essential public services: the supply of water, light, heat, power, means of transport and so on. In such cases it has long been recognized that competition is not desirable, even if it is possible. Parliament, in its dislike of monopolies, for long tried to subject the water supply of London to competition between the various companies.[1] Thus, two companies were empowered to supply East London between the Tower and the River Lea. They competed with each other by "cutting" their water rates, and the streets were constantly being torn up, as customers changed from one company to the other. They ended this suicidal struggle by amalgamating as the East London Water Co., whose supply became a by-word for its inefficiency and lack of purity. The East London and the New River Companies were both authorized to supply Hackney and Islington. They put an end to competition by an agreement to take one parish each. Part of West London at one time had no less than four authorized companies. When the Companies were bought out, the fact that Parliament had never conferred upon them a complete monopoly seems to have been ignored, and the compensation they received was probably double the amount to which they were legally entitled. The water supply of Greater London is now managed by an indirectly elected body called the Metropolitan Water Board, and leaves little to be desired so far as the abundance and purity of its water is concerned.

The great Railways have become in modern times as truly national roads as the King's highways. Partly by amalgamations and partly by the absorption of the smaller local companies (possibly with a view to future unification under national ownership and control) many improvements and economies in their working have been made possible. Given the complete nationalization of land values, there would be no reason why the precedent of the abolition of toll-gates should not be followed in the case of the railways. Numberless little "railways," usually called "lifts," have always given a free service to their passengers. The costs of their erection and maintenance and their working expenses are amply repaid by the increased rents all along the line of route, due to the convenience which they freely supply. If the State owned all the railways and collected all the

[1] The story of the London Water Companies is told in CLIFFORDS' *History of Private Bill Legislation*, vol. II.

land values, the costly and troublesome business of issuing, clipping, collecting and inspecting travellers' tickets might conceivably be dispensed with on the railways, as they are on the lifts. It is an interesting speculation.

The fact that the successors-in-title to the Dukes of Bedford own the market rights of Covent Garden is a disgrace and a misfortune to London. It is said that the "Convent Garden" was, a few centuries ago, worth £8 6s. 8d. a year. It has been sold and resold within recent years for sums running into millions. Its value is almost entirely a land value, the monopoly of the right to hold a market on a site at the centre of a population of seven or eight million people. It should be taken over by the London County Council, as soon as the taxation of land values has squeezed the monopoly value out of its price.

There are other monopolies which are indirectly due to land monopoly. They have arisen under a system of taxation the growth of which is, historically, inseparably connected with the growth of landlordism.

For instance, the taxation upon tobacco, like that upon alcoholic drink, is excessively heavy in proportion to the cost of the raw material. The tax is, of course, passed on to the consumer. But the necessity of finding the money for the tax before the tobacco leaf can be taken out of bond and manufactured and the taxed product marketed, naturally restricts the amount of competition in the trade, and in any case enables the manufacturer to charge his profit on the combined cost of the material and of the much greater amount of the tax. The colossal fortunes left by many tobacco magnates are due directly to a system of taxation introduced to relieve the landlords of their dues to the State. When indirect taxation, so unjust in its incidence, is supplanted by taxation on land values, there will be fewer Millionaires in the House of Lords, if that House still subsists.

The specially vicious form of indirect taxation which is called "Protection," with its auxiliary marketing schemes, subsidies, embargoes and quotas are already marching towards the results which they have produced in other countries. No one need be surprised at the emergence of a sugar combine, a potato ring or a " wheat pit " under such a system.

Many quite legitimate businesses, producing or distributing articles of common use, owe at least a part of their high profits to the possession of land. For instance, the great Unilever combine of over 600 companies with its capital of at least £100,000,000, has extensive holdings of tropical lands yielding vegetable oils for soap-making, etc., etc. The Dunlop Rubber Co. has its rubber plantations. A company promoted by one of the Press Barons has a monopoly of tracts of Newfoundland forests, whose wood-pulp is the raw material for much of the paper called " news-print."[1]

Newfoundland is bankrupt, and many of its people are starving, largely through what the Royal Commission calls " the reckless manner in which the resources of the country have been dissipated " by successive Governments, and is now being helped at the cost of British taxpayers.

It used to be the practice of a well-known catering firm, before purchasing a site for one of its tea-shops, to send a representative to count the number of persons who passed the site in a day, and so to form an estimate of the population for which the occupation of that site would enable them to cater. In the City streets, the resident population would be of very small importance, from the catering point of view, as compared with the very large influx of people from outside, coming to the City as sightseers, as workers in or visitors to offices or warehouses, or as shoppers: a large proportion of whom would need the means of getting

[1] Of Newfoundland's total area of 42,000 sq. miles, some 25,000 sq. miles are wild forest lands, of which about 15,000 sq. miles are either owned by or leased to two paper companies (Report of Royal Commission, quoted in *Land & Liberty*, December, 1933). Some of the land is held at an annual rental of $2 a sq. mile! " In very few cases have the lessees [of other lands] made any attempt to develop their land; in almost every instance it is held purely for speculative purposes." In 1870, 75 per cent of the natural forests of the United States were public property. By 1910 about 80 per cent had become private property, either by free gift to railway and canal promoters, or by sale at a few shillings an acre to speculators. The market value of privately-owned standing timber in 1911 was estimated at 6,000 million dollars. (*Official Report on U.S. Lumber Industry*, 1911.)

food or drink away from home. The owners of a large number of chain stores are also said to adopt the same method of judging the business possibilities of new sites. The density of population, which offers great opportunities for business, expresses itself also in high land values.

Nor is this all. The economic helplessness of the worker, due to his exclusion from access to land, compels him to sell his labour, in an overcrowded labour market, for less than the value which his labour produces. Land monopoly creates conditions under which the employer is enabled, and, in a sense, even compelled, to underpay his workers, and the employer is himself in turn fleeced by the landlord.

Private monopoly is the enemy of labour. Land monopoly is the most dangerous of all monopolies, and the parent or helper of many other forms of it. Its break-up by the taxation of land values will do far more than any other legislation could do to open up opportunities now denied to labour, and thus to raise wages and bring about a just distribution of the wealth created by labour.

Obviously, justice does not approve combinations, which exclude competition for their own benefit, and whose "profits" include an unearned increment in the form of land value, or are swollen by a form of theft which is due to the underpaying of their workers. It is clearly unsafe and unjust to leave monopolies of necessary public services —such as the supply of water, gas, electricity, railways and tramways, etc.—in the hands of private individuals or companies: such services should be run under public control for the public benefit. The publicly-owned monopoly of services of general utility avoids the injustice of private monopoly, and may be made to subserve the public interest with efficiency and economy.

Whether competition be in itself an evil or not depends upon circumstances. The victims of Surajah Dowlah in the "Black Hole" of Calcutta (1756) were confined, 146 of them, in a dungeon 18 or 20 ft. square, with small and obstructed air-holes. They "competed" for air to breathe, trampled each other down, fought for places at the windows. Only 23 of them, stronger or "luckier" than the rest, survived till next morning. Their deadly competition for the right to breathe and live was not due to any natural lack of air. It was due to an unjust denial of the right of access to air. The denial of the right of access to land is the main cause of the " evils of competition " of which the Christian Socialists of the mid-nineteenth century so bitterly complained. Contrast the "Black Hole" conditions with the conditions of a number of young people running a race in the open air. They, too, are " competing "—but under free conditions. Only one of them can " come in first." But they *all* benefit by the exercise and the open air; they are *all* stimulated to do their best; and, in so doing, they are injuring nobody. That is competition as it might be under the free economic conditions which would obtain if equal rights in land were established.

Father Huntington, O.H.C., of New York, a close friend of Henry George, and one of the most faithful of his supporters, used to tell a story to illustrate our attitude towards monopolies. It was to the following effect :—In an Indian village, a tiger-cub carried off and devoured a baby. The villagers took arms, went into the jungle, found and killed the tiger-cub. But the same thing happened again and again and again. They killed one cub after another, but still lost their babies as time went on. At last, in desperation, they sought the advice of a very old, very wise man. The Mahatma came, learned the nature of their trouble, told them to get their guns, and led them into the jungle. At the mouth of a cave, he pointed to a pair of bright eyes in the gloom within, and told them to plant a bullet halfway between them. There was a great roar, followed by silence. Inside the cave, they found the body of a great tigress. " Oh, foolish ones," said he. " You have been hunting the cubs, when you should have sought out and killed the mother."

Land monopoly is the " Mother Tiger " of many other monopolies.