

CHAPTER IV

LANDLORD AND CAPITALIST

"The essence of slavery is that it takes from the labourer all he produces save enough to support an animal existence, and to this minimum the wages of free labour, under existing conditions, unmistakably tend. . . . Labour has become a commodity, and the labourer a machine. There are no masters and slaves, no owners and owned, but only buyers and sellers. . . . In modern society, competition has free play to force from the labourer the very utmost he can give, and with what terrific force it is acting may be seen in the condition of the lowest class in the centres of wealth and industry. . . . It is into this helpless, hopeless poverty, that crushes manhood and destroys womanhood . . . that the working classes are being driven by a force which acts upon them like a resistless and unpitiful machine. . . . Our boasted freedom necessarily involves slavery, so long as we recognize private property in land."—HENRY GEORGE, *Progress and Poverty*, Book VII, ch. II.

"The concentration of capital is the child of land monopoly."—HENRY GEORGE, at the International Congress on the Land Question, Paris, June, 1889.

LAND is "the field of all labour and the source of all wealth." From the land, man, by his labour, produces, *i.e.*, draws forth, food for himself and the raw materials which, by his labour, he then converts into what Karl Marx called "*Waren*" (wares); what we call "goods" (good things), "commodities" (things convenient to have or use), or, collectively, "Wealth" (that which promotes our well-being). The primary and indispensable factors of all wealth-production are, therefore, Land and Labour. Some of this wealth is in a form which enables labour to produce more wealth, with less exertion and in greater abundance than labour, if not so aided, could produce it. Such a kind of wealth is called "Capital."

In common talk, and often even in economic treatises, there are said to be *three* factors in production—Land, Labour and Capital. In sober truth, though capital may be and is a valuable aid to production, it is not a primary

and indispensable agent in it. It is itself produced, and is a secondary aid to further production. It is a daughter of Labour, and, except as the handmaid of Labour, it can produce nothing.¹

When man first began to emerge from the merely animal condition, he must have been dependent for his food, like the birds and beasts, upon fruits, nuts and roots which grew wild, and upon such animals as he could catch with his hands.

The first man who spent his days in laboriously chipping a flint into a knife or a sharp head for a spear or arrow, undoubtedly became a more wealthy man than his neighbours, not because he had added anything to his stock of consumable food or wearable pelts, but because he had created a means of replenishing his store of food and clothing more easily and more abundantly. He could now kill animals that had hitherto been too timid for him to approach, or too swift or too strong for him, unaided by a weapon, to overtake or overcome. His new piece of wealth was his first capital. It was wealth that was devoted to the production of more wealth.

A story is told of a man who reduced himself, so far as is possible in modern times, to the condition of primitive man. Entirely unclothed, without a tool or any other property, he went alone into an American forest. Some months later, when he returned to civilized life, it was found that he had been able to feed and clothe himself sufficiently, to provide himself with an instrument which served the purposes of a knife (his "capital"), to enjoy the comfort and help of a fire, and with the aid of charcoal to produce, on the bark stripped from a tree, some sort of picture (art!).

The history of civilization is largely the story of an increasing production of wealth and of the increased amount of such wealth as is devoted to the production of still more wealth. The tragedy of modern civilization is that the capital, created by labour applied to land, instead of being the handmaid of labour, seems to have become its tyrannical

¹ Without labour, capital perishes. "This has actually happened in . . . the Swan River Settlement, where a great mass of capital . . . has perished for want of labourers to use it."
—KARL MARX, *Capital*, I, 793.

and merciless mistress. The worker seems to be becoming more and more the slave of the machine.

For, although we constantly speak of capital in terms of money, it is the machine, rather than money, that is the true type of capital. It is true that when a limited liability company is formed for the manufacture of a certain class of goods, its first step is to collect from investors a large sum of money which is called its "capital." But the mere possession of this money does not enable the "capitalistic" company either to produce goods, or to "exploit" labour, or to earn a dividend. If the money were locked in a safe, none of these things would happen. Even if the company placed the money on deposit in a bank it would get no interest unless the bank could lend the money for some productive purpose. The money is needed for the purpose of building or buying or hiring a factory (standing on a plot of land) and installing in it the appropriate machinery, made of land products, for the purchase of raw material, drawn from land, for its manufacturing processes, and to buy the services of the workers, in the office and factory, who are producing new values by means of the machines. When the company publishes a balance-sheet, the value of the land, the machinery, their patents (if any), their bank balances, and so on, will all be included in what they call their "capital," although representing widely different classes of value.

In spite of appearances, the land, which no man made, always was, and still is, of far greater economic importance than the capital which labour has drawn from it. If a universal earthquake of tremendous violence destroyed all the capital in the world, human labour would, in no long period of time, replace the buildings, machinery, etc., with better buildings and better machinery; for the land, indestructible so long as the earth subsists, would still be there to supply the sites and all the necessary materials. This is what, on a smaller scale, has happened in California and other countries in the zones liable to earthquakes and in the war devastated regions of France. But, if the earth were destroyed, all the capital and all human kind would be annihilated.

The truth about land and capital is set out with pellucid

clearness in beautiful English by Henry George. There is no difficulty in understanding what he means, because he takes great care to define "capital," and the other terms such as "land" and "labour," which are necessarily used in economic discussions. All wealth is produced by labour from land. "Capital is wealth; but all wealth is not capital." "Capital is wealth applied to the production of more wealth. It is stored labour." It is "a subsidiary, never an initiatory factor" in production. "Capital does not use labour, but labour uses capital." "Wages, instead of being drawn from capital, are in reality drawn from the product of the labour for which they are paid."¹ George, dealing with the social and economic evils, which Socialists mainly attribute to the "capitalist exploitation of the workers," traces them back to their origin in the monopoly of land, from which capital, and all other wealth is produced.

Karl Marx, the founder of "Scientific" Socialism, deals with the same problems, with marvellous elaboration and in difficult German, in three massive volumes. His subject is "Capital," but when we find him stating that—

Capital is not a thing, but a social relation between persons, established by the instrumentality of things,²

it is clear that he does not use the word "capital" in the usually accepted economic sense, and it is only by careful search that one discovers hints that by "capital" he apparently means, not concrete wealth devoted to production, but a monopoly, founded, as Henry George pointed out long ago, upon land monopoly.³

Here are a few quotations from the interesting historical chapters at the end of Marx's first volume:—

"Property in money, means of subsistence, machines and other means of production, does not as yet stamp a man as a capitalist, if there be wanting the correlative—the wage-worker who is compelled to sell himself of his own free will" (I, 791).

"Where land is very cheap, and all men are free, where one who

¹ See HENRY GEORGE, *Science of Political Economy*, Book II, ch. xvii; *Progress and Poverty*, Book I, ch. i and iii.

² *Capital* (Vol. I.), *Capitalist Production*, p. 791. Edited by FREDERICK ENGELS (Swan Sonnenschein, 1901).

³ E.g., "Capital signifies the means of production monopolized by a part of society." *Capital*, III, 948.

so pleases can easily obtain a piece of land for himself, labour is very dear as respects the labourer's share of the produce" (I, 794).

"The expropriation and expulsion of the agricultural population supplied the town industries with a mass of proletarians" (I, 769).

"To say nothing of more recent times, have the agricultural population received a farthing of compensation for the 3,511,700 acres of common land which, between 1801 and 1831 were stolen from them and presented to the landlords by the landlords?" (I, 752).

"The starting point of the development that gave rise to the wage-labourer as well as the capitalist was the servitude of the labourer" (I, 739).

"The expropriation of the mass of the people from the soil forms the basis of the capitalistic mode of production" (I, 793; and compare 739, "is the basis of the whole process"; and I, 800, III, 723, 944).

"The capitalist system presupposes the complete separation of the labourers from all property in the means by which they can realize their labour" (I, 737, 738).

Marx, quoting Edward Gibbon Wakefield, tells the story of a Mr. Peel, who, in the early days of Australian colonization, essayed to set up the "capitalist mode of production" at the Antipodes. He took with him to the Swan River Settlement, Western Australia, 3,000 people of the working class and £50,000 worth of capital. Instead of being able to "exploit" the proletarians, he found himself left "without a servant to make his bed or to fetch him water from the river." Neither his money nor his machinery and raw materials enabled him to squeeze "surplus value" out of the labour of his fellow colonists, for there was an abundance of unused land, as open to them as to him. He failed because he had neglected to send out an agent in advance, in the person of a landlord, to fence the land against the immigrants.

Marx makes it clear that the capitalist is able to exploit the worker, only because land monopoly has first reduced the worker to economic helplessness. Denied access to land, his only alternative to starvation is to seek such employment as the capitalist can offer him on such terms as the capitalist chooses to impose. The landless and workless man outside the gate of the factory is a more potent force in the fixing of wages than the trade union of the workers inside its walls. "*The modern system of industry will not*"

work without some unemployed margin—some reserve of labour.”¹

The few “Marxian Socialists” who have read the first volume of the “Socialist Bible” right through, and have discovered the very interesting and important historical chapters at the end of it (or have had their attention called to them by some “Henry George man”) sometimes try to maintain that its author meant no more than that, historically, land monopoly gave rise to the capitalist system—gave it a start, since which it has run independently “under its own steam.” This is absurd in the face of Marx’s repeated assertions there and elsewhere, that land monopoly “is the basis,” “forms the basis,” “is a historical premiss and remains the basis” “of the capitalist mode of production . . . which rests on the exploitation of the masses.”

Still fewer Socialists even know that in his third volume,² translated and edited after his death, by his friend and colleague, Frederick Engels, he devoted no less than 227 pages to an elaborate discussion of the “Transformation of Surplus Profit into Ground Rent.” The agreement, so far as the fundamental importance of land monopoly is concerned, between Marx and George, is disguised by the fact that they do not always call the same things by the same name. They agree in distinguishing between “land” and “improvements” (MARX III, 725 ff.), and between “ground rent” and “interest on fixed capital incorporated in the soil” (improvement values) (III, 729). They agree that the worker, denied access to land, is forced to sell his labour in an overstocked labour market, and that he earns more than he gets. He gives what Marx calls “surplus labour” (*i.e.* he works overtime to produce something for which he gets no pay) and so produces “surplus value” for the benefit of the exploiting capitalist. Marx agrees with George that land monopoly is responsible for unemployment, low wages, housing shortage, overcrowding and slums, land speculation. They both deplore and wish to remedy the disastrous maldistribution of wealth, brought about by the landlord usurpation of the equal rights of all

¹ CHARLES BOOTH, *Life and Labour of the People* (I, 152).

² *Capitalist Production as a Whole*. (Chas. H. Kerr & Co., Chicago), Pp. 720-946.

in the common heritage, which is the root cause of the poverty of the workers in the midst of the wealth created by their labours in almost overwhelming abundance.

The British Labour Party which calls itself Socialist has twice supplied this country with a Government and will certainly do so again. It placed upon the Statute Book in 1931 a measure for the Taxation of Land Values, repealed by the "National Government" by a section of the *Finance Act*, 1934. It may stiffen their determination to carry the reform into practice, when they next have the power to do so, if their attention is given to the findings of the founder of what the late H. M. Hyndman called "Scientific Socialism." The following quotations are from Marx's third volume :—

"All ground rent¹ is surplus value, the product of surplus labour—a surplus over and above profit" (III, 743).

"This sum of money is called ground rent, no matter whether it is paid for agricultural soil, building lots, mines, fishing grounds, forests, etc." (III, 725).

"The amount of ground rent (and with it the value of the soil) develops with the progress of social advance as a result of the total labour of society" (III, 746).

"One section of society exacts from another a tribute for the permission of inhabiting the earth. Private property in land implies the privilege of the landlord to exploit the body of the globe, the bowels of the earth, the air, and with them the conservation and development of life" (III, 898).

"To the same extent that the production of commodities develops as a capitalist production, and as a production of value, does the production of surplus value and surplus products proceed. But to the same extent that this continues does property in land acquire the faculty of capturing an ever-increasing portion of this surplus value by means of its land monopoly" (III, 747-48; cp. pp. 726, 728).

"Private property in land is then the barrier which does not permit any new investment of capital upon hitherto uncultivated or unrented land without levying a tax—in other words, without demanding a rent" (III, 884).

"The demand for building lots raises the value of the land as a building ground and foundation, and the simultaneous demand for elements of the terrestrial globe serving as building materials grows with it. It is the ground rent, and not the house, which forms the actual object of building speculation in rapidly growing cities" (III, 899).

¹ By "ground rent," Marx means land rent ("economic rent") not ground rent as commonly understood by land agents and leaseholders. See Chapter VI, par. (2) below.

" The fact that capitalized ground rent represents itself as the price or value of land, so that the earth is bought or sold like any other commodity, serves to some apologists as a justification of private property in land, seeing that the buyer pays an equivalent for it, as he does for other commodities (*sic*) and that the major portion of property in land has changed hands in this way. The same reason would, in that case, serve to justify slavery, since the returns from the labour of the slave, whom the slave-holder has bought, represent merely the interest on the capital invested in this purchase " (III, 731-32).

" From the point of view of a higher economic form of society, the private ownership of the globe on the part of some individuals will appear as absurd as the private ownership of one man by another. Even a whole society, or even all societies together, are not the *owners* of the globe. They are only its *possessors*, its users, and they have to hand it down to the coming generations in an improved condition, like good fathers of families " (III, 901-902).¹

The Marxian *Communist Manifesto* had, as its first demand, " Abolition of property in land and application of all rents of land to public purposes."

That Marx himself came to see that this reform was something more than a mere item in a long programme of reform—that it was fundamental—is shown by an unpublished essay of his, preserved in the Marx-Engels-Lenin Institute at Moscow.² He maintains that " land nationalisation " will " bring about a complete change in the relations between labour and capital and will result in the final end of capitalist production both industrial and agricultural. Then indeed will class differences and privileges disappear, together with the economic basis from which they have sprung. Society will become an association of free producers. Living on the labour of others will become entirely a thing of the past. There will no longer be a Government or State whose existence is separated from Society itself."³

There is a world of difference between the philosophy of

¹ Marx was of the Jewish race and was probably familiar with the ancient Hebrew law of the Year of Jubilee, of which the last-quoted paragraph seems like an echo. See VERINDER, *My Neighbour's Landmark : Short Studies in Bible Land Laws*, ch. IV.

² *The Property in the Soil*, a Preliminary Essay on the Nationalization of the Land. See *Land & Liberty*, May, 1934, p. 60, quoting *Agrar Probleme*, vol. 5, p. 48.

³ *Cp.* HENRY GEORGE, *Progress and Poverty*, Book IX, ch. IV (Of the changes that would be wrought in social organization and social life).

Marx and that of Henry George. But the quotations given in this chapter might well make Socialists doubtful whether as a question of practical policy, the nationalization of capital or of the banks, or the freeing of the "Mother of all Things" from monopoly, offers the surest road to a new and juster order of society. When Henry George was asked by a Socialist, at one of his London meetings, "What about capital?" his reply was: "When you've got the cow, you've got the milk!"

The great modern prophet of Socialism agrees with Herbert Spencer, the great modern prophet of Individualism, in putting forward the Socialisation of Land Values as the first and most fundamental of all reforms. Henry George has shown how this end can be achieved by the use of the machinery of taxation.