

The New Political Economy

A Proposition in Logic

Political Economy is the science which treats of the nature of wealth and of the Natural Laws of its production and distribution. It is the easiest of the sciences and no one need fear that he will not be able to master it. No elaborate apparatus is needed as in chemistry or astronomy, and no large library is needed for reference and authority. Political Economy is the application of the laws of thought (Logic) to the diversified affairs of man's social life. As in all other sciences, extreme accuracy is needed in the use of words, and the reign of Natural Law is the guiding principle that we follow in all of our reasonings and deductions.

The scope of Political Economy is the world of men's actions as social beings in the pursuit of a living. Man has a dual nature—he is primarily and everlastingly an individual soul, but he is also a social creature and must live in a community of some kind in order to survive and develop. Aristotle recognized this and called man the social or political animal whence came the name of the science concerning man as a producer. The "economy" or natural order governing the wealth-production of man came to be known as Political Economy. It is necessary to know this because the science has nothing to do with politics but merely with the fact of man's social nature in the production of wealth and its distribution.

The word economy means the best way of doing something without loss of effort. Thus we speak of the economy of the heavens by which we mean that the stars and the planets act in the proper order that knows no waste or error of management. The physiologists, pathologists and medical men

often refer to the vital system or body (if they can see no further) as the human economy. Thus there are many "economies" in the physical universe and in the sphere of the life of mankind. We have household economics, farm economics, medical economics, business economics (usually called merely economics), etc. These sub-economies of the social life of men are grouped under the inclusive term Politico-Economics or Political Economy.

Fully ninety-five per cent of the world's activity is concerned with the getting of a living, which phrase might well be a restatement of the definition of Political Economy. The most familiar words in the language come under this heading, such as bread and butter—i.e., food, houses, farms, factories, wages, rent, interest, etc., etc. When one discusses such things as wage legislation, or unionism or management, or cost of living, or labor-saving inventions or tariffs or cartels or cooperatives—or the many other things which these suggest—he is talking in the realm or sphere of Political Economy. Everybody is practically forced to think, talk and act in the realm of this science, making it the universal science.

While Political Economy is the universal science into which everybody delves it is the least cultivated of the sciences and within its sphere there is the greatest confusion. This is because the methods of science are not generally used here and varied meanings of the words used give the varied results that confound the world. Political Economy is quite as much a matter of logic as is mathematics. And as "generality is the soul of mathematics," so is Political Economy imbued with the

same spirit of generality. The principles are general; group phenomena become grouped under special cases.

When cultivated scientifically, Political Economy becomes anything but a "dismal" science. It illuminates all social phenomena and shows the way out of the labyrinth of economic-isms that threaten the very foundations of civilization.

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A convenient way for an introduction to Political Economy is to study some of its chief words or terms. This is worth while because the words all have very technical meanings in the science and also have popular meanings which are usually at variance with the scientific meanings. In our science we are after the "concept" or mental image, the words used being merely symbols or tags or labels for the ideas. The bane of the science is in the various meanings of the words, something that is entirely absent in such sciences as mathematics, chemistry and astronomy. With us half of our effort is to be exact in word usage, a task that the physical scientist is relieved of because his words are usually made to his order.

No truer words were ever said than the following by W. Stanley Jevons in his *Primer of Logic*: "A word with two distinct meanings is two words"; even though the words have the same spelling and the same pronunciation. We are after the "concept" as the logician would say; the words used are simply conveniences used as means of communication between minds. And as A. N. Whitehead says in his *Introduction to Mathematics* (Imaginary Numbers): "It cannot be too clearly understood that, in science, technical terms are names arbitrarily assigned, like Christian names to children. There can be no question of the

names being right or wrong. They may be judicious or injudicious . . ." We use standard words where possible.

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In this study we have chosen seven words upon which to concentrate, adding some others of lesser importance, taking for granted that the student will follow up the line of thought we are outlining.

Our seven words are, Land, Labor, Capital, Wealth, Rent, Wages, and Interest.

In Political Economy these words are technical terms and need to be very carefully defined. We agree with Huxley (*On Science and Art*), "The difference between good and bad teaching mainly consists in this, whether the words used are really clothed with a meaning or not." And we can echo what Huxley says a few lines further on "There is nothing so difficult to do as to write a good elementary book."

A word of caution is needed on "sliding terms" terms that slide from one meaning to another (as with the word Church) without the knowledge of the writer; and the use of words as though they were synonyms. A classic example of the latter is to be found in the first paragraph of Karl Marx's *Capital* where the word commodities takes the place of wealth—to invalidate very much of what Marx says later on. This practice is fatal to science and philosophy.

If a person should object to our rigid definitions their inclusiveness and their exclusiveness he would fall into the category of people so well described by Herbert Spencer:

"There are people who hate anything in the shape of exact conclusions. . . . According to such, the right is never in either extreme, but always half way between the extremes. They are continually trying to reconcile *Yes* and *No*. *Ifs* and

but, and excepts, are their delight. They have so great a faith in 'the judicious mean' that they would scarcely believe an oracle, if it uttered a full-length principle. Were you to inquire of them whether the earth turns on its axis from East to West, you might almost expect the reply—'A little of both,' or 'Not exactly either.' It is doubtful whether they would assent to the axiom that the whole is greater than its part, without making some qualification. They have a passion for compromises. To meet their taste, Truth must always be spiced with a little Error. They cannot conceive of a pure, definite, entire, and unlimited law. . . . But it behooves such to recollect that ethical truth is as exact and as peremptory as physical truth. . . ."

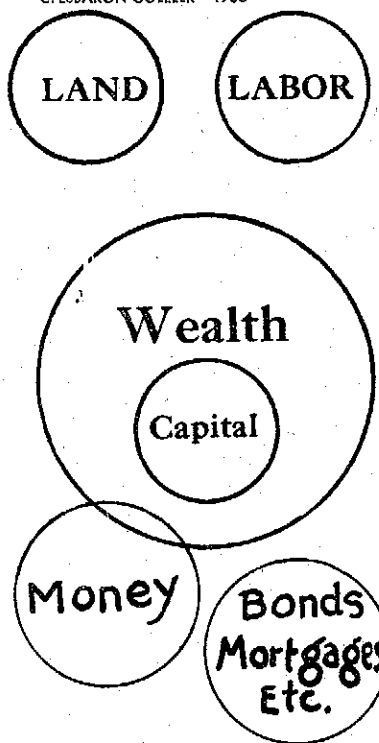
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Perhaps the best way to get absolutely clear "concepts" of the meanings of words is to use a diagram, much after the fashion of other sciences where diagrams are used to illustrate such things as atoms, electrons, chemical reactions, etc. The circles we use are supposed to contain the concept of the word, showing both what it is and what it is not. They very sharply differentiate between words and when faithfully followed banish confusion.

In our diagram No. 1 we have employed four main circles for the four primary concepts of Political Economy, i.e., Land, Labor, Wealth and Capital. These circles help us to get the true meanings of the words as used in science, meanings which must be adhered to consistently, and which must not be allowed to "slide" into other meanings. When we use these diagrams we can proceed with confidence to some very positive conclusions. This is the ordinary procedure in all other sciences, but strange to say (!!) in the science of Political Economy trains of thought, arguments, discussions, seldom follow this routine and a mass of mere opinion results where definite answers should follow. Carelessness of thought and

lack of scientific training as well as prejudice are responsible in large measure for the spread of such theories as Socialism, Communism, etc. It is quite evident that our circles are qualitative and not quantitative else the Land circle would have to be enormous. But the circles do give a true perspective of values.

C. LeBARON GOELLER—1905



No. 1

The first concept in Political Economy is expressed in the word Land. This includes the natural world outside of man himself. It is the planet earth apart from man himself. Aeons before the appearance of man the forces of nature laid up the coal and oil, the rivers and mountains with their "resources" which were destined

to be later used by man. There seems to be something like a ban on the use of the word Land and people avoid it by every possible circumlocution. A recent newspaper clipping quotes a popular author as saying, "The United States is destined to become a third-class nation if we permit our real wealth—farm lands, forests, minerals and petroleum—to be squandered. . . . We're not going to have peace until all nations have free access to raw materials." This is circumlocution *de luxe*. In the first place, Land is not Wealth, particularly not *real* Wealth; and why not simply say that all peoples should have free access to land! This failure to understand what Land is runs through all socialistic and communistic thought and makes such ideologies confusion worse confounded.

Land is so familiar an object that few people realize what it really is. A Socialist once said to us that he always thought of land merely as a place to raise corn and potatoes. But land is the basis of all life. We walk on land, and sleep on land no matter how much our bed may be elevated; our houses rest on land; the car we travel in runs on land; the gasoline that runs the car comes from land; the farm, the factory, the office, the mine, the airport, the harbor dock, the ocean itself—they all rest on land (and great is the revenue thereof when a person or persons can charge users for permission to use the land). Even man's body comes from and returns to the land. Mother Earth is the all-inclusive first-thought of Political Economy. Land is the all-in-all and is called the *first* of the Prime Factors in the production of ALL wealth. This admits of no exceptions. This is a generality such as mathematics demands.

The term Labor includes all human exertion whether of muscle or mind—

and all human action is directed by mind. A man's training and education make for his greater efficiency in production and still remain under the term labor no matter what position he may occupy in society. The term is very broad in science and covers the labor of management, professional skill, teaching ability, scientific research, etc.

Labor is the *second* Prime or indispensable factor in the production of ALL wealth. It and Land are equally important, land being "first among equals" because it was here first. The natural order is Land and Labor, not Labor and Land. But each is vitally important and *no wealth can be produced without both of them*.

Our first two circles clearly show the absolute difference between Land and Labor. This is so evident that it may be thought superfluous to mention the fact. But this crispness of definition runs through all of the circle diagram. Here we stand or fall; here we make or wreck the science. All the circles have the requisite crispness of inclusion and exclusion.

It is quite evident that mankind has to work or labor for a living. Man was placed upon this planet aeons ago and is laboring here to this very day. He had to, in the past, get his living from the land, and with no fundamental change still has to get his living from the land—the earth. This living—this bread and butter, clothes and shelter are termed Wealth in the science of Political Economy.

Wealth, in plain terms, consists of "natural products so secured, moved, combined or altered by human labor as to fit them for human satisfaction." Note that wealth is ALWAYS a PRODUCT—a product of land and labor. This is shown in the diagram by the circle "wealth." By the neces-

sity of logic it will be seen that Land is not wealth, for land itself is not a product of human labor but the free gift of God to all the generations of men. The circles very clearly show what seems very difficult for some people to see.

In like manner, we see that Labor is not wealth. A man is the active factor in wealth production: It is evident that he is not land even though his body came from the land. Likewise, he is not wealth because wealth is a product of land and labor. Man is an original creation as is land. A man may become a slave under man's laws but still he is not wealth. He may become a "commodity" and still he is a man and is not wealth. He is always the active factor in the production of wealth. If he is a "slave" he is simply a man, worker, laborer, who is being robbed of his wages. For the only object of slavery is to get another man to work for you cheap. Some suppose a man may become the "private property" of another man through purchase and sale. But purchase and sale does not give ownership, it can only transfer it where it originally existed. If a man has no "right" to own a slave (moral right), he cannot transfer the something which he never had. Herbert Spencer in the third paragraph of his famous ninth chapter of his original edition of *Social Statics* says:

"not lawyers, but soldiers, were the conveyancers: blows were the current coin given in payment; and for seals, blood was used in preference to wax. Could valid claims be thus constituted? Hardly. And if not, what becomes of the pretensions of all subsequent holders of (estates) so obtained? Does sale or bequest generate a right where it did not previously exist? Would the original claimants be nonsuited at the bar of reason, because the thing stolen from them had changed hands? Certainly not. And if one act of

transfer can give no title, can many? No: though *nothing* be multiplied forever, it will not produce *one* . . ."

"But Time," say some, 'is' a great legalizer . . .' (To prove) this, however, they must find satisfactory answers to such questions as, How long does it take for what was originally *wrong* to grow into a *right*? At what rate per annum do invalid claims become valid? If a title gets perfect in a thousand years, how much more than perfect will it be in two thousand years?—and so forth. For the solution of which they will require a new calculus."

(We give this conclusive statement here because it does double duty. All that Spencer here wrote is equally true of both Prime factors in the production of wealth, land and labor. Actually he was writing of "Property in Land." But land and labor are Siamese twins—you can't separate them. Our circles prove the validity of Spencer's statements.)

It may be well to state that there are no "kinds" of labor as the socialists would have us believe. Karl Marx wrote a pamphlet entitled *Wage-Labor and Capital*, as though there were different kinds of labor—generic kinds—some getting wages and other kinds something else, perhaps salaries, etc. (And the publishers, Chas. H. Kerr & Co. printed on the cover *Wage, Labor and Capital*, a comma instead of a hyphen!)

The word wealth has been the stumbling block which has delayed the progress of the science more than anything else, but with the aid of our diagram no one should have any trouble in identifying and tabulating wealth. The drawn circle is an aid in a concrete way to the mental concept of the inner eye of abstract reason; and we need all the aids we can get to translate the abstract into more concrete language.

All wealth is "tangible," so beware of anyone who speaks of intangible

wealth. It shows mental fog. Also, all wealth has use-value though not always exchange-value, since it is conceivable that I could make some gadget which would "satisfy my desire," but which nobody else would buy or would offer anything in exchange for it. Thus Robinson Crusoe had wealth which had no exchange-value—having merely use-value. When wealth no longer has use-value it returns to the category of land.

We believe there now can be no confusion as to what is scientifically called Land, Labor and Wealth. Now we see what Adam Smith meant when he selected the term *Wealth of Nations* for his famous book. He wrote of a very particular thing, Wealth, in a very technical sense, taking it out of the sphere of Individual Economy and placing it in its proper place in Political Economy as that product of the combination of Land and Labor, the production of which increased, and the destruction of which decreased the tangible part of civilization in society at large.

Next in importance is Capital, a word of much confusion, a word profoundly misapprehended by Karl Marx, else he never would have written a book called *Capital* or have spoken of the "Process of Capitalist Production." Compare the first pages of Marx's *Capital* with some other books to see his utter lack of scientific procedure. Take for instance, *The Elements of Practical Astronomy* by W. W. Campbell. The first seven pages are "Definitions." Take Davies' *Legendre* or any other text on geometry. First come the definitions. Take George's *Progress and Poverty*. First come the definitions. We are not plunged into the midst of a science in the first few pages. We must look for "the great requisite of scientific

thought, namely, *method*." (Whitehead, *Intro. Math.*) An author may be judged as much by what he does not say as by what he actually does say.

Capital is wealth used to produce more wealth. It is termed the third factor in the production of wealth. It is a secondary factor because it is NOT ABSOLUTELY necessary in wealth production as is the case with Land and Labor. ALL capital was at first merely wealth before it was put to the production of more wealth.

Since our circles are as exclusive as they are inclusive, we see that under no considerations can land be termed capital. Labor is not capital. Not all wealth is capital, but all capital is wealth. Therefore, of logical necessity we have capital diagrammed as a circle within the larger circle, wealth. All capital is tangible, as machinery, tools, factories, etc. If words are to have any meaning, capital cannot be "a social relation," as John Spargo says in his book, *Socialism*. Karl Marx wrote, "Capital also is a social relation of production." We believe that the circle diagram disproves this—of necessity if "our words are really clothed with a meaning."

Thus we are reminded that an owner of land is a land-owner and not a capitalist, as is usually stated by a socialist. A capitalist is one who owns capital. A laborer or worker in any field of endeavor is a wage earner, no matter what other title his wages may assume. Thus we see that metaphorically speaking (in the sphere of logic) a human being is considered as being one, two or three "individuals," as the case may be. He may own land, thus being a land-owner (i.e., one individual). He may own land and own some capital (thereby becoming—in the language of logic—two individuals). He may own land, own capital,

and also work for wages (becoming three individuals). In the first case he was a land-owner; second case he was a land-owning capitalist; third case he was a land-owning, capitalist, worker.

Being three individuals, he received as income, rent, interest and wages, as two individuals (as above) he received rent and interest. As the single individual he received rent only. The reader can form the other possible combinations.

Let us suppose that a man received during the year some rent, wages and interest. It stands to reason that he received Rent *as a land-owner*; he received Interest *as a capitalist*; and he received Wages *as a worker*. If the state decided to take rent in taxes we straightway see that nothing would be taken from the workers (as workers). As a worker the laborer cannot retain any rent. He either has to hand it over to the land-owner, or it goes automatically to his land-owning "individual." This is why a "worker" does not have to pay any tax levied on rent or land-values—the land-owner pays this tax. This relation of "logical individuals" can be seen in the case where a man owns a small printing office, let us say, also the land and building, and he does the work himself. He has three incomes, rent, wages and interest. In his bookkeeping he should charge his ledger with rent, wages and interest. That rent is a legitimate charge may be seen for if he had not owned the land and building he would have to pay rent to a stranger. Where he owned land and building he could not logically call the rent profit of the business.

Other words can be shown by the aid of the circles. Thus Money would be a circle that slightly overlapped the wealth circle. This is because some

money is wealth but most money is not. Coin is wealth up to its intrinsic value. Paper money is not wealth at all. (Mintage and the paper of money is ignored because it does not enter the face value of the money.) It is plainly to be seen that no amount of paper money a government may print increases the "wealth of nations." Unwise printing or issuance of money merely depreciates its value. There is always plenty of money during an inflation, but the money won't buy much.

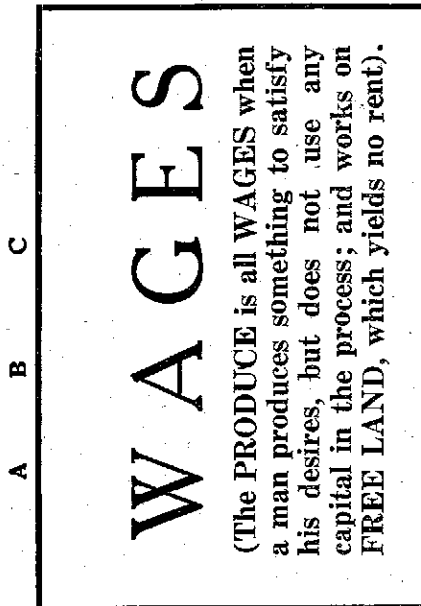
Probably more than nine-tenths of all business and trade is done through the medium of credit, money being merely the denominator of value. Thus to diagram this credit we need a circle lying outside all of our other circles. This would include instruments of credit such as promissory notes, bonds and mortgages, etc. These are not wealth but only evidences of ownership and promises. Their total destruction would not decrease the "wealth of nations" but only alter ownership. In business (Economics) money is considered capital whereas in the larger science of Political Economy money is merely a representative—the machinery in the factory being true capital. When people say they need money in business they usually mean they need credit, in terms of money. Promissory notes are sold, mortgages are sold and negotiated. Payments are made with checks so that often no money is involved. And debits and credits so nearly balance that in the New York Clearing House the banks "clear" with only a very few hundred dollars where millions of dollars in exchange are involved daily.

In production we can only pause to mention the division of labor particularly with the labor-saving machinery, and co-operation. The processes of

production are widely studied and everyone knows of the enormous wealth production of today as compared with a century or more ago. In fact, people are now beginning to realize what Henry George spoke of in his *Progress and Poverty* that with our wealth producing potentialities it is possible to abolish poverty and want from the earth.

Our first diagram of Distribution (No. 2) shows the case when a man,

C. LeBARON GOELLER, 1911



On the Island before Robinson Crusoe got any "Capital" from the wreck

No. II

as a Robinson Crusoe, supported himself directly from fruits and berries without using capital of any kind. All the produce would be wages. The next diagram, No. 3, shows distribution when a man uses capital to aid him, but works on free land. Most of the

produce would be wages, the rest interest. And true interest rises when wages rise, though usury, a false-interest rises with falling wages. Diagram No. 4 (with lines at B and C removed together with Economic and Speculative rent) shows distribution when Crusoe's "Ownership" of the island charged Friday (monopoly) rent. This shows clearly that Monopoly Rent is actually wages taken from the worker for *permission* to live and work on land. Of course, it is a pseudo-rent, the same as usury is a pseudo-interest. It is a false rent but is called rent because it arises from special monopoly that is not the natural return of land due to special location. Thus on Crusoe island it was possible to have Monopoly Rent before the possibility of true or Economic Rent arising. The distribution would go back to Diag. 3, if land-monopoly were abolished and both Crusoe and Friday earned their own livings and enjoyed same.

In a more advanced state of society where Economic Rent existed along with land-monopoly there would arise Speculative Rent. This comes about when men see that a community is about to develop and expand. They figure that if such and such land is worth so much now, it will probably be worth much more in the future, so they charge a price that is in reality a mortgaging of the future growth of the community. This speculative value of land is seldom absent in any community and is enormous when communities rapidly become factory centers. "It is this capacity of yielding rent that gives value to land." It is the net rent that is the basis of the selling price of land. Thus certain of the land of Manhattan Island is capable of yielding a net return of two million dollars per year per acre. This is

"capitalized" by multiplying by 20, and the market price of this particular land under Radio City is \$40,000,000 per acre. This is exclusive of Radio City buildings, and these buildings at the expiration of the lease revert to the owners of the land—in this case Columbia University.

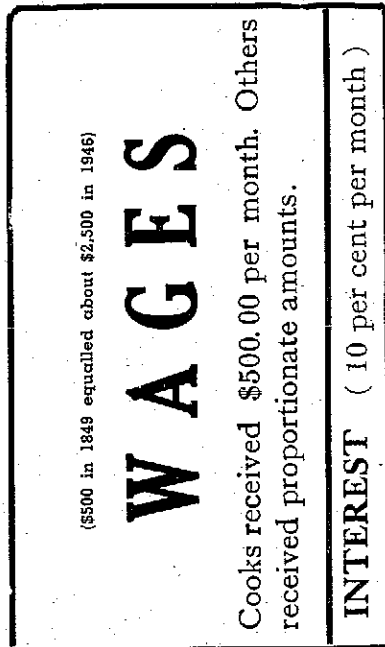
As in our present state of society where we permit Monopoly Rent (through our system of land tenure) and Speculative Rent as people specu-

ording to the circumstances. Under our present system, it is at A. If in a slowly developing community where there was no speculation in land the rent line would be at B. Where, under the George System land monopoly was abolished (which would automatically abolish Speculative Rent), the rent line would be at C, Diag. 5. (See P&P. Bk. 5; ch. 1; last par.)

What is bothering people is how to properly distribute the wealth—which means in science to distribute it into three categories, rent, wages and interest, corresponding to the three factors in production, Land, Labor and Capital. It is this problem of distribution that has the whole world puzzled. The problem is to JUSTLY divide the produce in such a NATURAL WAY as not to destroy Liberty in the process, so as not to introduce bureaucratic regimentation that will eventually produce a tyranny equal to any dictatorship.

In Political Economy the phrase "distribution of wealth" has a meaning quite different from that ordinarily used in business (economics). In science we mean a division into categories corresponding to the factors engaged in production. The division may be into either two or three sections, depending upon whether or not capital is employed. Except in the most primitive of cases, we have a division into Rent (for land) Wages (for the worker), and Interest (for the capitalist). These are the remaining three words of our big seven which need such careful consideration.

Distribution does not mean getting the produce of the farm to the dweller in the city, or getting the coal at the mine to the consumer. Distribution (being under natural law) is something like a chemical reaction. The scientist observes certain social phe-



Charles LeBaron Goeller, 1916.

California in '49.

No. III

late in land, the distribution of wealth may be shown in Diag. 4. This is a visualizing of what Henry George clearly shows in *Progress and Poverty*, Bk. 3; ch. 2; *Rent and the Law of Rent*. What he calls the rent line (last par.), we designate as A, B or C, ac-

nomena and then works out the "law" or rule which governs that phenomena, in exactly the same way that the chemist or physicist does. There is absolutely no essential difference between the *method* which discovered how to split the atom and explode its energy and the methods of Political Economy. There is that "inner eye, the subtle touch of the intellect" that builds an idea, and later proves its worth. We shall have occasion to show the graphic method as applied to this science.

In this section we mention Wages first because it appeared long before land yielded any rent. Wages in nature is that produce which labor produced from land. Thus if a man plants potatoes the crop which he digs is his wages. This is true of every other operation. The shoes that a shoemaker makes are his wages, even though he makes only a small portion of a shoe and receives money in his pay envelope. The shoes he made are his wages, the money but the medium of exchange that enables him to purchase an endless variety of the things he wants. There is no real difference in the kind of wages a man may receive. Wages, salary, commission, fee—they are all wages. Brain and brawn both get wages, and there is no human labor that is not directed more or less by the brain. An ape or an ox or an insane person cannot "labor" and receive wages. The doctor, lawyer, merchant, chief—all are workers and receive wages. Even automatic machines have to be run by men—labor—and the men receive wages—the machine does not. The machine produces nothing—the man does the producing with the aid of the machine. Labor employs capital in production and not *vice versa* as is so widely taught. It is such care as this in the use of words that makes science possible.

Robinson Crusoe received wages when he worked. (Diag. 2 and 3.) The dwelling he made, the canoe he built was his wages, and so, primarily wages were always in kind. The development of money was long after wages-in-kind and is a convenience of relatively late times.

Interest comes next because it appears in nature after wages and before rent. But since Capital is a secondary factor in production, Interest is of secondary importance in distribution. If interest were not Just or morally right its abolition would only slightly alter final distribution. Thus if a person does not see eye to eye with Henry George on this point that is no reason to stop studying. This haggling over a secondary point has had much to do with delaying development of the science. It is much more important to discuss the nature of wages and rent.

It must be clearly understood that we are treating of true or natural interest, not the ill-defined word of economics (business) where almost anything may be termed interest. For instance, government bonds are said to yield interest whereas in truth the so-called interest is tax money. A battleship is not capital so it cannot earn interest. The gunpowder cannot earn interest. The expenses of government are paid by taxes (which, by the way, may be good or evil).

Capital is stored up labor which is used to produce more wealth which may or may not become capital. Interest may be considered as a sort of delayed wages, but for scientific reasoning it is considered as a secondary portion in distribution. It is of less importance than the other two portions, Rent and Wages.

Henry George's theory of interest is that it comes from the average increase in wealth due to the reproduc-

tive and other natural forces of nature. Thus Robinson Crusoe got no interest on his investment of labor and its resultant wealth when he built his canoe. His only return, wages, stopped when he stopped work. But he had some chickens which he tended night and morning. However, while he worked all day his hens laid eggs so that he received an additional return over and above the actual care of the chickens. The eggs constituted interest on his investment in chickens. As we said before, interest is a sort of round-about wages, being enough different from actual wages to demand another category in distribution. This natural return of capital is true interest and in society it is distributed throughout the Economic Body (through the associations of all peoples in what is termed civilization) as water in a series of connected tanks distributes itself, seeking a common level and finally bringing the level of the water the same in all of the tanks. Unfortunately, however, much that passes for interest in ordinary talk is not true interest but usury, risk, rent, etc. Usury would disappear in a Justly constituted society where poverty and want was unknown.

It is vital to know that in Political Economy we deal with things as they really are and not as they appear in an uncritical survey. The earth appears to be flat; the sun appears to rise and set each twenty-four hours; the earth appears to be the center of the universe—to the uncritical eye.

Henry George illustrated the nature of distribution by comparing it to a siphon. The law of the siphon is that you must not tap either leg above the upper water level upon penalty of destroying the action of the siphon. By comparison we may consider wealth

produced as the water in the two legs of the siphon. It is true that we have the power to use that water as we please—we may use wealth produced as we please. But we should pause to consider that if we tap the siphon contrary to the law, then the siphon ceases to function. And if we tamper with the natural laws of distribution we find that social phenomena become disturbed. In other words what we do today with wealth already produced determines what will be done tomorrow. To illustrate: suppose farmers raised a good series of crops and every year bandits swarmed down from the hills and confiscated those crops. It would not be long before the farmers would cease trying to raise good crops. There would not be any incentive to do so. It is something of a delayed action. The effect is not immediate but is a reaction that follows, often after a considerable period. It might be illustrated as the good will of a store. If you were cheated in a store—the goods were not as represented—you might not have any immediate redress, but you would decide never to trade there again and might even persuade your friends not to trade there. Thus, the dishonest act in a store might determine a buying trend that would continue for years. This determination of the future is what we look for in the distribution of wealth into its three categories. Legislation today may result in the eventual disappearance of an industry. Business men watch legislation, and if they cannot meet the conditions they have simply to do nothing. Thus the legislation would have to be judged by its long-range action. As a strange result of legislation we might mention Prohibition. A desire to decrease intemperance resulted in the creation of gangs of bootleggers who soon had

enormous sums of money at their command for use by gangs of mobsters.

The natural laws of distribution are in essence the same as the laws of chemistry. A man takes certain chemicals and mixes them. There is a chemical reaction that has nothing to do with the man. It is in the chemical nature of the chemicals themselves. The man starts the reaction and secures the result. It is in-between that the natural laws of chemistry act. The man may be a good man or an evil one. He may use the chemical for good or evil. A product like dynamite will destroy by its explosive violence but it is indifferent as to whether the explosion is in war or peace. The reaction is according to "law." But the laws of distribution are moral laws (e.g., Thou shalt not steal), and carry their moral sanctions for their misuse, the penalty falling upon the whole community that permits injustice. For instance, if wealth is stolen from the producer through unjust human laws (laws which do not conform to the natural law) that is a violation of moral law, the sanction of which brings the social penalty of poverty and want, loss of liberty and finally paralysis and extinction (e.g., Egypt). If wealth is divided equitably then poverty and want disappear and the reign of peace dawns. If man tries to divide wealth without conforming to natural law (as per Communism) then we find that he loses his freedom as an individual and becomes a slave of the state. Stagnation follows. The freedom of the individual gives the decisive impetus that makes all real progress possible. The relative freedom of the west has created the progress of modern man. Eastern absolutism has checked advance in the so-called backward nations. Neglect of the moral law has caused the wars of

the west, for we have not lived up to our responsibilities.

Rent is a very peculiar word. While it hasn't had as many meanings attached to it as has Interest, it has been more puzzling than any other word except Wealth. In science it is attached to Land and its incautious use leads to disaster. And it is a word very much avoided in current Politico-Economic discussions, avoided as much as the word Land. In a recent article on farming in a nationally circulating magazine the writer never mentioned rent, but advised ex-service men to "stay away from the land." This writer seemed not to know that land was the prime factor of wealth in ALL production, and that rent was paid for the use of land and that the selling price was the net rent capitalized.

Rent may be described as what you pay for staying on the planet earth—when you have to pay anything. Robinson Crusoe didn't have to pay any rent in order to stay on Crusoe Island, but he could have made Friday pay (monopoly) rent to stay on "his" island had he so chosen to stand upon precedent. The Pilgrim Fathers didn't have to pay any rent when they landed on that "stern and rockbound coast." Land was free and had no value (in exchange—which is always meant unless expressly stated value-in-use). "Until its ownership will confer some advantage land has no value." When certain portions of the earth present certain advantages which derive from the association of men in communities large or small, they acquire a value (in exchange) which payment, in money or in kind, is termed Economic Rent. This return for the use of land is the one and only meaning attached to the word in science. To make this a slide-word is to destroy the science.

Thus a word like Real Estate is taboo in Political Economy because it may present different ideas to different persons; it may mean rent for land alone or it may mean the return from some improvements on the land also. Thus a tenant pays both rent and interest in his monthly "rent." He pays rent for the privilege of staying in that locality, and he pays interest on the investment in the house or apartment he occupies. A magazine article tells that 55.6% of New York City's taxes comes from real estate; but we are not told what part is from the land-value and what part from the improvement-value. This indefiniteness makes the word useless in science.

When Henry George proposed his "Single-Tax" system he did not propose a Real Estate tax; nor yet did he propose a tax on land. What he did propose was a tax on the income-producing-power of land. In different words, he proposed a tax upon rent (land rent), actual and potential. When land actually yields rent we have rent actual. This rent minus taxes, i.e., net rent, is the basis of the selling price or capitalized value of land. But unused land often has as great a rental value as used land. This land yields no actual rent but is capable of yielding rent if the owner gives up the role of "dog in the manger." This idle land is then said to have potential rent, and this potential rent, capitalized the same way as actual rent, determines the selling price.

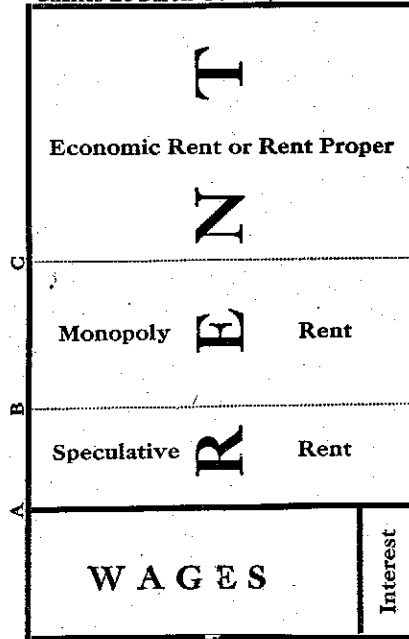
It is the NET rent (actual or potential) that is capitalized in the selling price of land. If the government should choose to take all the rent of land, in lieu of taxes, let us say, land would have no selling value or price. It is easy to see how careful we must be in handling words.

"Ground" Rent or "Land" Rent is

the proper word to use today when speaking of rent in a social state like our present one. It is made up today of three distinct forms, i.e., Monopoly Rent, Economic Rent and Speculative Rent, their appearance usually being in that order.

Monopoly Rent often arises before rent proper appears. This can be seen in the hypothetical case of Robinson

Charles Le Baron Goeller, 1911.



The enclosing line represents Produce, and Produce equals Rent plus Wages plus Interest. (See also diag. VI)

No. IV

Crusoe. Suppose that Crusoe had charged Friday for the privilege of staying on "his" island. This charge would be styled rent because it came from permission to use the land. But it would simply be a charge for monopoly. (Diag. 4—erase lines at B and C; also Ec. and Spec. Rent.) It is easy to see that if Friday had to pay

no rent his wages would be as much higher as the amount of rent Crusoe charged him. This charge for permission to live on land, where there was as yet no true or economic rent would be styled Monopoly rent. In this supposed case there could be no Economic rent, and of course there could be no speculation in land "futures" where only two men lived.

In organized society Monopoly and Speculative rents are hidden below Economic rent and are seldom recognized as such. However, True or Economic rent is the most obvious of social phenomena though little is said about it.

When the transcontinental railroads were projected, cities and villages were envisaged along the route. Land speculators would get hold of the land and sell it on the expectation that the railroad would pass there. Thus they received Monopoly and Speculative rent, with little if any Economic rent, capitalized in the selling price. If the railroad failed to go through any town the speculative values would disappear and the buyer lost his investment. But while the money-value of the land rose and fell it was always of the same pressure or intensity—all the traffic would bear.

All this speculative value becomes a lien on the future use of the land. And it stands to reason (logic) that a mortgage on land of such speculative value would yield (speculative) rent and not interest. It follows also that very much of our so-called interest is in reality rent, both Monopoly and Speculative.

In contradistinction to Monopoly and Speculative rent, True, or Economic rent is a differential and tends to equalize prices. A crossroads country store does very little business comparatively with the store in the nearby

city. And this latter store does little business compared with a store in the center of New York City. The New York City store pays an enormous money-value rent, but the store can sell the goods for the same price. But Monopoly rent (plus the pressure of Speculative rent) being a pseudo-rent (actually the wages of labor extracted through land-ownership) forces prices upward. And this is what puzzles mankind—puzzled as to why when wages are raised up go prices, a tendency that goes on relentlessly whether the results are immediately visible or not. Results may be delayed months or even years. Economic rent does not increase prices because it is not an element in ALL production, but only production on land that has an economic value. Thus also a tax on Economic rent would not add to prices since it *would not fall on all land*. But when Monopoly rent is extracted from all land as a condition of use, then production can be held up until the rent or "tribute" is paid. This Pseudo-Rent, being a *condition of use*, is added to price. (Speculation adds to the pressure.)

Everyone is acquainted with the fact that the Ground rent of Manhattan Island is the highest in point of money value (quantity) of any other land on this planet. In its most concentrated spots this land has an annual rental-value of two million dollars per acre. This is for the *bare* land, not including buildings or improvements. Radio City rests upon such a spot. R. H. Macy's store is another instance. (A square acre is approximately 209 feet on a side.)

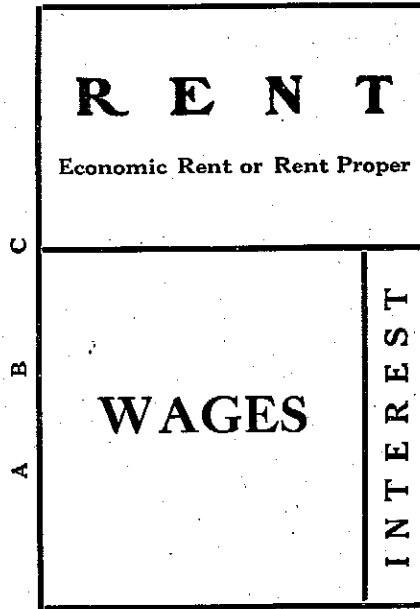
Manhattan Island yields the highest rents of history—speaking of rent as a quantity. However, speaking of rent "qualitatively," as a proportion of produce, there is no such thing as

low rent in the United States. All rent (under our present economic regime) is high rent—it is all the traffic will bear. The rent on Broadway, New York City, is all the traffic will bear. But this is true also of rent on Main Street, Middletown, U.S.A. (Diag. No. 4.) In the city, in the suburbs, in the country, it is all the same; the rent, the selling price of land is all that one can get for it. Rent may be considered as a pressure, and everywhere the pressure is the same. This is particularly true of Monopoly and Speculative rents. Monopoly rent made the famines in Ireland—food was exported as (monopoly) rent, and this caused much of the immigration of the Irish to the United States. In an old country like Ireland, the “rent lines” of both Monopoly and Speculative rent nearly coincided. In a newer country like the United States the Speculative rent line often far out-distances the Monopoly rent line. In growing communities we find land selling at speculative prices that are so far in advance of the real economic value that it often takes from five to ten years to catch up.

All labor-saving inventions tend to reduce the price of the manufactured article. They tend to increase articles faster than the demand. But the action of Monopoly and Speculative rent is the opposite; they tend to hold up production. All human activity is upon land (the prime passive factor in ALL production), and land-monopolists, can hold land vacant if they so choose, thus holding up production until the tribute is paid, adding this charge to price. The price that Robinson Crusoe could charge Friday would be all that Friday produced save a bare living—and this on a fertile island where there was no Economic rent or taxes, and no usurers. Land monopoly

makes men economic slaves. And if the worker tries to better himself without destroying Monopoly and Speculative rent he simply works in a circle, running himself into a political slavery that can easily become worse than economic slavery.

C. LeBARON GOELLER, 1911



Under Single Tax System
No. V

In contradistinction to Monopoly and Speculative rent, Economic rent is a differential. It spells the difference in the value of trading on Fifth Avenue, New York, or trading on Main Street, Middletown. This is the land-value that is observable through its varying amounts. No one can have any objection to this form of Rent—this Natural Rent.

We can draw an analogy, for Economic Rent is similar to the charge for seats at a football game. A good seat;

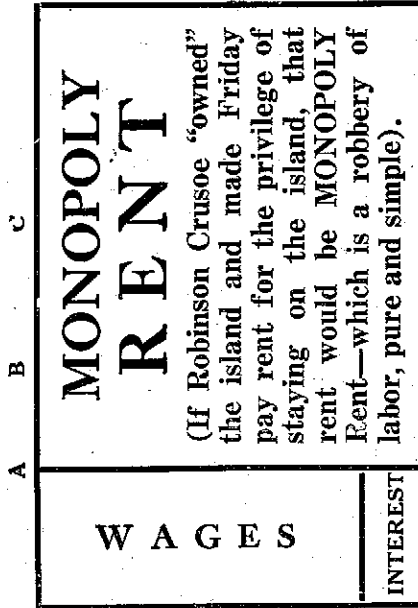
a good price. No one taking an inferior seat can justly complain if another person pays for and enjoys a superior seat. So should the government charge people for the use of land since land is our common heritage, made without man's labor, to be his habitation throughout his lifetime.

With our present system of property in land the analogy is more like a theater with its varying prices for variously located seats—with one important difference. As we are forced to live on the earth, so we could well imagine the theater entrance having two gunmen taking control. One gunman would force us to enter the theater (our birth), and the other gunman would demand most of our money (monopoly rent) when we entered. After that we could take our "differential" seats. Monopoly rent makes wretches of us all.

It should be remembered that Monopoly and Speculative rent are no more true rent than usury is true interest. Thus it is plainly to be seen that when Crusoe takes Monopoly rent from Friday this form of rent is in truth Wages, which when extracted through land monopoly falls into the category of rent and goes, in distribution, to the land-owner. The same is true of Speculative rent. Thus while true rent equalizes prices and does not add to cost or prices, the other forms of pseudo-rent have an opposite effect. This is what, under our present economic set-up, makes the roundelay of increased cost of living followed by demands for more wages, and so on, and so on, in a circle that knows of no disruption until the evil of Monopoly rent (land monopoly) and Speculative rent (speculation in land) is eliminated. The axiom that equals added to equals the results are equal applies

to the struggle for higher wages. If (as is true under our system of land monopoly) wages rise, and cost of living rises in the same proportion, wages are what they were before such rise; wages being always what they will buy. Two dollars a day around Civil War times is approximately equal to a present-time ten dollar a day wage. Money is only as good as what it will buy. Wages remain (relatively) low because (monopoly and speculative) rent is relatively high. Nothing must be omitted from the equation.

C. LeBARON GOELLER, 1911



On Crusoe Island with Friday as an Economic Slave
No. VI

Land-value is a very much misunderstood word. Its scientific meaning is such that it should be compounded. The word stems from the word rent and has to do with value-in-exchange.

and not value-in-use. When the Pilgrim fathers arrived on the New England coast in 1620 the land they settled upon had no value, economic value. It was *free* and the settlers didn't have to pay rent. If they had been forced to pay rent they certainly would have starved to death that first winter. If settlers now want to settle in the U.S.A., they have to pay rent for the privilege. That is the difference between a hundred thousand people seeking a living now and a hundred people seeking a living then.

Land has no value until there is competition for the use of particular portions of land. No one man can increase the value of his land, but only men living in communities. This value of land is paid as rent, or as purchase price, which is rent capitalized. This value in exchange is caused in several ways; by increase in population and the division of labor, co-operation, etc., and by special monopoly.

People who have not studied Political Economy usually find it hard to get exactly what the scientific meaning of land-value is. A bank advertisement in a farm paper stated that farmers could and should improve the value of their land. But in truth no farmer can increase the land-value of his farm. The farmer means his farm when he speaks of his land, but this includes improvements on and in the land. He can improve his farm but the land-value of his farm is its value minus any improvements he has in or on it, minus any labor-value.

This may be illustrated as follows: In 1935 there was a terrific rain storm in central New York State that flooded the country from the Catskill mountains to the finger lakes and from the Mohawk valley to the Pennsylvania State line. The water rose to a

height not equaled since the Civil War flood. The flood swept everything in its path, and at Smithville Flats, twenty miles north of Binghamton, it did its worst. All the works of man were swept away. Houses, barns, fences, bridges were destroyed. Roads and top soil all went away in an avalanche. Nothing remained but the "land" in its most primitive state, even more barren than "The stern and rockbound coast" where the Pilgrims landed. What was left of value after the flood washed away all man-made values is called land-value, which hadn't changed one bit. In fact, it may be said that the United States Geodetic Survey is the proper bureau to determine land-values, or location value by determining the latitude and longitude. What a difference it would have made if Robinson Crusoe had landed on Manhattan Island instead of Juan Fernandez—a matter of latitude and longitude—and millions; for poor Robinson Crusoe might well have said:

I am monarch of all I survey,
I'll have the whole island surveyed
And to me and my heirs from today
Shall the whole of the land-rent be paid.

A vision of millions and fame;
My wealth shall grow faster and faster,
I'll change this poor Robinson name
And call myself Vanderbilt-Astor.
(J. W. BENGOUGH)

The tax that "stays put" is a most interesting and useful thing. Almost all people will say off-hand that all taxes are passed on to the consumer and add to prices. This has been our experience. But a little study will show that taxes are passed on to the consumer only when said tax has a relation to production. Thus a tax on a producible article (wealth) tends to hold up production until the increase is added to the sale price. If a tax on

such wealth is too high it can prevent the manufacture of an article completely. Such taxes are taxes on use and necessarily increase prices. But a tax on ground rent (or land-values) is not a tax on a producible quantity. It might be termed a "land-income-tax" (actual and potential). A tax on land (so much per acre) is similar to a poll tax. But a tax on land-values (or ground rent) is like an income tax. The higher the income the higher the tax. But no income (actual or potential), no tax. And as the farmer's land, without improvements, is economically speaking of little value compared to city land, and much farm land has no economic value (as with the land when the Pilgrim Fathers arrived in the New World), so the farmer's tax would be little or nothing if land-values were taxed. And this reduction of rent to the minimum would raise farmers' wages to the maximum. As Henry George said in his *Condition of Labor*, "Every one who wanted a piece of land for a home or for productive use could get it without purchase-price and hold it without tax, since the tax we propose *would not fall on all land*, nor even on all land in use, but only on land better than the poorest land in use, and is in reality not a tax at all, but merely a return to the State for the use of a valuable privilege." (Part 2, Sec. 7.)

When a land-owner collects ground rent he puts it into his pocket, through the power of land monopoly. But when the State takes it from him through taxation (and in addition it taxes "potential" rent), then land monopoly is broken and the selling price of land (and its rent) will fall, making it cheaper to build, farm, and manufacture.

If it were possible for land-owners to shift the tax on land-values onto

the user and thus increase prices, then the application of Political Economy to *wipe out poverty and want* would be fruitless. The hope of humanity depends upon whether this tax is different from the ordinary run of taxes that so burden mankind. This is so important a point in Political Economy that we print the following extract from Mr. George's newspaper article of September 10, 1887, entitled "Taxing Land-Values." Seldom is such a faithful bit of science penned, and as such it ought not to be lost to the world.

Here . . . is a piece of land that has a value—let it be where it may. Its rent or value, is the highest price that anyone will give for it—it is a BONUS which the man who wants to use the land must pay to the man who owns the land FOR PERMISSION to use it. Now, if a tax be levied on that rent or value, this in no wise adds to the willingness of anyone to pay more for the land than before; nor does it in any way add to the ability of the owner to demand more. To suppose, in fact, that such a tax could be thrown by land owners upon tenants, is to suppose that the owners of land do not now get for their land all it will bring; is to suppose that, simply whenever they want to, they can put up prices as they please.

This is, of course, absurd. There would be no limit whatever to prices, did the fixing of them rest entirely with the seller. To the price which will be given and received for anything, two wants or wills must concur—the want or will of the buyer, and the want or will of the seller. The one wants to give as little as he can, the other to get as much as he can, and the point at which the exchange will take place is the point where these two desires come to a balance or effect a compromise. In other words,

PRICE IS DETERMINED BY THE EQUATION OF SUPPLY AND DEMAND.

And, evidently, taxation cannot affect price unless it affects the relative power of one or the other of the elements of this equation. The mere wish of the seller to get more, the mere desire of the buyer to pay less, can neither raise nor lower prices.

Nothing will raise prices unless it either decreases supply or increases demand. Nothing will lower prices unless it either increases supply or decreases demand.

Now, the taxation of land-values (i.e., rent, actual and potential) which is simply the taking by the state of a part of the premium which the land owner can get for the permission to use land, neither increases the demand for land nor decreases the supply of land, and therefore cannot increase the price that the land owner can get from the user. Thus it is impossible for land owners to throw such taxation on land users by raising rents. Other things being unaltered, rents would be no higher than before, while the selling price of land, which is determined by *net rent*, would be much diminished. Whoever purchased land outright would have to pay less to the seller, because he would thereafter be called on to pay more to the state.

A very common objection to the proposition to concentrate all taxes on land-values is that the land owner would add the increased tax on the value of his land to the rent that must be paid by his tenants. It is this notion that increased taxation of land-values would fall upon the *users*, not upon the *owners* of land, that more perhaps than anything else prevents men from seeing the far-reaching and beneficent effect of doing away with the taxes that now fall upon labor or the products of labor and taking for public use those values (i.e., rent) that attach to land by reason of the growth and progress of society.

That taxes levied upon land-values, or, to use the politico-economic term, taxes upon *rent*, do not fall upon the user of land, and cannot be transferred by the landlord to the tenant, is conceded by all economists of reputation.... They all admit that the taxation of rent merely diminishes the profits of the land owner, cannot be shifted onto the user of land, and cannot add to prices, or check production. It will be sufficient to quote John Stuart Mill: *Principles of Political Economy*, book 5, chapter 3, sect. 2.

"A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of agricultural produce, for this is determined by the cost of production in the most un-

favorable circumstances, and in those circumstances, as we have so often demonstrated, no rent is paid. A tax on rent, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state."

(Pointers and bold face type are ours. C.L.G.)

The above passage was the determining point of the author's Politico-economic career. If the tax on ground rent could be shifted all the other arguments fell to the ground. If the tax cannot be shifted, here was the greatest point in modern science. Most people think that *all* taxes can be shifted onto the consumer and thus add to price. But a little thought shows any person that the rent-tax is unshiftable—even though said person shies away, considering the subject highly explosive. Thus the Duke of Argyll "saw the point," and he, being a large landowner of Scotland, wrote a bitter article denouncing "Mr. Henry George," who answered him quite effectively. The Duke's article appeared in the *Nineteenth Century* for April, 1884, and was entitled (bitterly and sarcastically) "The Prophet of San Francisco." Mr. George took up the gauntlet and replied in the July issue in "The Reduction to Iniquity." Both of these articles, together with *The Land Question* and *The Condition of Labor*, are bound together usually in a single volume entitled *The Land Question*.

Now (Feb. 4, 1946), we have the *lawyers* (who avowedly are not scientists or political economists in any sense of the word) coming out with a statement contrary to the statement of Mill and all other students of the subject. A friend supplied us with the fact that "The United States Supreme Court has ruled that whether rent is publicly or privately collected, the effect on living costs would be 'exactly the same.' (Case v. Bowles No. 261)."

Our friend goes on to say, "In the new book, *Chief Justice Stone and the United States Supreme Court*, by Konefsky (Macmillan, 1945), the confusion is revealed. Had they said, 'Galileo to the contrary notwithstanding, we say the earth is flat,' it would be no more shocking."

We think it is quite evident that the Justices of the Supreme Court are not qualified to pass on a matter of pure science such as the shiftability of a tax, any more than the "authorities" of Galileo's time were competent to pass judgment on his scientific views. Here was one famous case where "one man was right and all the rest of the world was wrong."

Socialism is a philosophy that attempts to found a science of Political Economy without Natural Law in the distribution of wealth. Since mankind can do as he pleases with wealth *already produced*, socialism proceeds to evolve forms of management to accomplish that end. It is necessarily bureaucratic and must become more and more so as it succeeds in its aims. Denying the Natural Laws of distribution, socialism can never be scientific for the foundation of all true science rests upon Natural Law. Socialism treats society as a machine, and means to tinker with society on that basis. An outline of this trend of thought is to be seen in Stuart Chase's *Primer of Economics*, where he says "The American Economic machine" . . . And parenthetically on the jacket of the book we read, "Mr. Chase explains what 'economics' is; how national economy worked . . ." We call attention to the fact that Political Economy is international "economics," just as international as chemistry and astronomy and mathematics. No matter how poor Mr. Chase's book is, he clearly

illuminates current errors in Politico-Economic thinking.

Society is in reality an organism. Mr. Chase says that the "machine" broke down in 1929. We say that the organism called society was desperately sick in 1929 and for years after. In Europe it was so desperately sick that mobsters very nearly murdered it. Society has had periodic spasms, called "hard times" and "panics," for many years. Socialism tries to create a cure through a planned bureaucracy. It is possible to make a true cure of the patient (not machine) without bureaucracy by making human laws conform to natural laws. Wealth, the *Wealth of Nations* that Adam Smith wrote of and we have shown in diagram form, is the blood of the social body. This blood of the nations has been diverted by evil legislation equivalent to tourniquets used on the human body. We do not have a machine to adjust but an organism to free from its maladjustments. Society is strangling from a golden collar choking the throat. We would take off the collar, cut the tourniquets, and when the blood flows naturally to the right places the organism will heal itself. A physician going at a human organism with a monkey wrench, sledge hammer and crowbar would be as sorry a sight as those men who would correct social maladjustments by artificial means, socialistic and communistic.

Communism in its true sense can occur only in very small communities of a religious character such as mentioned in the second and fourth chapters of the Acts of the Apostles. It was tried in 1622 at Plymouth and very quickly abandoned. Other experiments have failed. The so-called Communism of Russia is more of a State Socialism with absolute dictatorship where the primary freedom of the individual is

suppressed. True communism forced upon people is simply robbery. Forms of a semi-communism are also robbery where the true sense of what is private property is missing. This comes partly from ignorance of true Political Economy which shows who produces what, and who should in equity get the rent, wages and interest. The student will be interested in "The Manifesto of the Communist Party" of 1848 which may be found in Part III of *Capital*, *The Communist Manifesto and Other Writings by Karl Marx*, published by Random House, Inc., New York. Also see last (the Socialist) diagram in this booklet.

And Sir Oliver Lodge has well defined Bolshevism as follows:

"Those who object to evolution are objecting to an essential feature in the Universe, and I am afraid must be stigmatized as stupid. This is not an adjective to throw about lightly, but it seems applicable to those who wish things to be hurriedly made other than they are. That is the folly of all red revolution, or what is now called Bolshevism. It is as if a gardener, wishing a tree of certain shape, could not wait for patient training, but set to work with axe and saw to smite it into shape; thereby wasting the sap and ruining the tree—or the nation."

Note how intuitively Mr. Lodge conceives of society as an organism, not a mechanism.

Political Economy suggests "action at a distance," on the order, let us say, of an electrical engineer. The electrician controls some of the forces of nature. He generates electricity at one point and it is utilized perhaps miles away. He can discontinue light and power service by throwing a switch. He can change the rate of your electric clock by the turn of his wrist. In the same manner, wages can be raised or lowered, depending upon proper manipulation of economic forces. Thus when gold was discovered in Cali-

fornia in '49, average wages of gold miners in the mountains were five hundred dollars per month. This was reflected on the beach where cooks got the same wages because they were at liberty to go to the gold fields where land was free. In the first days a man could stake a "claim" by kneeling on his left knee and reaching as far as he could with his right hand. He did this four times at right angles and thus laid out a square of ground of approximately 100 square feet, which shortly became the standard claim. He had to work his claim and could leave it idle only a moderately short time, as necessary to go to town. He could not "own" two claims. Wages remained maximum as long as the land was free from monopoly. However, it was not long before more sophisticated minds framed laws allowing more than one claim so that in time whole mountains became "owned," and a cook on the beach could no longer go to the free mountains. Immediately the wages of both the miners and cooks, and all other workers, fell to the level determined by the land monopoly of the gold fields and mines. This created the dog-in-the-manger situation which lowered wages to a degree dictated by the completeness of the land monopoly. This has continued to the present day and a rich country like California discourages "immigration," and has its strikes, which are blind or unscientific efforts to keep up wages which are steadily forced downward by land-monopoly. The weakness of the co-operatives and the trade unions, the charity organizations and labor schemes of the "New Deal" type is that the fact of Monopoly Rent is ignored; and none of these organizations can have permanent results as long as land-monopoly persists. To ignore land-monopoly is to work in a circle.

So much of human activity comes within the field of Political Economy that a word on the atomic bomb is not out of place. Henry George spoke of the possibilities of destruction with modern inventions if we failed to solve the social problem of the equitable or Just distribution of wealth. (P&P. Bk X; ch. 4; pr. 20-30.) He pleaded for scientific consideration of the subject and wrote some of the finest arguments for the construction of an Equitable and Just social order. Many of the passages of *Progress and Poverty* are of the highest type of poetic expression.

* * *
 "Aerial locomotion gives the means of delivering sudden and unexpected blows at a great distance, and overwhelming a whole city in one vast destruction. Every inhabitant will be treated as a potential combatant; and what we have to dread is a return to the old days of history when a whole population was wiped out, 'man and woman, infant and suckling, ox and sheep, camel and ass;' even the animals being pressed into the service, as they are now, and exterminated wholesale, along with human beings and cathedrals and libraries and works of art."
(Sir Oliver Lodge, Science and Human Prog.)

* * *
 Rev. Edward McGlynn, a leader in the first decade of the "Anti-Poverty" movement to eradicate poverty and want from the world (the movement now being called Georgeism or Single-Taxism), prophesied as follows when he heard of the death of Mr. George: "Well shall it be for us Americans if we shall not be recreant to our opportunities, and if the masses of the American people shall accept the teachings of Henry George. The only alternative to such acceptance is a constant deterioration, ever increasing political corruption, enormous increase of sordid monopolies, the building up

here of an unprecedented and brutal aristocracy of wealth and the constantly increasing degeneration and impoverishment of the masses of the people. If the wonderfully beautiful philosophy of Henry George shall not be accepted in practice, later generations of Americans, if not our own generation, will surely be doomed to see the oppressed masses, brutalized by their poverty and enthrallment, rise up to a vengeance, and perhaps an unwise one, with abhorrent measures for the righting of their wrongs that on a larger scale, amid much greater numbers of men, might more than repeat the horrors of the French Revolution."

The Socialistic Concept
 CO-OPERATIVE COMMONWEALTH
 (L. Gronlund — 1887)
 Fleecings

Rent	Profit	Interest	Product of Labor \$1,834,000,000.
Wages			

Values for 1880

As generality is the soul of mathematics, so we seek generality in Political Economy, for while we cannot predict exact conditions in politico-economic relations we can predict gen-

eralities, such as, if rent is excessively high, wages will be excessively low. And we can get generality by analysis somewhat similar to algebra.

Analysis of the Production and Distribution of Wealth

1a and 2a show the relations when only the two *prime* factors, Land and Labor, enter into production: 1b and 2b, when the *secondary* factor, Capital, is also present. The latter is the usual form. aa is most primitive and is true where land is free and has no economic value.

$$1 \left\{ \begin{array}{l} (a) \text{ Land+Labor=Wealth} \\ (b) \text{ Land+Labor+Capital=Wealth} \end{array} \right.$$

Wealth split up into its component parts.

$$2 \left\{ \begin{array}{l} (aa) \text{ Land+Labor=Wages} \\ (a) \text{ Land+Labor=Rent+Wages} \\ (b) \text{ Land+Labor+Capital=Rent+Wages+Int.} \end{array} \right.$$

Further Analysis of Produce and Its Division

Distribution of wealth under the present economic regime, showing the three forms of rent.

(The figures of the equations are arbitrary and express the proportions *about* as they appear to the writer. The formulae are general. In the equation under "Single-Tax," interest should be something more than 1 but we have left that figure for the sake of simplicity.)

$$\text{Produce} = \text{Rent+Wages+Interest}$$

Which with rent being further analyzed is,

$$20 = \left\{ \begin{array}{l} \text{Economic } 5 \\ \text{Monopoly } 9 \\ \text{Speculative } 1 \end{array} \right\} + 4 + 1$$

Under Single-Tax the distribution would be approximately as follows

$$\text{Produce} = \text{Rent+Wages+Interest}$$

$$20 = (\text{Economic}) 5 + 14 + 1$$

A single tax on rent or land-values (i.e., *rental* value of land) would collect economic rent for the expenditures of government; monopoly and speculative rent would disappear to reappear as wages. Thus wages would about treble, as near as we can judge.

Abbreviations: George's books: P&P, Progress and Poverty. Sci.P.E., Science of Political Economy. C.L., Conditions of Labor. Other abbreviations will be easily decipherable.

Henry George wrote in *Progress and Poverty* (1879) that he was "not writing

a text-book, but only attempting to discover the laws which control a great social problem" (Bk 1, ch. 2; next to last par). In his *Science of Political Economy* (pub. 1897) he added that he had hoped someone would take up his thread of reasoning and develop the "New Political

Economy" of *Progress and Poverty* (Bk. 2; ch. 8; par. 5). Nobody offered to continue his investigations and he wrote his *Science of Political Economy*, which, while unfinished in some spots owing to his sudden death, completed his version of his beloved science. Our apology for the issuance of the present little work on the New Political Economy is based largely

on his hope that someone might continue his work—and perhaps write a text-book. We believe that our diagrams reveal clearly, make something of a revelation of that most important problem before the world today, as yesterday, the distribution of wealth. We believe the diagrams will clinch the verbal demonstration of *Progress and Poverty*.—C.LeB.G.

Notes and References.

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- Humanistic Logic. Oliver L. Reiser, Ph.D. (Pitts.)
- Primer of Logic. W. Stanley Jevons, Prof. Pol. Ec., Univ. Coll., London, 1889 (D. Appleton & Co., Science Primer Series).
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- Wealth. P&P. Bk. 1; ch. 2. Sci.P.E. Bk. 2; ch. 7; Bk. 2; ch. 15.
- Science. See SPE, b. 1; c. 8. Standard Dictionary. "Facts, carefully observed and orderly arranged under natural law." Lodge, *Sci. and Human Prog.*, p. 26.
- Natural Law. Henry Drummond, *Natural Law in the Spiritual World*. Introduction. Whitehead, *Sci. and the Modern World*, pp. 5-46-108-155. Oliver Lodge, *Man and the Universe*, p. 24. *Science and Human Prog.*, pp. 27-154. *Ether and Reality*, pp. 15-38-96-149. F&R. pp. 38-15-96-149. E. O. James, *Beginnings of Man*, p. 212.
- Facts. Lodge, *Ether and Reality*, pp. 31-83-117-120. Whitehead, *Sci. and Mod. Wld.*, pp. 127-137.
- Objectivity of Nat. Law. Whitehead, *Sci. and Mod. Wld.*, 128-130.
- New Political Economy. See *The New Chemistry*, Josiah Parsons Cooke, LL.D. (Harvard), Appleton, 1884. The New Political Economy was born in 1879 when Henry George published his *Progress and Poverty*. See his Sci.P.E. b. 2; c. 8. See Sci.P.E. Bk. 2; ch. 8.
- Rent Line. P&P. See also Bk. 7; ch. 3; par. 10. Bk. 9; ch. 2; par. 8.
- Monopoly Rent. P&P 25th Anniv. Ed., pp. 167-213-220-221-439. Bk. 3; ch. 4; par. 6.
- Speculative Rent. P&P. 257-258-263-268-274-278-281.
- Diagrams in Logic. Jevons' *Primer of Logic*, Sec. 8 (Appleton, 1889). Art. 56-62. Our diagrams of distribution are very fully described in P&P, Bk 3; ch. 2. Last par. speaks of the rent line which we put at A, B or C, according to the circumstances. See also Bk. 3; ch. 7. And ch. 8, same book.
- Pure Economic Rent. See P&P, Bk. 4; ch. 2; par. 10.
- Exact Conclusions. Spencer, *Social Statics*, Ch. IX, sec. 6. It must be noted here that this refers to the original edition of 1850. In later editions, Mr. Spencer (having recanted these ideas) revised *Social Statics*, and left out this famous Ninth chapter. We have purchased several revised copies but have never seen or been able to obtain an original edition copy. However, the student can read this chapter on "The Right to the Use of the Earth" and Chapter X on "The Right of Property" in Mr. George's book, *A Perplexed Philosopher*.
- Bolshevism. Lodge, *Science and Human Progress*, p. 171.
- Individuals in Logic. See Whately, *Elements of Logic*, Ch. 5, Sec. 5 (p. 117).
- Economies. See Sci.P.E.; Bk. 1; ch. 9; Bk. 2; ch. 8.
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- Generality. A. N. Whitehead, *Intro. to Mathematics*, pp. 82, 115, 144, 194.
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- Three Forms of Rent. C. of L. first footnote (p. 16, Eng. Ed.).
- Society an Organism. Henry Drummond, *Ascent of Man*, p. 266. Mr. Drummond also prophesied a "New Political Economy" in Introduction, above, p. 44. Read Political Economy for his "Sociology."