
The Gospel of Freedom

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The Gospel of Freedom*

By FRANZ OPPENHEIMER

THE DEEPEST ROOT of the present confusion about the future order of mankind is the conviction—as common as it is erroneous—that we have a choice between two systems only: totalitarianism in the form of either Fascism or Bolshevism, and our present political democracy, which is unanimously acknowledged to be far from perfect. But there is a third possibility: A perfect democracy, not only *politically* but also *economically*.

Let us look to science for information about the condition and inner order of Perfect Democracy. It teaches the buried and forgotten gospel of Freedom, proclaimed by the great thinkers of the eighteenth century. The first condition of perfect democracy is equal opportunity for all, or, which is the same, free, untrammelled competition.

I

FREE COMPETITION, as Adolf Wagner aptly formulated it, obtains where everyone who *wants* to take part in production *can* do so, and *is entitled* to do so. If he is unable to take part in it, he is prevented from doing so by a natural monopoly; if he is not entitled to do so, he faces a legal monopoly.

In other words: Free competition and Monopoly are “disjunctive” concepts, *i.e.* concepts excluding one another, as man and woman, day and night, life and death.

* Copyright, 1948, by the estate of Franz Oppenheimer. [Before his death in 1943, Dr. Oppenheimer proposed that he do a critique of Francis Neilson's sociological positions, something along the lines of his as yet unpublished essay on the work of Robert M. MacIver, “The Origins of the Historical State.” We discussed the project in our correspondence and to a mutual friend Oppenheimer gave an oral summary of the study he proposed to write, an outline that indicated to me that the essay would have been a valuable one. As time was running out, however, Dr. Oppenheimer had to abandon the project in order to finish work on “Japan and Western Europe,” and he sent me instead the present essay, a statement of his credo.—EDITOR.]

An economic democracy, therefore, is a society free from monopolies that favor one group at the expense of others, whether racial or religious minorities, or suppressed groups such as slaves, serfs or bondsmen. Economic democracy, however, does not interfere with monopolies held by single persons, such as the natural monopoly of some person's possessing a picture by an old master, or the legal monopoly of a patent or author's copyright. They are of negligible importance in this connection.

Up to this point, there is likely to be no disagreement. But opposition is bound to appear just as soon as we claim that, in this perfect democracy, *class* differences, based on unequal distribution of wealth, will be as absent as social orders based on legal prerogatives. However, this position, as we can easily show, has been held by some of the highest-ranking masters of classical social science.

Adam Smith, for example wrote in his "Wealth of Nations":

The whole of the advantages and disadvantages of the different employments of labor and stock must, in the same neighborhood, be either perfectly equal or continually tending to equality . . . in a society where there was perfect liberty. Every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous employment.¹

This thesis is qualified by the statement that, of course, the difference in innate qualification causes certain differences of income. Adam Smith believed those differences to be very small. We need not go out of our way to discuss this problem. We are satisfied to state that *free competition* tends to bring about what may be called "*rational equality*," meaning equality of reward for equal achievement, and proportionately greater (or lesser) reward for correspondingly better (or poorer) performance. This certainly would be in accordance with the highest ideals of justice and fairness.

¹ *Op. cit.*, Everyman's Library, I, p. 88.

Such a society of rationally equal members is what another classic teacher of social science, Jean Jacques Rousseau, called the loftiest goal of political organization:

Freedom cannot survive without equality. This, however, does not mean absolute equality of influence and wealth. It merely means that no man should be wealthy enough to buy another, and that no one should be so poor as to be compelled to sell himself.²

It is evident that a society of this kind is immune to any revolutionary movements from within. It rests in its equipoise, unshakable. Of course there will be some madmen, fanatics, born gangsters and the like, but they never will be able to find a retinue numerous enough to upset this stable order. No revolution ever occurred where there did not exist a strong group of people who had much to win by it—and little or nothing to lose. This is true even for the religious civil wars. Where the madmen and gangsters are unable to array behind them a strong group of this kind, they remain soap-box orators or become petty criminals—ending up not as omnipotent dictators, but behind iron bars as inmates of penitentiaries or lunatic asylums.

The third tenet concerns the origin of economic inequality among men. All classic authorities agree and consider it evident that inequality cannot arise until the entire land has been occupied, so that free access to the soil is barred. Before that, Turgot said, “when every industrious man found as large a piece of land as he wanted, no one could feel disposed to work for others. Every proprietor, therefore, had to cultivate his field himself or forego it.”³ Adam Smith held that “In that early and rude state of society, . . . the whole produce of labor belonged to the laborer.”⁴ A class of proletarian workers, therefore, could not arise, Turgot pointed

² *Contrat Social*, II, sec 11.

³ Turgot, *Réflexions*, sec. 9.

⁴ “Wealth of Nations,” pp. 42–4.

out, until "every piece of land had found its owner";⁵ they are disinherited persons, "whose wages, because of their competition among themselves, cover only the bare necessities of life. They are just able to keep alive."⁶

Jean Jacques Rousseau, in a more precise formulation, succeeded in determining the condition for the cleavage of society into the two classes of the Haves and the Have-nots. Inequality, he says, cannot occur "until all holdings, touching one another, have grown in number and size to such an extent that they cover the entire country."⁷

Neither Turgot nor Rousseau, however, seems to have noticed that, under the conditions assumed here, the individual holdings could not exceed a very modest size, and that for various reasons. The psychological reason is that, in a vast area with scant population, land is a free commodity, like air or water, which no one would wish to engross. The legal reason is that, as Turgot states himself in the sentence quoted, the law of all free tribes grants right of possession to land only as long as the member cultivates it himself, there being no landless proletariat. The economic reason, finally, is that the area he can adequately cultivate himself will essentially be a comparatively restricted one. For all these reasons, large landed property cannot come into existence here. The correct formula, therefore, must be as follows:

Inequality and class division cannot emerge until the entire country is covered by small and medium holdings bordering on one another.

II

THIS STATEMENT enables us to decide once and for all whether our present order of political democracy was shaped by "natural" evolution exclusively, as modern middle-class

⁵ Turgot, *op. cit.*, sec. 10.

⁶ *Op. cit.*, sec. 6.

⁷ *Discours sur l'Origine de l'Inégalité parmi les Hommes*, p. 77.

economics claims,—or whether extra-economic violence brought about basic disfigurements. A simple problem in division will answer that question.

The divisor is the area which a single operator is capable of cultivating without hired help. The dividend is the total usable area of the country in question.

The quotient gives the number of small and medium holdings which must be reached before class division can occur. If the actual number of holdings is greater than the quotient, inequality and class-division are “natural” and inescapable. If the number is less, we have to look for extra-economic causes.

To anticipate the result: The number, in every country of the world, is less—much less.

Let us consider the United States. Its total area comprises about two billion acres, its farm area about one billion acres. Its fertile area—included in farms or not—has recently been estimated at, again, about one billion acres.

This is the dividend. As to the divisor, European experts state that, on an average, 12.5 acres of plowable land are sufficient for independent peasant proprietorship in Middle and Northern Europe and even Scandinavia, while 7.5 to 10 acres are regarded as sufficient in Western and Southern Europe. The farms average 2.5 acres in Japan; a farmer owning 30 Mu (or five acres) in China is counted as “rich.” The upper limit of what a man without hired help can operate adequately is no more than 37.5 acres of plowable land even in Siberia.

Let us assume that the American farmer is able to operate as much as 50 acres on an average, thanks to his command over labor-saving machinery rarely used in Europe. Even in the light of this outrageously exaggerated assumption there would be enough land for 20 million farms. The census of

1930, however, enumerates 6.3 million farms only.[†] The average size is more than three times that of our extravagant assumption: 160 acres—more than ten times that which is deemed sufficient in Middle and Northern Europe.

These figures prove beyond any doubt that the division of the American population into classes of Haves and Have-nots could not even have begun if the settlement of the land had taken place according to the rules of economic democracy.

Inequality and class-division, however, existed in this country even while its population was as yet very small. This was possible only because, "the holdings, touching one another" already did cover the entire land. This means that part of these holdings were of a size substantially larger than the modest size we found possible in perfect democracy. In other words: The riddle's solution is nothing but the presence of large, massed, exclusive landed property.

Statistics confirm this inference. The U. S. census reports operational units only, no matter whether the operator is also the owner or not. But even these statistics show that the land has been engrossed by a small minority. The 2,558,000 farms up to 49 acres, which are 37 per cent of the total of 6.3 million, covered no more than 5.76 per cent of the farmed area. The 80,000 farms of 1,000 acres and over, on the other hand, while representing only 1.2 per cent of the total, covered no less than 27 per cent of the farmed area.

We have no statistics as to ownership, except for the statement that only 46.3 per cent of the operators are full owners; 10.4 per cent being part owners and 42.4 per cent cash tenants and other tenants, working somebody else's land. Besides this, the census reports that there are almost three million "wage-workers" *i.e.* proletarians owning no land at all, or, at best, only a tiny patch of land. From other

[†] [The figures are given as Dr. Oppenheimer presented them. The data from the 1940 census give the same result.—EDITOR].

sources, we know that certain families and corporations own a great number of large estates and small and medium farms. To give two examples: A commission established by the legislature of California found in 1916 that 310 proprietors owned more than 4,000,000 acres of the best land in the state.⁸ California Land, Inc., the farm holding subsidiary of the Bank of America, "at one time owned or controlled 50 per cent of the farmlands of Northern and Central California."⁹

Considering these facts, it seems conservative to estimate that less than one per cent of the 30 million American families own more than 50 per cent of the nation's soil.

We know exactly how this maldistribution has come about. The kings of Spain, France, and England, as well as the Regents of Holland, gave enormous land grants to their friends, minions, and creditors in the new world. In this way, large parts of New York State, Virginia, the Carolinas, Alabama, Georgia, Louisiana, Texas and California were closed against the land-hungry masses. Indians, squatters, nesters and drowsy Spaniards were cheated out of their property, or simply robbed of it. The greedy middle class succeeded in engrossing the greater part of the tremendous treasure of land between the Mississippi and the Rockies. Some financiers spent \$200,000 to wheedle from a deceived or bribed congress the shameless concessions granted the "Central Pacific Railroad." It had been "built literally and absolutely by the money of the people, receiving liberal aid from cities, counties and the state of California, as well as the immense gratuity of the general government," paying not only most if not all the expenses of construction, but "granting the financiers no less than twelve million acres."¹⁰

In the novel, "Saratoga Trunk," by Edna Ferber, one of the multi-millionaires of this origin tells the story:

⁸ Carey McWilliams, "Factories in the Fields," p. 202.

⁹ *Ibid.*, p. 268.

¹⁰ Anna George de Mille, *AM. JOUR. ECON. SOCIO.*, 2: 2, pp. 231-2.

"They called us financiers. Financiers—hell! We were a gang of racketeers that would make those apes of today look like kids stealing turnips out of the garden patch. We stole a whole country—land, woods, rivers, metal."¹¹

Expressed in terms of economic theory, this maldistribution of the land established a monopoly relationship between the class of the Haves and that of the Have-Nots. Created in the old countries by conquering violence, as one of the basic feudal institutions, and transferred to the colonies by the laws of the mother countries, the land monopoly created the class-division and will keep it existent until the institution is sent to Hades—after the other basic institutions of Feudalism, slavery and serfdom.

As long as land monopoly exists, it keeps up the "one-sided urgency of the desire to exchange" which characterizes all the different kinds of monopoly, forcing the victim to pay more or to accept less than fair value for the commodity, goods, or services, he gives in exchange. The monopolists of the land enjoy a dual monopoly: a *selling* monopoly to the disadvantage of whoever buys or rents a piece of their land, and a *buying* monopoly to the disadvantage of the landless laborers they employ. In the first case, the "monopoly gain" is the differential rent, capitalized in the case of sale, perpetual in the case of lease. Nothing but the profit of his capital remains to the purchaser or the tenant.

"The rent of land, considered as the price paid for the use of lands, is naturally a monopoly price," Adam Smith says.¹² Elsewhere, he notes "The monopoly price is upon every occasion the highest which can be squeezed out."¹³

The owners of the land at the same time enjoy a buying monopoly toward the landless and money-less laborers who are compelled to sell them their services for less than a fair price.

¹¹ *Op. cit.*, p. 11.

¹² *Op. cit.*, I, p. 131.

¹³ *Ibid.*, I, p. 54.

Adam Smith continues: "The landlord's rent makes the first deduction from the produce of the labor which is employed on the land."¹⁴ Smith, who was not very consistent in the use of his terms, had not yet sufficiently differentiated between the two components of the landlord's income from his monopoly. The amount he "squeezes out" from the laborer is not "rent" but "capital profit," which goes to the agricultural operator, no matter whether owner or capitalist tenant. If he farms out the land, he cannot do the tenant out of the profit, just as the tenant cannot do the owner out of the differential rent. Says Nassau Senior:

Neither Adam Smith nor the Physiocrats seem to have been fully aware that the greater part of what we call rent is merely profit on the capital employed in fitting the land for use. Still less did they perceive that the remainder is the gift, not of nature, but of monopoly.¹⁵

III

THERE CANNOT BE different prices for the same commodity on the same market. The wages left to the agricultural laborer continually tend to become those of the urban workman. This happens through *migration*.

In this country, it was originally the enormous immigration from abroad which pulled down the originally very high standard of the American urban worker. When the middle class had succeeded in cornering the whole land, shutting out the would-be free settlers, an even more enormous internal migration continuously devastated the labor market. In the one decade, from 1920 to 1930, the rural farm population of the United States lost no less than 5.8 million persons to the towns, and especially the metropolitan cities, adding more than three million new competitors to the ranks of resident unskilled labor—most of them being young, husky, unpretentious persons. This movement, bleeding

¹⁴ *Ibid.*, I, p. 58.

¹⁵ "Industrial Efficiency," edited by Leon Levy, I, p. 149.

white the rural farm population, continued to the same extent during the second half of the following decade. This is the simple explanation of the capitalistic wage system, and, thereby, of capitalism in general. Even Karl Marx was compelled to admit that "the land-monopoly is the basis of the capital monopoly."¹⁶ It is,—as Winston Churchill, in his liberal youth, aptly put it, "the mother of all other monopolies."¹⁷

The capitalistic system, literally and absolutely, rests on this monopoly as its very foundation.

This, however, enforces an inference of the utmost importance: *Since monopoly and free competition are concepts excluding one another*, capitalism is *not*, as we are told by middle-class economists, the system of equal opportunity for every one, or of perfectly free competition. Free competition is innocent of all the crimes laid at its door ever since the anti-capitalistic, communistic aristocrat Plato wrote his "Politeia"—more than 2000 years ago. It has the best alibi imaginable: Free competition has never yet existed. So far, it is merely a "gleam in some thinker's eye." The villain of the historic tragedy is its opposite and caricature: Unfree competition, fettered by the land monopoly and its brood of secondary monopolies.

The economic history of this country shows a fairly close approximation to perfect democracy at the time when the greedy middle class had not yet succeeded in completely cornering the land. Then, "Utopia" was almost realized. Adam Smith wrote in 1776:

Every colonist gets more land than he can possibly cultivate. . . . He is eager, therefore, to collect laborers from every quarter and to pay them the most liberal wages. But these liberal wages, joined to the plenty and cheapness of land, soon make those laborers leave him in order to become

¹⁶ "Critique of the Party Program," *Neue Zeit*, Vol. 9, II, p. 561.

¹⁷ In an address at Edinburgh, July 17, 1909. Reprinted in *Land and Liberty*, London, June, 1940.

landlords themselves, and to reward with equal liberality other laborers who soon leave them for the same reason they left their first masters.¹⁸

At that time, the United States was “the workman’s paradise.” Benjamin Franklin states that “poor people working for low wages will not be found in America, before all land is occupied and cultivated.”¹⁹ Thomas Jefferson wrote:

Most of the laboring class possess property, cultivate their own lands, have families, and, from the demand for their labor are enabled to exact from the rich and competent such prices as enable them to be fed abundantly, clothed above mere decency, to labor moderately and raise their families. The wealthy, on the other hand, and those at their ease, know nothing of what the Europeans call luxury.²⁰

Undoubtedly the “rational equality” of perfect democracy was almost attained there and then, especially if we consider that the wealthy class had imported their riches from Europe.

Even Karl Marx, in the twenty-fifth chapter of *Das Kapital*, saw himself compelled to confess that under such conditions the means of production are not capital, yield no surplus-value, meaning that capitalism is impossible in a free colony “where the land is still freely accessible.”

IV

LET US SUM UP:

Freedom brings Equality, Equality brings Peace.

We may rightfully call this the *gospel of Freedom*. Alexis de Tocqueville, in his celebrated book *L’ancien régime et la révolution*, actually praises the belief of the French people in “Liberté, Égalité, Fraternité” as a sort of new religion. His charming report reads as follows:

The revolution had two distinctly different phases. The first in 1789, when the love of equality shared the hearts with the love of liberty; when

¹⁸ *Op. cit.*, II, p. 63.

¹⁹ *Quelques Notes sur l’Amérique.*

²⁰ Jefferson, “Democracy,” quotations selected by Paul Padover, p. 131.

they aimed at creating liberal and not only democratic institutions, when they wanted not only to destroy privileges, but also to grant and solemnly secure rights. These were times of youth, of enthusiasm, of pride, of generous and sincere passion.²¹

Later on, he no less charmingly describes the content of this elating creed:

The Frenchmen who made the revolution believed in themselves; they did not doubt of the perfectibility and power of man; they enthusiastically admired his greatness, they believed in his virtue. They felt sure of being chosen to change society, and to regenerate our species. These passions and feelings had become to them a kind of new religion, producing some of the great effects which religion in its proper sense produces: uprooting their individual egotism, inciting them to deeds of heroism and devotion.²²

This "religion" has not only been revealed in Holy Writ,²³ but can be proved in the strictest manner by scientific analysis. We have no chance to win the peace for which World War II was fought unless we succeed in reviving the gospel of freedom. For the unrest of our world is a religious upheaval. It must at last be understood that the various forms of totalitarianism are but the outer sign of a deep-rooted dissatisfaction concerning our exclusively political democracy. Fascism, especially Nazism, and Bolshevism, demonstrate just those traits which de Tocqueville rightly calls the effects of religion proper: "uprooting individual egotism, inciting deeds of heroism and devotion." Of course, Nazism is the religion of hell, a sort of diabolism, and Communism is like the religion of Huck Finn, dead cats and cemetery rites and all. Nevertheless, the rank and file is carried onward by the fanatic zeal we know from all religious wars. They *believe* in their senseless programs; they are, literally, *true believers*. *Mein Kampf* and *Das Kapital*

²¹ *Op. cit.*, p. vi.

²² *Op. cit.*, p. 229.

²³ "The land shall not be sold for ever: for the land is mine; for ye are strangers and sojourners with me" (Leviticus 25, 23). "Woe unto them who join house to house, who lay field to field, till there be no space, that they may be placed alone in the midst of the earth" (Isaiah, V, 8).

are their Holy Writ, Lenin and Hitler their inspired prophets, the annihilation of the unbelievers is their sacred task.

We, in the exclusively political democracies, have as yet very little to pit against their creed. We are sure, of course, that the basic principles of our society are beyond any doubt eternal truths; but nearly all of us realize that so far we have failed in shaping our lives in accordance with those principles. There is too much that is rotten in our State: overweening wealth beside squalid poverty, corruption, crime, vice, epidemics, illiteracy. There are many more economic disturbances than could ever be explained away as mere coefficients of friction: crises, for one, recurring in almost regular cycles. And even this wonderful country, the farthest-progressed among all the great nations, will hardly be able to stand any large-scale repetition of mass unemployment. We shall certainly lose the peace guaranteed by our arms unless we succeed in stamping out the sinister creeds of our foes, replacing it with the gospel of perfect, genuine freedom. For although the enemy will never be able to conquer America from without, he might conquer it from within. *It can happen here!*

If, on the other hand, we succeed in convincing our people through word and deed that perfect democracy is possible, the danger from outside disappears. For we can promise—and deliver—both Freedom and Equality, whereas the enemy can offer only equality at the price of freedom.

The land monopoly can be broken. All that is needed is to stop the proletarian migration from the rural districts into the cities by offering the foot-loose people much better chances in the country itself. This can be done by creating agricultural co-operative settlements of the type this writer created in Germany—settlements which were acknowledged to be an unqualified success by the pre-Hitler German government.

There would be no unconquerable resistance to such a program from the Haves. Times have changed since 1907, when Winston Churchill enumerated the forces defending the "great monopoly so ancient that it has become almost venerable. We have against us all the modern money power. We have to deal with the apathy and levity of all sections of the public. We have against us the political machinery of class and privilege represented by the Second Chamber of the State."²⁴

Since that time, two world wars and one terrible crisis have shaken mankind. Large parts of the old middle class have lost their ease, the dismal phenomenon of mass unemployment has entered the political arena. The bourgeoisie has lost its clear conscience and its belief in itself and its prerogatives, just as the aristocracy of the *Ancien Régime* in France had lost both long before the revolution. The former "apathy and levity of all sections of the public" regarding political affairs has, in many sections, turned into alertness and seriousness. Taxes devour rent and profit. The big industrial entrepreneurs have at last understood that they are much more interested in all other entrepreneurs paying high wages than in paying low wages themselves—because high wages mean high purchasing power. The powers arraigned against reform which the young Churchill enumerated no longer exist, except for that handful of families who own half the farm area and much of the urban area of this country, and the big corporations which, to a great extent, are in the same hands. Except for them, few parties are interested in the perpetuation of capitalism as such—with all its faults, drawbacks, and sores. Most people defend it only because they believe that they have no choice other than between capitalism and totalitarianism; they do not want to forego the measure of economic, political and religious free-

²⁴ *Land and Liberty*, June, 1940.

dom they are enjoying. The moment they can be convinced that they will have more of all these freedoms than ever before, they will join hands.

It is the task of social science, especially of theoretical economics, to teach this gospel and spread the conviction that perfect democracy is more than a day-dream of some utopianist outsiders. The departments of economics at the universities of all civilized countries, Soviet Russia included and the United States not excluded, represent the worst of the bottlenecks to be overcome. Up to the present time, the experts have played ostrich. Not a single one of the decisive tenets of the masters, not a single one of the facts we have stressed, has found its way into the textbooks on economic theory; not even the fundamental fact of the maldistribution of the soil in the theory of rent; not even the fact of the tremendous migration to the cities in the theory of wages and profits! No one can deny that these facts are pertinent and must be taken into account in sound theory.²⁵

The times are too fraught with danger to exercise academic courtesy. Pull your heads out of the sand, my most venerable colleagues! Remember your duty to teach the truth, the whole truth, and nothing but the truth, and become again what you ought to be—leaders of the people, instead of flunkeys and retainers of their exploiters.

²⁵ I am aware, of course, of the numerous exceptions to my statement, from Carver of the old generation of economists to Bye of the present one. All honor to them! They would join me, I am sure, in this indictment. My complaint is that the exceptions are not numerous enough—not yet, anyhow—to constitute a majority.