

Meet Our New Dictator: Mr. Five Per Cent

Neo-Liberal Illusion: That Collectivism is Liberty is the title of an editorial which appeared in a recent issue of the Saturday Evening Post. A few days later it was reprinted in a full-page display in the New York World-Telegram, with the following comment: "We did not write this editorial, but we think you should read it. . . . It touches the life and the interest of every American. How you and some 130 million others meet the issue it presents will determine the course and the extent of this nation's development for the next century." With many points of view expressed in the editorial, the New York newspaper, PM, disagreed in a six-page story entitled PM Answers Saturday Evening Post's Attack on Common People. In the following article MARGARET HARKINS, a member of the editorial board of THE FREEMAN, gives her views on the discussion which has aroused nation-wide controversy.

* LITERATURE is the straw in the wind that points the direction in which modern civilization is traveling. Today the spoken and written word, the expression of mankind, foreshadows trends with unerring accuracy. If the current historical course veers away from the fate which overtook Greece and Rome we can thank the oft-despised mechanical age which has brought us the printing-press and the radio. These instruments might have saved the ancients, and it seems probable that they will save us. However, since it is the nature of man to seek to gratify his desires with the least effort, his redemption will not be realized through pursuit of enlightenment alone but through the exposure of his false knowledge as well. For false knowledge often seems to encounter the least resistance, as James Henry Robinson has so succinctly stated: "We like to continue to believe what we have been accustomed to believe as true, and the resentments aroused when doubt is cast upon any of our assumptions lead us to seek every manner of excuse for clinging to them. The result is that most of our so-called reasoning consists in finding arguments for going on believing as we already do."

That the *Saturday Evening Post*, in this year of 1942, published an editorial in which the editors advocated the cause of economic freedom, is a matter of great importance to the entire world. It denotes a trend. That the *New York World-Telegram* considered the editorial of such value as to reprint it in full, and that another New York newspaper, *PM*, devoted six pages of space to attacking it, adds to its importance. At first glance it

would seem that such expressions might come under the heading of "spreading economic enlightenment." But that all three publications failed to realize that the arguments as presented could not stand up under analysis because they were not consistent with the scientific laws of political economy, reveals how necessary it is to remind human beings of their lack of knowledge as well as to encourage their acceptance of objective truth.

First of all, the *Saturday Evening Post* states that this country is considering the abandonment of individual responsibility in favor of the total state. This trend, they say, started with World War I which "set up round-the-world ground swells of economic disturbance, which, after sweeping through Europe, finally caught up with the United States in 1929, throwing its business machine out of gear, bringing on financial panic, unemployment and, as a result, a horde of economic cure-alls, each one of which marked a step backward toward the old, old situation of the strong state and the weak citizen. Instead of natural forces being allowed to cure the economic body, the patient was loaded with stimulants and sedatives in the form of debt and subsidy, each dose of paternal pap making the people more and more dependent upon Federal hand-outs."

In discussing our present conditions it is, of course, necessary to start at some time and place. But why World War I? why Europe? Why not begin with Moses or with the Egyptians? Their problems were not unlike ours, and their reactions were much the same. Things had not changed when Grecian culture was paramount, nor had they been altered during the last sad days of Rome when her people were plagued by unemployment, black markets and ceiling prices. Moreover, the important current factor was not the economic disturbance which "caught up with the United States in 1929"; that disturbance and the World War which preceded it became inevitable on that day early in the century when the last free land, man's last outpost of opportunity, disappeared from the American social structure. It was then that we detected mockery in those words: "We hold these truths to be self-evident, that all men . . . are endowed by their Creator with certain inalienable rights; that among these are life, liberty and the pursuit of happiness." It was then that all men, destined to live in security on the earth, deprived themselves of that privilege, and consented to a master and slave relationship in which there can be no freedom. Nor did this arrangement come about as a surprise, without warning. A thousand years ago Pliny wrote: "Great estates ruined Italy," quotes Dr. E. E. Bowen in her recently-published book, *Economics Simplified*. "Historians tell us that when Rome fell her land was owned by 2% of her people; when Greece fell, less than 3% of her people were land-owners; Persia had already gone down when her land was held by 2% of her people;

and Egypt perished from the same cause—though in her case not until the land-owning portion of the population had been reduced to 1%. . . . Before the French revolution (1789) less than 1% of the people of France owned more than 50% of the land of France. In Russia before the revolution (1916) the Czar owned one-third of the land and the nobility owned another third. In this world of cause and effect cannot the same cause be expected always to produce the same effect?"

Dr. Bowen goes on to present statistics on land-ownership in most modern countries in Europe and Asia in the years of 1932 and 1936, and these percentages are ominously low, varying from less than 1% to 3.6%, this latter relatively high score applying only to one country—Scotland. While the exact figures for the United States as a whole are not available for the current year, it is apparent from state figures that in both rural and urban districts tenancy is on the rise, and to such a degree that it is believed that more than 75% of the American people are forced to pay tribute in the form of *speculative* rents before they can obtain a place to live or to carry on a business. Some concrete evidence as to how much tribute is exacted by this master, *speculation*, is presented in figures which show that sixty years ago property at No. 20 Wall Street, New York City, sold at the rate of \$30.00 per square foot, while at its latest sale it brought \$655 per square foot, or \$28,531,800 an acre.

The *Post* deplores the fact that natural forces were not allowed to cure the economic body, and that the patient was loaded with stimulants and sedatives. That was indeed deplorable. But to what "natural forces" does the *Post* refer? Only in a few isolated instances since the dawn of history has the one vital natural principal, man's access to the land without payment of tribute, been permitted to function. Therefore it would seem that allowing nature to take its course is not in itself sufficient; men must be educated to understand the workings of natural law and to understand the horrible results that follow in the wake of ignorance or ineffectuality. Likewise, they must become laboratory-minded when considering their stimulants and sedatives. The dangerous poison of the dole is easily sensed. But the average citizen has forgotten or never knew about the havoc caused in the early thirties by that sugar-coated pill, the farm loan bank. This subsidy had its genesis in the wheat lands of the nation, back in those hungry days at the close of the first World War, when Europe cried out for bread. Europeans got grain, and the American farmers got prices that made them fairly reel with the dizzy joy of riches. But that was not enough. The margin was pushed back, again and again; the plow broke virgin grasslands. Wheat flourished, prices rose, and land values soared. There was a time when wheat was pegged by the government at \$2.50 a bushel; there were districts where land values rose from \$50 to \$500 per acre, based not upon productivity but upon hope—the speculative hope of selling out to the first "sucker" who happened along. Then a prostrate Europe struggled to its feet, tilled its own soil. Wheat

As, when we find that a machine will not work, we infer that in its construction some law of physics has been ignored or defied, so, when we find social disease and political evils, may we infer that in the organization of society moral law has been defied and the natural rights of men have been ignored.

—HENRY GEORGE

dropped back to its normal value, and land values should have followed. But here the farm loan bank stepped in to "help" those farmers who had purchased land, contracted heavy debts, or rented farms, during the period when prices were sky-rocketing. The speculative rent line held firm, bolstered up by subsidy. Eventually the entire structure collapsed, carrying with it the economic strength of a nation, for the contagion had long since spread to all extractive industries, from there to commodities, and on to purchasing power. Yet even while the general depression set in to run its dismal course, and the graveyard of agricultural hopes blew itself into one of the mightiest dust storms in our history, our "economic doctors" assured a fear-ridden people that such "cycles" were inevitable. All this because of subsidy! All this despite the exhortations of political economists who warned against the administration of this palliative; they knew its dangers; they explained cause and effect; they urged the people to pause, to consider, to stop before it was too late. But the people thought, if they thought at all, that it could not and would not happen here. They gambled and they lost.

The *Post* cites the fact that present conditions in America may have been partly caused by "too many" immigrants coming to our shores to share a ready-made prosperity, rather than to seek freedom. Just what constitutes "too many" and how this calculation was made we cannot even guess. There seems to be more than a hint of the ill-reputed Malthusian theory here, and we have only to witness the struggles of Germany today to understand the diabolical evils concealed behind what appears to be a perfectly legitimate desire for more living space. The only ready-made prosperity which this country offered during the days of our great immigration influx was free land (and the effects thereof), and how eager we were to dispose of that to the first comer may be determined by actual figures—we gave away millions of acres and sold millions more at the rate of sixteen cents per acre. For a while, for a few short years, until land values soared to speculative levels, the immigrant got exactly what he was seeking—opportunity to make a living, *the only economic freedom*.

The human race manufactures most of its economic problems by periodically penalizing or destroying those talented members of society who can solve those problems, the *Post* contends. It goes on to state that this

deprivation leads to conditions which eventuate in capital-labor disputes, with allegations against both, whereas the "cold facts show that 85 per cent of all national income is paid out in wages and salaries, and that capital seldom keeps enough profit to do much better than break even." Now facts, cold or otherwise, could not possibly show anything of the sort, because of the difficulty of agreeing on the meaning of the term "national income." This vagary automatically cancels out all statistical values. Moreover, the amount of money distributed in wages and salaries is simply a measure of production and is in no way significant in determining the general welfare of a people. Whether wages are great or small actually matters little—it is the amount of speculative rent taken out of wages that determines the resultant degree of riches or poverty. But aside from that observation, is it possible that the *Post* is hinting that wages are paid by capital? If so, we should like to know more about the talents of those members of society mentioned at the beginning of this paragraph. For if those individuals who "exercise economic genius" as the *Post* puts it, hold to such a belief, (and we are led to assume that they do) it is clear that they, like the farm loan bank advocates, stand in the direct path of "periodic liquidation;" and that they are bound to carry a generous portion of the economic structure with them in their plunge toward destruction. These are the uninformed inventors, the deluded dreamers, the confused initiators of new enterprises, who stimulate progress on the one hand, and who, at the same time, cause poverty to increase at a prodigious rate through their adherence to false economic theories. In new countries, where development is beginning and production is in its infancy, both capital and labor fare well, as indeed they should at all times; yet in those sections where population is dense and wealth great, deep poverty prevails and the spectre of unemployment stalks, all because land values have soared to a point where they bear little or no relation to productivity. The moment that society makes a certain piece of land wanted and desirable, the master, speculative rent, steps in to demand tribute from his slaves—capital and labor. Cognizance and understanding of this one fact is the measure of "economic talent." It is quite true that society frequently yields to a sadistic urge to liquidate some of its most valuable and talented citizens. But we should prefer to be more specific in referring to them: Socrates, for example, who was the victim of a pressure group; the Physiocrats, those original sponsors of the single tax, who were guillotined at the beginning of the French Revolution; Jesus, the greatest political economist of all time, who was crucified while the Romans demanded and got freedom for Barabbas, a political seditionist.

Economic depressions lead logically to the subject of charity, and, says the *Post*, "there is no way, in the long run, of rewarding an individual beyond his fair value to society, and the brutal truth is that there always has been, and always will be, a certain proportion of any population unable to contribute enough to society

to warrant more than a minimum humane living standard. They cannot be allowed to starve, and the only way to make up the deficit between what they need and what they earn is to take it away from those able to produce more than they need." There is more than one political economist who is going to object, and violently, to this interpretation of "brutal truth." For upon examination it happens that this prophecy of what "always will be" turns out to be a "brutal lie," armed to the teeth with swords dripping the blood of battle-slain, and walking, hand in hand, with starvation and death. The society described here is one in which wars flourish, in which "cyclical" depressions reduce its citizens to whining beggars who stare with lack-luster eyes at their economic crumbs and murmur that Fate has willed such inconsistencies. Long before the *Post* made this unhappy promise of things to come, history records another statement: *The poor are always with us*. But this was not a threat—it was merely an explanation that those less perfect than gods should never cease striving to overcome their imperfections, and that this effort would bring its own reward.

Let us disillusion ourselves of the idea that society can blame the individual for his plight, when he is being consistently robbed by society. If, under the present economic system, an individual is able to maintain a "minimum humane living standard" (whatever that may mean) he is to be congratulated, not pitied. If he reaches a level where he must have assistance in order to keep from starving, would it not be wise to consider all the factors contributing to his condition before casting him aside as a useless human being who is to be fed in order that life may continue to exist in his body. There is, of course, a possibility that he may be feeble-minded, insane, incurably ill, or senile. But we do not believe the *Post* is referring to this minority. Rather, we think at once of the underprivileged "one-third of the nation." How did the nucleus of this group come into existence, and why, after 1929, did it reach such staggering proportions? Obviously because employment could not be secured; decreased buying power caused a decrease in production, decreased production led to more unemployment, and thus the vicious circle whirled on and on. But why the unemployment in the first place? Since man's desires are insatiable, it could not possibly mean that the market was glutted with unwanted goods. Somewhere there was a crack in the economic structure, and since economic structures have cracked again and again down through history, and always in the same spot, we immediately look there for the damage. And there we find it—in land speculation and its long train of evils. The world had thought to increase its comforts and at the same time ignore the natural law of motion—that man seeks to gratify his desires with the least exertion. And what price have we paid for our folly? We have paid our laborers more, and this increase has been immediately seized by the land speculators, the non-producers of society. We have maintained and fostered parasites. The "brutal truth" is that this small per cent of our population, the land speculators, represents that

proportion of society morally conditioned to live off the earnings of others. That they do live well means just as much as the fact that Al Capone lived well before he took up residence in Alcatraz.

In connection with this subject of charity the *Post* speaks of a "law" which is today being challenged. This is summed up in its statement: "The more the surplus—or, if you prefer, the more millionaires a society can produce,—the less suffering that society will experience in the lower brackets, because there are greater tax sources through which to support the untalented." If this comprises a "law," either human or divine, it is understandable that it would be challenged, and rightly so, for it denies all human dignity. The *Post*, however, is not concerned with that aspect. It points out that the challenge of this revolting idea permits us to fall into the fallacious trap of "production for use instead of for profit."

This fallacy is so childish that it is unworthy of mature thought; even the phrase itself is without meaning, and we suspect that its originators have discovered this. We are being constantly assailed by fallacies, and those with the knowledge and the strength to resist them are seldom even aware of their presence. In time they die, ignored and forgotten. Moreover, it should be remembered that this fallacy, like its kin, is a result, not a cause. It has gained hold in the confused minds of those who are seeking for an explanation of their economic ills. They must know, they must have an answer, and lacking the requisite knowledge to formulate that answer, they grasp at the first piece of nonsense that comes their way.

Perhaps the *Post* realized this when it stated: "The political and economic issues are so involved, so far beyond the grasp of most of us that the public becomes a milling, confused herd." We know that the *Post* would not willingly add one word to that confusion, yet we fear that it has unknowingly contributed most of an entire editorial. If the *Post*, a powerful national mouthpiece, tells the "little fellow" that political and economic issues are involved and beyond the grasp of the average person, it is committing the unpardonable sin of robbing the "herd member" of the bit of self-confidence given him by a democracy—the one attribute that will help him find his way out of confusion. The business of political economy is concerned primarily with getting a living, and even savages know how to go about that. It would be impossible for man to create a problem that he is not capable of solving, and the solution is usually a simple one. "Is there any one rock of truth to which the common man may cling while the storm rages about him?" asks the *Post*. It is to this rock of truth that a great magazine like the *Post* must lead its readers. It is wholly unnecessary and unfair to tell them that they may fall by the wayside and become part of a "milling, confused herd."

"Is there any one pillar of freedom which is a key to all freedom around which he (the common man) can concentrate his defenses?" queries the *Post*, and then answers: "There is such a freedom. Economic

Tariff Fallacies

(From "What Is the Single Tax," by Louis F. Post)

Protective tariffs are crude schemes for raising the prices of home-produced commodities and thereby—so the argument runs—of home wages. By levying taxes upon imports from other countries, thus increasing their prices—for taxes on products add to the prices consumers must pay—advocates of protective tariffs infer that high prices on home products will be encouraged and that therefore high wages for work will be paid by home employers.

The characteristics of that remedy for social defects are fully discussed from the Single Tax point of view by Henry George in *Protection or Free Trade*, which was published in 1886 when protection policies were extremely popular in the United States.

Tariff protection is not even a superficial remedy for social disorder. Nominally designed to encourage wealth production at home by lessening competition from abroad, it in fact chokes production at home by abnormally increasing the prices of "protected" home products and thereby lessening effective demand for their consumption.

What can protective tariffs be in practice but a check upon delivery of foreign products in exchange for domestic products? They obstruct trade for the benefit of domestic monopolies. Only in so far as world trade is free can home producers be free. Trade being absolutely essential to diversified production, the freer it is the better it must be for all producers.

freedom." Here the *Post* has at last hoisted its banner atop the "rock of truth." Two words, *economic freedom*, make this editorial important to the entire world. With this key we hope the *Post* will unlock other truths to give to its readers. For if the *Post* joins in spreading economic enlightenment we shall not be fighting our fight alone. We shall not have to await that dreaded hour of global slavery when world land ownership is controlled by five per cent of the world's population. We shall not have to meet our new dictator: Mr. Five Per Cent.

The earth belongs to the living, not to the dead. Each generation has the usufruct of the earth during the period of its continuance.

—THOMAS JEFFERSON