

The Beneficence of
Natural Law
in the
Economic World

BY CHARLES H. SMITHSON

*Presented at the International Conference
on Land Value Taxation and Free Trade,
Edinburgh, 1929.*

PRINTED IN GREAT BRITAIN

The Beneficence of Natural Law

By Charles H. Smithson

The sociology of the present age is marked by a complete lack of faith in fundamental principles as a guide to the conduct of life. Statesmen—politicians—leaders of thought in religious and social affairs, appear to be governed more by the dictates of expediency than by an effort to bring human law into conformity with the principles of justice and freedom.

Whenever a social problem is traced back to its root cause in some social injustice, the explanation is set aside as doctrinaire by well-intentioned individuals who are more concerned to “do something here and now” to palliate the resultant suffering than to remove the injustice from which it springs. The victims of the injustice are led to believe that their suffering is due to natural causes or to the frailty of human nature. This doctrine has led countless thousands to question the existence of beneficence in the great “Order of Things”; yet the teaching of Henry George proves beyond a doubt that undeserved poverty, side by side with undeserved wealth, is not inevitable but is directly traceable to man’s violation of natural law. In one of the concluding chapters of *Progress and Poverty*, Henry George says:—

“When I first realized the squalid misery of a great city it appalled and tormented me and would not let me rest until I had discovered the cause, but out of the inquiry came something I did not seek to find and a faith that was dead revived.”

The faith that was restored was a profound belief that when political institutions are made to conform to the principles of righteousness, liberty and justice, then all things will work together for good. The emphatic note of all Henry George’s teaching is—Seek ye first the reign of justice.

The fundamental basis of justice and liberty upon which he insists is that whatever nature provides for the use of mankind should be treated as the common heritage of all.

In religious terminology this statement of an elementary principle of justice finds additional emphasis in the expression that whatever the Universal Father has created for the equal use of all His children should be treated as their common inheritance. It will be observed that this principle extends far beyond the limits of national boundaries. It is the doctrine of the earth for all the children of men irrespective of creed, colour or race—the fundamental basis of true internationalism—bringing every nation and race into one great family of human brotherhood. It is as undesirable as it is impossible for the citizens of one country to interfere with the internal politics of another, nevertheless it becomes the paramount duty of men of good will within every nation to work for the realization of this great international ideal within the limits of their own sphere of influence. If the Henry George principle, including the free interchange of trade between all nations, were applied in all parts of the world, the most fruitful cause of international jealousy would disappear and a solid foundation would be laid for an all embracing League of Nations.

At the present time, in all civilized countries, the righteous principle of treating the earth as the common inheritance is ignored. This constitutes a monstrous social iniquity for the continuance of which every member, in a democratically constituted Society, is responsible. In the days of chattel slavery, the abolitionists were moved by a sense of the INJUSTICE of slavery rather than by a desire to improve the condition of the slave, and to-day the social crime which dispossesses hundreds of millions of men, women and children all over the world of their equal rights in what nature has provided for them, should be abolished, not on grounds of expediency but on grounds of morality; that is, not because its abolition would improve social conditions, but simply because it is a cruel wrong, the continuance of which is criminally UNJUST. Not until this great wrong has been rectified will the beneficence of natural law be fully realized and understood, for, as Henry George says, "It is not by accident that the Lord thy God is a just God, preceded the sweeter revelation of a God of Love." The parallel between robbing the chattel slave of his freedom and robbing men of their freedom to use what nature has provided for their sustenance is closer than most people imagine. The comparison shows that the legalized recognition of private property in the bounties of nature creates a condition of economic slavery worse in many respects than chattel slavery itself. The slave owner had to provide food, housing, clothing, maintenance in sickness and old age, and private interest dictated that the slave should be kept in good physical condition. The competition of unemployed men, deprived of the natural opportunity to employ themselves in the primary industries, drives them to accept wages below the standard meted out to the slave. If some wealthy employer offered to provide men with food, housing, clothing and maintenance, are there not hundreds of thousands who would gladly contract to serve him for the rest of their lives in return for the security of these conditions? But, as Henry George says, "Who would make such an offer when men can be hired so cheaply?" The fact of depriving men by law of their right to employ themselves is the initial factor which leads to unemployment, low wages and the manifold evils which spring from poverty.

Superficial critics assert that the simple remedy proposed by Henry George cannot achieve the great results which are claimed for it. The remedy proposed is to substitute justice for injustice in the relationship of men to the only source from which they can supply their needs. Is it, after all, such a small thing to substitute justice for injustice? A tree is known by its fruits. Under present conditions we see on every hand the fruits of injustice. Will it be very remarkable if the substitution of justice produces very different results?

The question now arises—can this injustice be removed in the complexities of modern life by a method that will lend itself to modern industrial conditions? Starting with the principle that all have common rights to what nature provides, how can this just principle be made effective? It is here that a natural law, the economic Law of Rent points the way, for it discloses the superiority of any land over the poorest land in use. If, therefore, the higher values, disclosed by the economic rent line, are taken for the community, and land having no economic value is left free, it follows that every member of the community will be put on an equality in reference to the bounty of nature. The law of rent is the keystone of the whole social structure and an intimate knowledge and clear appreciation of this law throws a flood of light upon every social problem from the centre to the circumference of the Body Politic.

This law of rent, discloses what should be treated as a communal value, a value which increases as population grows, civilization advances and public needs arise. All accumulated knowledge which increases the efficiency of labour and capital in the production of wealth, and all new inventions and improvements in the arts of production crystallize into economic rent. If, therefore, economic rent were taken for the community, it would ensure that the whole community would share, in common, the advantages of an advancing civilization. Individuals who have given but little consideration to the law of rent will no doubt consider this an extravagant statement, but it is one that can be clearly demonstrated. The law operates as the result of two natural phenomena reacting upon one another. The first is that the natural element land varies in the advantages which it offers for the production of wealth, either on account of its natural fertility, its richness in minerals or its geographical position. The second is that it is a natural instinct in mankind to follow the line of least resistance in producing what is necessary for the satisfaction of material needs. These two phenomena brought into contact call forth the natural law of competition, and the law of competition determines the degree of economic rent. For if two or more men, having an equal right to what nature has provided, are faced with the opportunity of satisfying their needs from land, some parts of which offer greater advantages than other parts, each man will naturally desire to employ himself upon that part which will give the greatest return for an equal amount of labour. Free competition amongst them will induce them to offer a premium for the use of the best land and this premium will measure the full superiority of the advantage which the land possesses. This premium is economic rent. When the full economic rent, disclosed by unfettered competition, is taken for the public, the whole community will secure the full measure of the advantage attaching to anything provided by nature. The law of competition and the law of rent will then be seen working together for the good of the community.

To illustrate—let us suppose that three men form a little community, with land available for their use which will yield 100, 60 and 20 units of wealth respectively to the same application of labour and capital. Naturally each man would desire to employ his labour on the section which would give him the 100 unit return. Granting accumulated knowledge in the arts of production is available for them all and that all have a common right in the whole of the land, how can justice be secured amongst them? Economic rent decides the point. If *A* has the benefit of occupying the land which yields 100 and *B* the land which yields 60 to the same amount of labour, whilst *C* occupies the land yielding only 20, it is clear that *A* enjoys an advantage of 80 and *B* an advantage of 40, over *C*. If, therefore, *A* and *B* hand over 80 and 40 into a common fund, each of the three men will be left with 20 due to an equal exertion of labour and there will be a common fund of 120 to be used for their common needs and enjoyment. If, however, any one of them works more efficiently than the other two and produces more wealth than the economic rent discloses that surplus should be his on the principle that the produce should belong to the producer. Let us now suppose that population has increased and that the advantage of *A*'s land arises from its adaptability as a site for manufacturing processes, and *B*'s land is rich in minerals and *C*'s is purely agricultural land. Along comes an invention which, with no further exertion on *A*'s part, increases the productivity of his land from 100 to 500 by the use of the new manufacturing process. As this process cannot be utilized with advantage on *C*'s land where population is sparse, it sends up the economic value of *A*'s land and the

economic rent would disclose a margin of 480 to be paid into the common fund. Then comes an invention which enables the latent power in coal to be extracted at the coal face instead of the mineral having to be brought to the surface. This increases the productivity of *B*'s land to 1,000, and economic rent would then reveal a margin of 980 to be paid into the common fund. Under the present system *A* and *B* would reap the full advantage ostensibly as mill-owner and colliery-proprietor, but in reality as landlord and royalty owner. Under the new system the full advantage arising from the application of the improved processes would pass into the public treasury. As a concrete example of how improvements in the arts of production crystallize into rent, compare the rent roll of our manufacturing cities to-day with the rent the same land commanded before the introduction of labour-saving machinery, whilst the rent of agricultural land in the same period has remained almost stationary. Moreover, the rate of interest per every £100 of capital employed in industries open to full competition has remained almost stationary likewise, after due allowance has been made for industrial risks.

Reference has been made to the important part which the beneficial law of competition plays in the determination of the full economic rent. The law of competition, springing as it does from a natural instinct in man to satisfy his needs with the least exertion, is one of nature's laws; and, like any other natural force, it can be made to minister to the good of mankind or be turned into a destructive agent. A fair field and no favour are the essential conditions in which, alone, this law can operate beneficially for the good of all. But this fair field is denied when the majority of men are prohibited from employing themselves according to nature's plan. Nature imposes upon man the necessity to labour to satisfy his material needs, and at the same time provides him with a storehouse from which he may provide himself with everything he wants. It is therefore in the natural order of things that men should go direct to this storehouse. Unjust human laws and institutions, however, impose an obstacle by giving power to a few to say in effect to the many—You shall not obey this law of nature until you have obtained our permission—a permission which is frequently withheld. The disinherited are thus driven into an unnatural competition to find work in an artificially limited field. Being unable to employ themselves they have no alternative wage to bargain with when contracting with an employer to render service. The competition is one-sided and this unjust competition is clearly traceable to the denial of equal rights to the bounties of nature.

When, however, the economic rent is taken into the public treasury through the medium of taxation, the occupation of land, beyond the requirements of individuals for their own needs, will cease to be an advantage. Any quantity of land, at what will become the natural margin of cultivation, will be available, and the wage which men can make for themselves at this point will become the natural minimum below which no man need work. Men of superior ability will find larger scope for their higher abilities and organizing capacity, on superior land, and the competition of these men for the more productive sites will send up economic rent, which, when taken for the community will secure for the community the advantages arising from productive efficiency and the best use of land.

It is usually claimed that private ownership is necessary to call forth the most efficient use of land. But this claim cannot be substantiated, as the only conditions necessary are security of tenure with security of improvements. Secure tenure, however, should be accompanied by periodic revision of assessment so that any variation of economic rent may pass into the public

exchequer. The system which legalizes the absolute ownership of land in private hands is unjust to the disinherited masses and cannot be defended from any point of view.

Private property in things that have been produced by labour can be justified on moral grounds, but private property in nature's gifts offends against every moral principle. It enables the owner to command service without rendering service in return, and therefore does not conform to the moral principle of service for service, which is the central law of social development. There is no service rendered in simply giving permission to use something which nature has provided for the common use of mankind. A concrete example shows this quite clearly. Consider the working of an ordinary colliery. The miners render a service in bringing the coal to the surface; the colliery proprietors render a service in organizing its distribution and providing the machinery to assist labour in its production, but the so-called Royalty owner renders no service—he does not provide the coal, he simply extracts a payment for the use of what nature has created for the equal use of all.

The same argument applies to economic rent paid to private individuals for the use of any kind of land whether urban, mineral bearing, or rural. The reason why this truth is not more generally recognized is that in most forms of what is paradoxically termed "real property," there is frequently a large proportion of value which has been produced by individual effort, and which, therefore, should belong, like every other product of labour, to whoever has produced it, or to whom it may have been transferred by gift or sale. It is only the portion that comes within the economic definition of the term land which should be treated as communal property, and for the practical purpose of taking economic rent for society, a valuation separating the two values will be required.

When the full "economic value" of land is taken for the community through the Rating and Taxation of Land Values, all kinds of sound national developments may be undertaken with the certainty that they will prove to be remunerative. For example, arterial roads, tube extensions, the electrification of suburban railway services, central electric power stations to provide electric power and lighting in rural areas, the reclamation of waste land, big drainage schemes, and many other useful developments could be undertaken and would all have one striking economic effect in common. They would all add to the economic value of land where the additional services were enjoyed. If this value were taken for the community there would be a tangible communal asset which would make these developments self-supporting and fully justify embarking upon them with a view to finding useful opportunities for the employment of labour. These additional opportunities, coupled with the fact that underdeveloped land of all kinds would be thrown open to labour at its true value (since the economic rent would be taken whether the land were used or held idle), would provide the natural solution for the unnatural problem of unemployment. Enforced idleness certainly is unnatural, for there are millions in dire need of the things which the idle men could produce, and nature freely offers all the necessary raw materials.

Take housing for instance. Under free economic conditions more land for housing would come into the market on the outskirts of towns than would actually be required for housing. The price would therefore drop to little more than its agricultural value. Then undeveloped land containing stone, slate, clay, would also come into the market which would

smash the rings controlling the prices of housing materials. The house, when built, would be de-rated as far as the value of the house was concerned (the site value alone would be rated). All these things would give an impetus to the building trade, and workmen now unemployed would produce wages which they could exchange for the products of other industries. A beneficial circle of employment would be started originating in the liberation of the land at its true value in the building industry. With human wants unsatisfied, and nature's opportunities thrown open to everyone on equal terms, the problem will naturally transform itself into a scarcity of labour instead of a perennial surplus.

Then a new era in industrial evolution will begin. Under existing conditions the capitalist employer can take advantage of unemployment to exploit labour. The power of the capitalist rests entirely upon the existence of chronic unemployment, and unemployment springs in the first place from land monopoly. Karl Marx stated the case clearly when he said "the expropriation of the people from the soil forms the basis of the capitalistic mode of production." By "capital" Marx means the power of exploitation. When two men are competing for a job, the capitalistic employer possesses this power and wages fall, but when two employers are competing for one man, wages will rise. Then will be seen the natural law of competition in its true light, as an agency for good and as a more perfect instrument for establishing service for service between man and man than anything that human ingenuity could devise.

When the law of competition operates under the just conditions of equal freedom for all, the competition of employers will raise wages to the full value of the service rendered. But the worker's ambition is for something more than wages. He demands his true status in industry, and it will only be the firms which offer conditions of employment to satisfy this need who will get labour to work for them.

The new era in industry will be marked by a development of voluntary co-operation and co-partnership in production and distribution which will achieve all that most of the Socialists are working for, without the soul-destroying sacrifice of individual liberty involved in a scheme of State control of all labour and all the means of production, distribution and exchange.

We therefore see that in seeking first the reign of justice all things will work together for good. If anyone doubts this conclusion, let him put his finger on the weak point in the argument.

But do not let it be supposed that Henry George claims that what he has described as the "first great reform" is both the beginning and the end of all things. He only claims it as the beginning, the first step, that will make all other efforts at social improvement easier and more effective. His main point is that "*unless its foundations are laid in Justice* the social structure cannot stand." Then he goes further and says that "with the fraternity that is born of equality taking the place of the jealousy and fear that now array men against each other, who shall measure the heights to which civilization may soar?" He takes us up to the mountain tops from which we catch a glimpse of the promised land and of the possibilities of the Kingdom of Heaven upon Earth.