

The Philosophy of Freedom

An Open Forum for Single Taxers

PRIVATE OWNERSHIP JUST

CAPITAL THE PROPERTY OF THE PRODUCER

AND INTEREST LEGITIMATE ARISING FROM THE SPONTANEOUS INCREASE OF LIVING GROWTH IN NATURE—A PAGE FROM THE TEACHINGS OF HENRY GEORGE.

Is it right that individuals should own capital, or do the true rights of ownership demand collective control by the entire people?

Is the return to capital a legitimate return or is it an unjustifiable appropriation of the fruits of labor?

These are questions that are pressing for an answer in the minds of many intelligent persons today. The plutocratic economists make no satisfactory replies. The truth, had they but the courage to proclaim it, condemns them as thoroughly as do the misshapen phantasies of socialism. Unwilling to meet the socialist, argument for argument, from fear of the greater condemnation of truth, they endeavor to belittle and stigmatize his inquiries by cries of "anarchy" and "robbery." It remains for the economy of Henry George to refute and expose the fallacies of socialism.

In examining the justice of private ownership of capital, let us first determine the fundamental rights of ownership in general, bearing in mind that capital consists of labor products used to create more labor products, which definition excludes land from the category.

It is not difficult to locate the origin of the recognized possession that enables a man to say "this is mine;" unquestionably, such claims arise from the right of the producer to the product. That which a man produces by his labor is his as against the whole world and no man has a moral right to deprive him of it. Two men, three men, a hundred men, a community, have no more right to confiscate his earnings than has the one man. The right of ownership lies in the right of a man to himself. This is the fundamental source of all true property rights. The owner of property must either have himself produced it, secured it by purchase or gift from him who did produce it or from one who could trace a clear title from the original producer.

Hence, any form of property to which the owner can show a clear title from the original producer, admits of private ownership.

Of all the various forms of property, there are but two to which a title of such origin cannot be granted, and these are property in land (nature) and property in men.

The private ownership of capital, to which the owner can show a clear title from the producer, is, measured by this standard, perfectly and undeniably just.

But capital, as one of the factors of production, receives a return called "interest;" what is the origin of this return, and is it defensible as due for value received?

In making this inquiry, it is imperative that the payments to capital engaged in production and payments to monopoly and special privilege—such as appropriations by owners of railroad, oil and timber lands, franchises, patent rights, coinage privileges, etc., and usury, which is the exaction of the professional money lender from the needy producer—be kept separate. Only the former is interest; the latter (except in case of tariff, patent and coinage privileges) is usually rent, exactions by monopolizers of some form of land values.

There are three modes of wealth production—growing, adapting and exchanging. The first includes such operations as raising cattle, bees, crops, etc., and in all operations of this class, nature performs a part aside from the efforts of labor. For instance, if I turn out a flock of cattle in a grazing country, I will have on an average an increase at the end of the season. Similarly, there are hundreds of other operations in this mode, which is necessarily a most extensive one. Suppose that a loan is made of capital of this class. Let the loan be a lamb for example. Clearly, the borrower should return at the end of the season, not a lamb, but a sheep; that is, the original loan plus its natural increase. In this case, the return in excess of the original loan is unquestionably just.

The second mode includes all those operations necessary to the alteration of the inert matter of the universe into shapes fitted to satisfy the desires of man. The manufacture of chairs, tables, machinery, etc., is of this mode. Obviously no natural increase attaches to capital of this class.

The third mode embraces all those operations of trade and commerce, which make possible the mutual en-

joyment, by peoples widely separated, of the natural advantages and skill in various occupations peculiar to each. To many operations of this class (but not to all) there also attaches an increase similar to that due to the reproduction forces of nature. "In one place, for instance, a given amount of labor will secure 200 in vegetable food or 100 in animal food. In another place these conditions are reversed, and the same amount of labor will produce 100 in vegetable food or 200 in animal. In the one place, the relative value of vegetable to animal food will be as two to one and in the other as one to two; and supposing equal amounts of each to be required, the same amount of labor will in either place secure 150 of both. But by devoting labor in the one place to the procurement of vegetable food, and in the other to the procurement of animal food, and exchanging to the quantity required, the people of each place will be enabled by the given amount of labor to procure 200 of both, less the losses and expenses of exchange; so that in each place the produce which is taken from use and devoted to exchange brings back an increase." (This is made very plain by use of charts, in Louis F. Post's "The Single Tax," published by Frank Vierth, Cedar Rapids, Ia.; 25 cents postpaid. It is a fact that advocates of the protective tariff never attempt to "explain.")

But this natural increase attaches only to capital engaged in the modes of growing and exchanging; how then can interest be justly demanded by capital of a non-increasing nature, such as money (which can be readily exchanged for capital), machinery, buildings, etc.? Simply this: Since all forms of wealth are interchangeable—may be substituted one for another—any natural increase attaching to one class of capital must be averaged among them all, otherwise capital would tend to engage only in the mode of affording an increase.

Thus we see that interest is not alone a payment to the lender for the use of a coveted article, but is the return by the borrower of the average increase which would attach to wealth of that value in exchange, if used for a given period in those modes affording a natural increase, and which justice demands be returned to the owner, that he may suffer no loss.

But payments from borrowers to lender form but a small part of the returns to capital and, while the payment of normal interest by lessee to lessor is in itself perfectly legitimate, such payments will largely disappear with the necessity for borrowing upon the abolition of special privileges. The great bulk of interest is even now composed of returns to the merchant, artisan, manufacturer and farmer employing his own capital in active production, and upon the destruction of monopoly these will form a still greater part of interest.

This latter portion of interest is by some termed "profits." It must be understood, however, that any excess of profits due to monopoly is not interest. When these exorbitant returns are not due to artificially created monopolies—such as those originating in the tariff, patent and coinage laws—they are traceable to some form of land monopoly and then they must be credited to "rent."

Normal interest (profits), uninfluenced by special privileges, is just as legitimate as wages.

For instance, a certain man has, by dint of hard work and self-denial, accumulated two thousand dollars. He determines to engage in the dry goods business and exchanges his money for the necessary capital. The ability and labor necessary to conduct so small a business may be no greater than that required from the average clerk, yet we instinctively feel that this man should receive more than his clerk. He must keep on his shelves, from day to day, stored up labor (capital) with which he serves his customers as well as with his head and hands, yet, according to the socialist, he should receive no extra compensation for his capital, but only the wages of a dry goods clerk performing the same mental and manual labor.

But nature's view coincides with the intuitive perceptions of man and by affording a natural increase in the modes of growing and exchanging, she says, that either this man must be paid a certain amount for keeping capital awaiting the consumer's convenience,

or else men will refuse to sell dry goods and use their capital in those modes affording an increase.

That this man, who thus offers his labor in concrete form, should be remunerated for that service as well as for his labor as a dry goods clerk, is patent to any right-thinking man.

Now all of the natural increase that attaches to exchange, cannot be claimed by the capitalist; neither can he claim (with nature open to all on equal terms) all the wealth produced by the laborer above that which will barely suffice to keep him and his family, as is claimed by the socialist. While nature has ordained that a man shall be paid for the use of his stored-up labor, she has been careful to see that the payment shall be no more than is just.

There is evidently nothing in the increase arising in exchange to determine the amount accruing to capital. We can only say that it is regulated by competition, but this is like saying that a locomotive moves forward because its wheels revolve.

The secret, then, lies in the reproductive modes.

All wealth obtained from any given land, in excess of that to be secured upon the most desirable land open to free use goes to the land owner in purchase price or periodical payments. This is an axiom acknowledged by all the authorities of economics.

Thus the amount going to capital of a given value in any branch of industry can be no greater than the return to capital of the same value used in the reproductive modes on the most desirable land open to free occupation.

When a considerable amount of capital occupies cheap land, as in the case of a large factory in the country, the return to land is not to be measured by the amount paid for the lot, as short sighted socialists contend. This is but a very small part of rent. Land of every description, the products of which enter into the manufacturer's business, levies rent upon him through the cost of raw materials. Let the capitalist manufacturing cotton cloth, say, make more than the normal rate of interest, and others will (if there is no monopoly of cotton or transportation land) enter the business; there will follow an increased demand for cotton and since more wealth can then be obtained from cotton land, the price of the land (regulated by the wealth obtained from it in excess of that to be obtained up free land) will go up, with a corresponding increase in the price of raw cotton.

To state the law of interest concisely: Interest, the return to capital, is regulated by the natural increase arising from the reproductive forces of nature, and its average amount will be that which can be secured in the reproductive (growing) modes, on the best land open to free use.

Thus, the amount which the owner of a labor-saving machine may demand, is not all the product in excess of an amount sufficient to afford but a bare living for his employe, but only a portion equivalent to what could, on the average, be obtained by the employment of capital of equal value in the reproductive modes on the best free land.

Wages are regulated similarly, and if only a sum sufficient to afford a bare subsistence remains for the laborer, it is plain that in the quality of the free land and misappropriation of land values, and not in the unrighteousness of interest, lies the cause of the trouble. The wages of those laborers engaged directly on the land are determined by the wages they can make "working for themselves" on the best free land. The wages of all other classes are based on these.

"But," says the socialist, "if the state assumes control of production, this return will go to the consumer in reduced prices; society will be the capitalist and asks no interest."

But this is a return that the consumer owes capital, just as truly as he owes a return to labor. In fact, it will be seen that capital being but stored up labor, interest is but a form of wages anyhow. To evade its payment we must deny the natural right of the individual to engage in production, and substitute for nature's just and infallible laws, corruptible and fallible officials with power to direct production and regulate wages.

Referendum or no referendum, such a breach of natural rights would result in a reign of despotism and corruption to which no American community would submit. It may be objected, that interest goes today largely to persons who can show no clear title to the capital. That is true. But the way to correct the evil is not to commit a greater one, but to destroy the monopolies that give to him who does not produce.

When it becomes impossible for a man to obtain wealth without rendering its equivalent in his labor, whether stored up or not, then will interest go, as it should go, to producers. When

the laborer and capitalist (not monopolist) obtain their full reward, it will be impossible for any man to accumulate the stupendous fortunes of today, and the laborer and capitalist will be, as they should be, embodied in the same man.

Concentrated capital will be owned jointly by the producers, and then we will have the true co-operation—not an enforced, governmentally controlled organization, but a voluntary association of the workers.

Applying our conclusions to socialism, it is seen to be an unjust scheme of confiscation and restriction, arising from a failure to properly differentiate land and capital; ignoring the rights of man and shaped in defiance of immutable natural laws, it can have but one destination—industrial despotism.

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Last year the state tax for Loup county amounted to \$657.97. This year it amounts to \$1,430.54. This, as can be readily seen, is more than doubled and why it should be thus is a question asked by many. The levy is arranged by the state board of equalization, and it might not be out of place to here remind our readers that there is nothing in a name. In Garfield county the state levy this year is 5½ mills and in Loup county it is 7 mills. This, in our judgment, is the result of the election of "Our Man Mickey" by the railroads. Garfield county has a railroad and it would have to pay its share of the taxes in that county, but here in Loup county there are no railroads and the whole burden falls on the dear people and that is why we got 1½ mills to pay more than Garfield county. Just now the taxpayers are beginning to feel the effects of Bartleyism and the assessment has been raised throughout the state, but our enthusiasm and "vote 'er straight" propensities were no greater than in other counties and it is certainly a great injustice that we should be held up for more than our share.—R. S. Scofield, in News, Taylor, Neb.