

# *Economic Systems and Forms of Government*

9441



# Economic Systems and Forms of Government

The following scholarly discourse on government is from the pen of WILLIAM H. RINKENBACH. Who's Who in America lists Mr. Rinkembach as principal chemist at the Picatinny Arsenal—he has been at the Arsenal for many years—and instructor in the Henry George school of Social Science since 1940. Despite the attainment of outstanding position in his highly specialized profession, Mr. Rinkembach's chief pride appears to be in his connection with the Henry George School.

Mr. Rinkenbach's home is in Dover, N. J.

\* **ALTHOUGH THE FINDINGS** and proposal of Henry George might appear to deprive the common man of his greatest hope and solace—the opportunity to become rich and powerful,—in reality they spread before him the prospect of an even more substantial and less hazardous reward: the surety of opportunity to produce and accumulate real wealth and security in its possession.

In order to recognize the reality of this Promised Land and to chart aright the road which will lead us directly to it, it is necessary to consider the various other roads which have been claimed to lead to the same land. These are the various forms of government which are or have been in existence and which, in reality, are but the pragmatic sanctions or reflections of economic systems.

Forms of government may be divided into two general classes:

- I. *Statist.*—The basic theory of which holds that the individual exists primarily for the benefit of the state.
- II. *Libertarian.*—The basic theory of which is that the state exists by the choice of and primarily for the benefit of the individual.

Each of these classes contains a number of types of governmental forms as shown by Figure I.

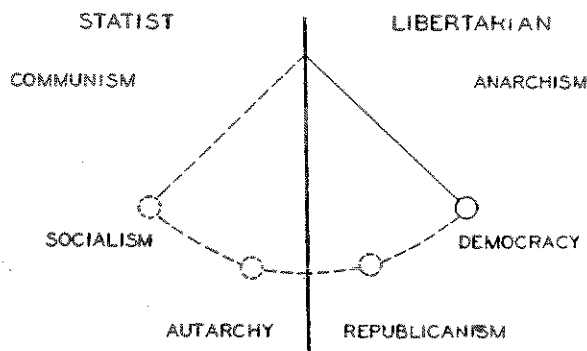
STATISM  
COMMUNISM

Communism, the extreme form of Statism, is based on a purely ethical concept which is expressed best by the Communist creed: "From each according to his ability: to each according to his need." The principle of Communism therefore is ethical, but the purpose is economic. The ethical principle can be refuted on ethical grounds only, and by the proposal of an even more ethical principle. The purpose of Communism must be judged from the viewpoint of political economy. In order to accomplish the purpose of Communism, the state holds ownership and controls the use of all land and capital, and confiscates economic wages and disburses these on a non-economic basis. In order to control the use of land and capital, the state must control labor; which means that the state must deny personal and economic, if not political liberty to the individual. In practice this means that the individual exists solely for the state, is required to give as much labor or service as is demanded, and receives only what the state considers his need to be.

A number of attempts have been made to apply Communism on a practical basis. The smaller experiments—usually fraternal organizations—have been successful for limited periods only. The only large-scale experiment—Russia—has been made during the past twenty-five years, and this period has witnessed a retreat from the basic principles of Communism to a form of government more closely resembling Socialism.

## SOCIALISM

In contrast with that of Communism, the basic concept of Socialism is economic. This is the claim that, unless prevented by the state, capital tends to absorb as interest all the product of labor except that required for the bare subsistence of labor. The meaning of the term capital as used by the Socialists is somewhat obscure, as Marx did not define the term in his basic work "Das Kapital." It may be taken to mean, generally, large aggregations of money which are used to control economic capital and natural resources. If this is the Socialistic meaning of capital, part of the claim undoubtedly is true; but if the term applies only to economic capital, there is no proof of the claim.



Like the Communists, the Socialists believe that the natural laws of political economy are ineffective and that economic systems can be made efficient and just only by the control and planning of a group having the power to decree.

The Socialist proposal to insure the adequate distribution of wealth is that the state own all land, public utilities, large work-shops, and materials and means of production, and that the state enforce strict regulation of all trade and industry.

This proposal recognizes no point beyond which the state should not go, and in practice there could be no such point. Because of the complicated integration of industry there can be none. In order to control and regulate large industries, it is necessary to absorb and control smaller and smaller industries. The ultimate purpose of Socialism, therefore, is that of Communism—the ownership and control by the state of all industry.

Socialism differs from Communism in that it proposes a different distribution of wealth, which is to be on the basis of equity, but Socialists are not in common agreement in this respect.

The position of the individual under Socialism is similar to that of a cell in a living body, in that the rights, liberty, and actions of the individual are subordinate to the welfare of the state. Under a Socialistic

form of government the state dictates the mode of life of the individual even in details.

Experiments in Socialistic government have been made on small scales. While temporarily successful, as pointed out by Woodward, these have ended because of disagreements rather than economic failure. Such disagreements and withdrawals were practicable because of the smallness of the experiments. In a national, large-scale experiment the liberty to disagree and withdraw would not exist; and revolution by force would be required to change the existing order.

At present Russia may be considered a large-scale experiment in Socialistic government; and the stability of this form and its success as judged by the material lot of the common man must await the decision of the future. The Nazi and Fascist governments of Germany and Italy, although labeled Socialist and Corporative State respectively, actually belong to the Autarchic type of government.

#### AUTARCHY

Autarchy is government by a small, coherent group of individuals not responsible to others for their actions. This form of government is best exemplified today by the existing regimes in Germany and Italy. Actually an autarchy may consist of a group maintained in power by (1) force of arms, or (2) control of finance, land, and capital. In the former case the common man is painfully aware and plainly told that he must be in all things subservient to the state. In the latter case he is cleverly deceived into believing that he still is free and, as such, has a share in determining his own government and personal actions. From him, one by one, are so stealthily filched his guarantees of freedom that he is scarcely aware of the significance of the loss until it renders easy his next despoilment.

The history of Germany from 1910 to 1940 is particularly illuminating in connection with the autarchic form of government. In 1910 the imperial government was almost purely autarchic. The end of the first World War brought the hasty erection of a government of republican structure; but underneath this the factions representing Communism, Socialism, financial autarchy, and republicanism fought for control. In 1933 Autarch won by the united efforts of the Nazi forces and the financial autarchists. The latter expected to control the former, and have both the people and the state function primarily for the benefit of a compact, integrated industrial and military autarchy. However, Hitler with unexpected cleverness defeated this movement. Using force also, he disrupted and dispersed the financial-military autarchists and has made industry work for the state as represented by himself and his inner group of Nazis.

The objectives of autarchy, in efficient hands, are:

1. The lodgement of all power in the persons of an organized, compact, and self-perpetuating group.
2. The disbursement to the people of only so much wealth as is necessary to prevent open rebellion.

The names and disguises of autarchy are numerous, and this frequently gives rise to the spectacle of the pot calling the kettle black.

Autarchy in its more subtle forms may be considered the most dangerous of the statist forms of government; for it can conceal even its existence from the multitude until it is so firmly entrenched that it can be overthrow only by force.

#### LIBERTARIANISM

##### ANARCHISM

Just as Communism represents the extreme form of statist government, so Anarchism represents the extreme theory of individualism. The Anarchist desires each individual to have complete liberty and justice, but contends that no man is fit to govern another. We have learned that economic justice must underlie true personal and political liberty. Without some form of government equality of economic opportunity (justice) would not be practicable unless all land was of equal productivity.

Anarchy has existed but temporarily, for man has a sense of orderliness that shrinks from the chaos implied in Anarchy, and hastens to set up some form of order. Should a practical experiment in Anarchism be attempted even on a primitive agrarian basis, it is probable that the retreat from Anarchism would be more spontaneous and rapid than that from Communism in Russia.

##### DEMOCRACY

Democracy is defined as the form of government under which the people rule themselves either directly or through representatives elected periodically and responsible to their constituents. A pure Democracy would be one in which all citizens would share as equally as practicable in the privileges, duties, and responsibilities of government. A few of the small city-states of Greece approached pure Democracy in government, each citizen having the right and being expected to take part in the functions of government. It is to be noted that almost all of the citizens of these states owned non-citizen slaves and so had ample leisure for civic duties. These Democracies failed to survive largely because of lack of agreement on vigorous policies when they were threatened by autarchic and war-like neighbors. A pure Democracy is practical only on such a small scale that all citizens can meet for legislative action.

Today the term Democracy is more loosely applied to government which guarantees equal political and legal rights to all citizens, who periodically exercise the right to elect representatives and leaders responsible to the electors.

In theory Democracy is the best form of government from the viewpoint of the common man, as he and his fellows guarantee each other safety in person and property and the liberty to seek happiness in his own way so long as this is not inimical to the persons or privileges of others.

However, no Democracy has guaranteed to its members equality of economic opportunity as well as political and legal equality. This has resulted in the survival of special economic privileges which invariably fortify themselves through special legislation. As this trend increases, Democracy becomes more and more attenuated and merges imperceptibly into Republicanism.

##### REPUBLICANISM

There is no generally accepted definition of this term, which over a long period has been applied to very different forms of government. The Roman Republic, The French Republic under its Emperor Napoleon, and the United States may be mentioned as examples. In general, the term refers to a form of government under which elected representatives and leaders determine the policies and details of government without direct expression of their wishes by the governed. Republicanism

does not necessarily imply equal political and legal rights for all the governed, the disenfranchisement of some being expressly sanctioned in some cases. Nor does it imply personal liberty for all, as witness peonage in Mexico, slavery before the Civil War, and the successful present infringement of the right of free speech in a number of our states.

Obviously the delegation and concentration of political power within a republic renders the development and maintenance of an autarchy secret or otherwise, easier than under a more truly democratic government. If the selection of candidates for office is controlled by a group, those elected cannot act as representatives of the voters; and the government will be republican in form and an autarchy in reality.

In one of his later speeches Lincoln said that the Civil War was fought to establish economic equality even as the Revolutionary War had been fought for political equality; but none of the republics of history has distinguished itself by establishing equality of economic opportunity; and experience has shown that the tendency is for republics to become autarchies, with loss in liberty to the ordinary citizen.

#### RECAPITULATION

We now have seen that both statist and libertarian governments tend to change in form. These changes may be compared with the movements of a pendulum. Democracy tends toward Republicanism, under which the liberties of the individual are diminished. Silently, within the republic there develops an autarchy which in time may, by force, become openly established. When Autarchy becomes too onerous, revolution displaces it and a Socialistic form of government succeeds to power. In order to prevent the establishment of new classmasters, the people acquiesce in the continued loss of liberty for the benefit of the state. Due to the necessities of management Socialism tends toward Communism, but the glaring economic injustice of this forces a retreat from Communism. The development of bureaucratic groups within the state tends to transform the Socialistic state into a political Autarchy which becomes an economic Autarchy as well. Revolution alone permits the transition to Republicanism, with Democracy as the goal. After a time the motion of the pendulum again is reversed and the cycle tends to repeat itself.

It is to be noted that the changes in form of libertarian governments take place legally and peaceably, while the changes in statist governments, and the change from statist to libertarian government, are prone to be accomplished by violence. This is due to the fact that man instinctively seeks liberty, and when he has been deprived of it, force and fear are required to prevent him from reclaiming it.

There remains to be answered the question as to the reason for this instability of all forms of government.

Under statist forms of government man is deprived of liberty—personal, political, and economic. While man may endure loss of liberty, he will never be content without it. Consequently, as the paternalism of the state palls and then irks, he becomes more and more aware of his lack of liberty and begins to reach for it. Particularly irksome is his lack of economic liberty. Man may be willing to exchange personal and political liberty for security; but in parting with economic liberty he feels that he has given something for nothing, since other individuals will benefit by his loss. In Communist Russia economic liberty was the last and most difficult form of liberty to be eradicated—brutal liquidation of the kulaks being required.

Under libertarian government men at times have possessed personal and political liberty, but they have never enjoyed equality of economic opportunity because of lack of access to land and the tribute which must be paid to the landowner. Even under libertarian government men unconsciously strive for true and complete liberty, although they know not how they are deprived of it. Resisting these efforts are those of the minority benefited by special privileges. This minority protects its own interests regardless of effects on the community or nation, and seeks to extend its exactions by even depriving others of personal and political liberty if this is necessary to success.

Therefore we see a continual struggle, within the framework of government, of groups. This struggle may be for any one form of liberty at a given time; but in the last analysis, it centers around economic liberty. The results, from a community viewpoint, inevitably must be those of conflict instead of cooperation—waste, inefficiency, destruction, and poverty. Government becomes bureaucratic and expensive; and even posterity is called upon to help pay for the mistakes and pilferings of the present.

And so the tide of battle between the classes sways back and forth, with changes in governmental forms denoting the changing fortunes of the fight for freedom.

#### WARS

Just as men within a nation contend for special privileges, so nations contend with each other for possession or control of natural resources which can be used to national advantage or to the disadvantage of other nations.

These efforts to acquire or retain control of land are not willed by the people of a nation as a whole, but by special-privilege groups who will benefit materially and directly by national conquest of new lands. These special-privilege groups are willing to lead their nation into war regardless of the cost to other individuals of treasure, blood, and life. In the enemy nation will be found similar special-privilege groups willing that the nation as a whole fight to defend their privileges. Of course the real purpose or reason for the war is never apparent, as some patriotic, humanitarian, or idealistic cause and purpose is given out and widely advertised to gain the emotional support of the masses.

So each war can be visualized as the effort of a nation to gain additional privileges for its special-privilege groups and the resistance to such an effort, the multitude sacrificing, fighting, and dying blindly for a much nobler reason.

A few illustrations are desirable to show how widely nations have been guilty of wars for conquest.

In 1895 American citizens owned about \$50,000,000 worth of Cuban property—chiefly sugar and tobacco plantations and iron mines. An insurrection against the Spanish government resulted in damage to these. By 1897 there had been started a high-pressure campaign to have the United States intervene and free Cuba. McKinley resisted the efforts to lead us into war. Spain made desperate efforts to avoid war; and sent a message agreeing to everything that the United States had demanded or suggested. But McKinley was unable to withstand the pressure of the chauvinists, concealed receipt of the message, and a day later sent a war-message to Congress. When the war was won, the United States did not annex Cuba—economic control was assured—but demanded and obtained Puerto Rico and the Philippine Islands.

The Boer War of 1899-1902 is another classic example of how wars for conquest center around natural resources. Although the Cape region of Africa had been settled and held for about 150 years by the Dutch, the British annexed this territory. Unwilling to endure British sovereignty, many Boers trekked north; and in 1852 and 1854 their Transvaal and Orange Free State republics were reluctantly recognized by the British. Purely agrarian states, about 1869 rich gold and diamond deposits were discovered within their borders. Agitation for British annexation began, and in 1881 an effort to annex by force was defeated with the British disaster at Majuba Hill. However, more subtle methods were undertaken—chiefly under the leadership of the “empire-builder” Cecil Rhodes. In 1899 Great Britain declared war for the basic reason that the Boer republics would not permit foreigners to control their governments as well as their economic systems. The British finally won the war and annexed the republics, thus assuring British control of these rich sources of great wealth. Of course the great personal fortunes which arose from diamond and gold mining were British and the companies exploiting the deposits were British. Later the Boers, by electoral methods regained political freedom to some extent, but economic freedom remains a tantalizing and unattained mirage.

The position of Japan in the present conflict is almost undisguisedly that of the predator seeking the annexation or control of natural resources for purpose of tribute. Having absorbed Formosa and Korea by force, the next move was against Siberia in the Russo-Japanese war. However, the fruits of victory were withheld by the joint pressure of Great Britain and the United States; and again in 1919 the same powers sent in expeditionary forces which prevented Japan from taking possession of eastern Siberia. After a period of preparation the Japanese then waged an undeclared war against China and took possession of Manchuria. After another lull another undeclared war on China was waged, and to date this has been won; for while they have not crushed the Chinese military forces, the Japanese hold possession of the eastern part and coastline of the country. This assures them of possession of the richest parts and economic control of the whole country. The involvement of Great Britain in a life-and-death struggle with Germany was too great an opportunity to let pass; and the predators turned their eyes to the south, seeing in the East Indies, Malaya, and thinly-populated Australia rich loot of land, oil, and minerals as well as control of most of the world's production of rubber. The United States, non-belligerent ally of Great Britain, represented the only real threat to the successful conquest of these lands; and, feeling sufficiently strong, Japan struck without warning. Although the militarists of Japan are generally credited with responsibility for this, it should be remarked that control of the economic life of Japan is lodged in the hands of only six families.

## THE PROBLEM

We have seen that:

- a. Changes in forms of government are due to economic pressures.
- b. Statist governments wax strong at the expense of the personal, political, and economic liberties of the individual. The state monopolizes special as well as human privileges.
- c. Libertarian governments weaken and tend to change toward statist forms because special-privilege

groups gradually deprive the common man of personal and political liberty in order to prevent equality of economic opportunity, which would mean the end of special privileges.

- d. Under statist government the individual has little incentive to develop his maximum productivity or service. Under libertarian government the ordinary individual receives little or no reward for maximum productivity, as the holders of special privileges filch all but what is necessary to keep him from open revolt.
- e. Just as the conflict for special privileges within a government results in inefficiency, waste, and poverty, so wars between nations in efforts to gain or hold special privileges (natural resources) cause death and the destruction of wealth.

We know that, regardless of the lofty purposes attributed to them, the incursions of predatory individuals, groups, or nations intent on special privileges are responsible for the instability of governments, the enslavement of the individual, and the horrors of poverty and war.

The Problem, therefore, is the discovery of a method which will eliminate the special privileges of individuals, groups, and nations in natural resources (land).

## THE BRIDGE TO VALHALLA

Mythology tells us that when the god Thor swung his hammer there was a flash of lightning, a peal of thunder,—and there sprang into being a rainbow bridge from earth to empyrean Valhalla, over which the gods and goddesses marched to find security from the ice-giants.

A Man has crashed the hammer-blow of knowledge against the granite of ignorance and greed, the blinding illumination of a great truth has been seen around the world, the accompanying thunderclap is still echoing despite the cliffs and caves of prejudice, and an economic rainbow-bridge stands ready to serve as a path to a Valhalla secure from the ice-giants of poverty, enslavement, and war. Will we tread the bright-hued path of Free Economy?

Let us consider what a free economic system is and what it can and should mean to mankind.

## NATIONAL FREE ECONOMY

The cornerstone of a free economic system within a nation would be abolition of profits to individuals and groups as represented by the rental values of land. The collection and use of full land-rents by the community would result in the extinction of landlords as a class, render the holding of unused land prohibitively expensive, eliminate franchises as sources of profit, and reduce the load of values of obligation that adds to the burden of every citizen.

Since no one could profit by the rental or capitalized-rental (sale) value of land, there would be no speculation in land with its aftermath of panic and depression. The availability for use of all land would result in raising of the margin of production, and thereby an overall increase in the productivity of the community. As each franchise involves use of the public domain, collection of the full rental-value of this by the community would prevent speculation in and inflation of the value of such franchises. The load of interest on values of obligation could no longer be collected from consumers, as such values could not be capitalized. Labor would receive higher wages and capital higher interest because of the higher margin of production, but only the state could collect the rent on land.

Individuals therefore would possess equality of eco-

economic opportunity and could, by their labor or services, hope to become wealthy in proportion to their exertions; but no one could become rich if the term is taken to mean the power to command more goods and services than are given. "Rugged individualism" and "personal initiative" could have full sway in production and services without being perverted to the enslavement of others, for they could claim as rewards their full value at the margin of production but not the possession of special privileges.

Government, having collected its due at the source, would find it unnecessary to continue many of its present bureaucratic functions, and could confine itself to its two proper functions:

- a. Protection of the persons and property of its citizens.
- b. Collection and disbursement of land-rents, these being established so as to insure collection of the full value and consequent equality of economic opportunity.

With economic liberty would come true political liberty and greater personal liberty. As no one could hope to acquire and gain from special privileges, true political liberty would be disadvantageous to none. In personal freedom and political equality lies the essence of Democracy; and the government would become a republican Democracy free from the venial politicians who are the henchmen of special privileges. Such a government, free from the conflict of special-privilege groups and the people as a whole, would be stable and free from the tendency to change to the autarchic form of government.

Under such conditions liberty, equality, and fraternity would become realities and not the dreams of visionaries.

#### INTERNATIONAL FREE ECONOMY

Any of the larger nations which would adopt a free economic system could do so without being penalized excessively. If the United States alone were to adopt the system, all tariff barriers to trade with other nations would be removed and other nations would benefit by having access to our natural resources *at the margin of production in effect in the United States*. The United States would not enjoy free access to the natural resources of other nations, and therefore would be penalized directly in proportion to its lack of economic self-sufficiency, though no more than has been the case for years. The United States, being one of the most richly endowed nations with respect to natural resources, could well afford this disadvantage. Another effect of the removal of the protection of import taxes would be the failure to survive of certain highly protected industries which could not compete with similar foreign industries. This would benefit the United States as a whole, for the land involved could be used for other types of production for which it might be better adapted or would become submarginal land. In the latter case

labor would be exerted on more productive land made available for use by the free economic system. The community, in either case, would be relieved of the support of basically uneconomical industries and would benefit by the availability of wealth produced cheaply, in other countries.

The over-all effect would be the so greatly increased productivity of labor and capital in this country that other nations would have to adopt a free economic system in self-defense. This would render access to the natural resources of the whole world available to all nations. As the monopoly of natural resources and the misuse of such monopolies form the real basis for wars, there would be no inducement for special-privilege groups within a nation to foment war. Governments might still profit by the annexation of other lands and collection of their rental values, but the war costs would overshadow such profits of war. The mass of people in a country having a truly republican-Democratic government would have nothing to gain and much to lose by such military adventures and would not countenance them. At the same time there would be nothing to prevent the union of countries mutually desirous of the benefits of unified government. The logical outcome of this would be the unification of peoples naturally drawn together by common speech and a common network of economic production and communication.

Thus the adoption of national and international Free Economy would usher in an era free from the conflicts of groups and the wars of nations. Individuals would possess the equality of economic opportunity necessary for stable political and personal liberty; and nations would be free from the fears and greeds which have led them to waste their wealth in war and preparation for war. An era of good will, it would offer free sway to the natural law that progress results from cooperation in equality.

Man, freed from material fears, would rise to new cultural levels from which the present poverty-ridden, war-stricken period would appear in retrospect his last stage of barbarism. And in the attainment of the new era man will have justified all the clumsy mistakes of ignorance, greed and brutality of which he has been guilty during his too long climb to the heights.

But one major step from the present path is to be taken—elimination of private ownership of land. The other steps will follow as naturally as those of a walker who places one foot in a new path and continues walking.

How soon will that first step be taken? Come it must, for man's striving for liberty cannot always be unsuccessful. We cannot estimate how near or far is the day, but we who have seen the hope of the future can wait and work with confidence that the day will come. As Henry George said: "It may be a long, long struggle; but to see the truth and do what one can to spread it, brings its own rich and independent reward."



REPRINTED BY  
THE HENRY GEORGE SCHOOL of SOCIAL SCIENCE  
30 EAST 29th STREET, NEW YORK, N.Y.