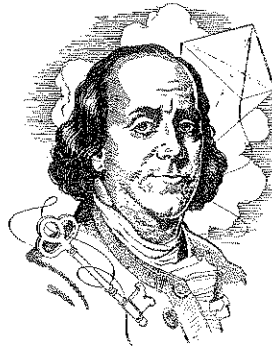


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Research Society

Incorporated

February 23, 1942

511 GRAVIER STREET  
NEW ORLEANS, U. S. A.

Mr. O. K. Dorn  
500 Prospect Ave.,  
Mt. Vernon, N.Y.

SUBJECT: Congress of the American  
Free Enterprise System

Dear Mr. Dorn:

You may have noticed that Mr. C. E. Wilson, President of General Electric Company, is quoted in a "Readers' Digest" and other magazine articles as appealing for a "Congress of the American Free Enterprise System". Mr. Wilson apparently voices the almost universal business fear that if something fundamental is not done, "we shall (with return of peace) move toward state capitalism or state socialism". Wilson's excellent reasoning and "post-war plan" does not go deep enough, as it fails to first ascertain why our otherwise successful Enterprise System "slipped badly" in 1929 and the thirties? This deficiency however, is covered in a most timely proposal by Mr. F. I. duPont of Wilmington, Del., a copy of which I am enclosing. As you will see, B.F.R.S. and Mr. duPont have, in this all-important "free enterprise" system investigation, gone back to "grass-roots" instead of the usual 1929 debacle date.

Business men feel that after the war, private enterprise must be given its head, not curbed or restricted, and Mr. duPont's proposal as it effects a far better economy through full use of our agricultural lands (now restricted unnecessarily), seems to be the most elemental and productive plan yet put forward. In essence it means recognize and work with natural law, as doctors have learned to do both in diagnosis and treatment. The general understanding of and acceptance of such a principle for not only saving our free enterprise system, but expanding it to a satisfactory degree, would prove a great unifying force for good at this particular time.

I trust that you will have an opportunity to look over this brief proposal and that you may feel inclined to cooperate with us in the fundamental line of investigation we are undertaking.

Sincerely, yours,

W. E. Clement,  
Secretary.

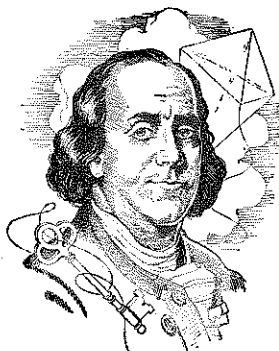
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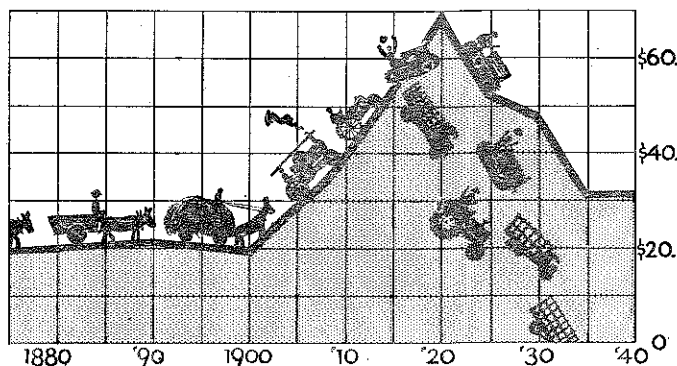
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B.F.R.S., in presenting this proposal to do away with "Artificial Scarcity of Land", desires to aid in winning the war, and to prevent the much talked of danger of a totalitarian or State-Capitalism aftermath. A general understanding of the within pages would have an immediately beneficial effect on the morale of millions of business and professional men now afraid of discontinuance of the profit system. The chart shows the diastrous World

War 1 rise and fall of basic land values; it suggests how farm land gambling and resultant land restriction (used and unused land), have in their unemployment aspects, seriously undermined our entire economy. This artificial restriction can be removed so as to greatly favor employment, higher production and consumption, and we can thereby insure the retention and betterment of our Private Enterprise System.

Value of Farms (land and Buildings) 1875 - 1940 (Average per Acre)

This disaster—evident first in 1925 — brought for the first time, continuing depression and mass unemployment.



The duPont Plan will prevent future collapse and bring America vitally needed economic strength.

This chart, compiled from Department of Agriculture figures, shows the "mountainous" and otherwise uncontrollable rise, and the always-to-be-expected collapse, debt and general wreckage that follows a farm-realty inflationary period. Prior to 1910 and the intensive land gamble which started about then, American farm prosperity and "parity" kept fairly close pace with that of the cities—this without governmental subsidy or the abnormal unemployment, etc., which has recently brought "national socialism" closer and closer to America.

Why not through business study-groups, as here proposed, attack the low production (ergo low consumption and unemployment) problem from a different and more intelligent angle? In doing this it will not be necessary to "start from scratch", as after many years of study, recommendations of a deeply fundamental character have just been made by Mr. Francis I. duPont, of the well-known duPont

family of Wilmington, Del. Mr. duPont in the within pages, says that such groups (students of the economic problem) could become "centers of tremendous power and influence". We are fortunate in having him as a sort of clearing house in this investigation.

## ACTION NOW

There should be no room in America for defeatism as to the future of our dearly won system of Free Private Enterprise. Correspondence on the subject, together with requests for copies to be used by committeemen and others interested, should be sent as early as possible to W. E. Clement, Secretary, Benjamin Franklin Research Society, 511 Gravier Street, New Orleans, La. The proposal, in all its aspects and its most effective manner of application, being (as indicated above), subject to further discussion, the printing of preliminary folders has been limited.

## ARTIFICIAL SCARCITY OF LAND

How it is Destroying our American "Free Enterprise" System.

A Plan to Bring True Prosperity through Overcoming Scarcity.

*By Francis I. duPont, of Wilmington, Del.*

I do not hold that the present systems of taxation are perfect, but I hold that if Artificial Scarcity of Land, the great deterrent of prosperity—also the basic cause of "depression" and increasing governmental interference with business were removed, then all questions of improved methods of taxation would be adequately cared for by business men and taxing authorities.

The very best thing would be to form groups to discuss the matter here outlined until there is absolute unanimity. Let us first be sure we understand political economy ourselves before we try to teach the world. Such groups could become centers of tremendous power and influence. A harmonious meeting of minds seeking the wisest thing to do *generates a superhuman power.*

No "Sinister Conspiracy" yet Effect is the same

If all land owners were bound in a sinister conspiracy to squeeze the rest of the population, they could not do any more harm than is now being done unintentionally by a number of individuals acting independently but doing the same thing. Land owners, in holding for a greater price than non-land owners in the aggregate are able to pay, are doing exactly as much harm as if they were bound together by a sinister conspiracy.

### Social Unrest

Social unrest and present trends towards socialism and communism, (exercises in futility as all history proves), spring from that which is not produced at all rather than from "unequal distribution" as claimed by demagogues and scheming politicians. The total amount which owners of land receive (over expenses and taxes) is relatively small, and were it divided among the population, the amount per capita would not be enough to raise their status appreciably. In other words, the implication (erroneously) has been that the loss to society due to our business and land system is equal to the gain by land owners, business men and industrialists.

In reality, this devastating loss to society and seat of our present trouble is not what the land

owners and business men get, but that which, by reason of the nullification of the law of increasing returns, is *not produced at all*. With what I call the "Physiocratic" principle unhampered, so much could and would be produced that poverty would be impossible. The unleashing of this powerful force for good is therefore an essential part of this proposal. The great land reformer Henry George (and present day idealists) have failed to make this clear although George undoubtedly understood it. In failing to make this clear, George unconsciously allied with himself many who are actuated mainly by envy and jealousy of those who are successful.

In saying this I must not be understood as referring to the Single Tax fraternity,—those who for true patriotism and love of their fellow-men have recognized George's work as the best analysis of the social problem which has yet appeared.

### The Physiocratic Principle

We cannot approach any nearer to the simple remedy which I propose until we now consider the relationship between agriculture and industry. I will therefore present my reasoning about what I call the Physiocratic Principle as related to the Law of Increasing Returns.

Agriculture is the primary occupation of mankind. It is the one absolutely necessary occupation. As it is the oldest pursuit and that in which the human race has had most experience, it ought to be that in which success is most certain and most easily attained. This would most assuredly be the case if the law of increasing returns were permitted to operate freely. The law of increasing returns is the principle that if men work together or exchange services one with another, the result is vastly greater than if the same number of men worked independently and at a distance from each other. Four hands accomplish more than twice what two hands can accomplish. Ten men working and helping each other, accomplish very much more than ten times what one man can accomplish alone.

An isolated farmer has to produce everything he needs including building his house and making his clothes. Pioneers have done just this and have had to defend themselves against wild animals and perhaps a savage aborigine population as well.

### Law of Increasing Returns

With the growth of a community, as agriculture becomes easier, it will be found that men can engage in occupations such as building houses or making clothing without having to engage in agri-

culture at all. This is the birth of industry. Everything resulting from the growth of an agricultural community, will, if the Physiocratic principle is unhampered, make for ease, comfort, and even luxury of living. The more farmers who are neighbors, the better each can live. This is the law of increasing returns. If it could operate freely along with the great advantages of present day full electrification, also the now apparent "fluid movement" of population, freight, etc. due to motor transport in rural districts, civilization would advance at an ever increasing rate. Any nation who recognized this principle and permitted nothing to interfere with it would soon become the most wealthy and powerful of all nations.

### Landholding for Profit a Baneful Disease

Unfortunately, this principle is hampered and all but annihilated by something which people generally have been accustomed to thinking of as entirely right. With the first appearance of the mutual advantages above mentioned, something sets in which begins to destroy these advantages, and eventually all but extinguishes them. Like a baneful disease, land holding for profit sets in. Instead of the natural advantages making for easier living and self-supporting homesteads, what happens is that all these advantages give value to land which is then held out of use in hopes of a greater value. This baneful disease of civilization is referred to as "an investment" and thrifty persons are encouraged to invest their savings in land, not for homes or farms, but to get a hoped-for enhancement in value.

The aggregate effect of these holdings is to separate the farms and homesteads by miles of unused or poorly used land. Thus the Physiocratic principle which is the basis of civilization is nullified. Sustenance farmers are made or broken according to whether this principle can operate or not. We have seen what annihilates the Physiocratic principle is holding land for profit instead of for use. It therefore follows that if the profit motive for holding agricultural land could be removed, land would always be available to anyone who could use it, and we would see great farm and industrial prosperity.

If my reader has seen from what I have said so far that the prosperity of all industry, the abolition of poverty and the wealth and greatness of our nation depends upon the free availability of agricultural land and not upon anything else, he will be

able to appreciate the simple remedy I propose. This is as follows:

### The Plan

Let laws be passed forbidding any owner of land who became an owner after the laws were passed, to sell land at a price higher than what he paid for it. Improvements could be sold at cost to replace, less depreciation. As to present owners, let each of these name a price which he will accept in case he sells. Let him put this as high as he wishes, and do not permit the price he names to be used in any way as a basis for taxation. This price will be recorded as his maximum. If he sells at a lower price, then this will bind the new owner as the latter's maximum. Let there be no restrictions upon the amount of rent an owner may ask from a user. Permit no lowering of the scale of taxation now falling upon land. There are two reasons for this last:

1. The owner holds his title only by virtue of the police and military forces of the government and he should at least share the expense of this, and

2. Were there no taxes on land, then it might be held uselessly in such large tracts that an even worse "artificial scarcity" would result. This appears to be what happened in ancient Italy. It was the artificial scarcity of land which caused the Roman people to crowd into the city of Rome and offer their services on any terms to the owners of the latifundia—immense estates. Since these owners controlled the entire food supply of the nation, they could demand the services of the population on any terms. In the modern world, especially in the United States, even the light taxes which are levied upon land are a great protection against the growth of such a tyranny as that of ancient Italy. If in so-called democratic countries the land were held in immense tracts and no one permitted to use it except to the extent necessary to satisfy the needs and desires of the owners, these abuses would have stood out so boldly in the eyes of the populace that a change in the system would have been made long before this.

### Agriculture Cannot be Over-Manned

Agriculture is the one occupation which cannot be over-manned. Where there is land, men can produce what they need for life of their bodies. Where men can help each other—exchange services—so much more can be produced that some men can be free to engage in other occupations, such as carpentry, making clothing, etc. This can only be done when enough are engaged in agriculture to feed

those who pursue non-agricultural occupations, namely "industry". The conditions though more complex are no different in a nation of millions of people and highly organized industries than in a community of pioneers from which all nations have grown.

George mentions "government interference" and what he says is generally very good. He says "The ideal of Socialism is grand and noble;—" I do not think he would have said that if he had seen how socialism in recent years can be used to build up the most tyrannous political machines conceivable. With the "creeping paralysis" of private initiative every one talks of, and with every position in the various "new orders" such as superintendent and foreman dealt out as a condition of getting votes to support the machine, it is hard to see how (as now organized) the great principle of liberty could survive.

#### **All Lose as Result of Holding Land Idle**

The true remedy is this; we must *destroy the hope of profit in holding land idle*. This is perfectly clear and would accomplish everything which George's great "single tax" movement envisioned. This could be done also without arousing bitter antagonisms when the equities are understood and all-embracing benefits to society properly set forth.

Private property in land does no harm until a man uses the title which government protection gives him in such a way that he (without using his land) sells it to another settler at a price which represents no services on his part, but which is based only on the needs and desires of the buyer. Upon the effort to do this thing by *large numbers of people* rests the artificial scarcity which makes possible the poverty, low production and damage to free enterprise, to which Henry George so long ago called attention. The lack of full nutrition for the masses, which Vice-President Wallace and Secretary Morgenthau say must not be present in post-war America or elsewhere, springs from this same basic cause.

It is not my desire to pick flaws in the reasoning of the great writer George, but only to indicate how it seems to me the work which he began over sixty years ago can be advanced toward making our na-

tion the strongest and wealthiest of all, and the shining example to other nations. To do this, the errors which I think have prevented the recognition of his great ideas must be pointed out as well as the brilliant possibilities which he saw so clearly.

#### **Enormous Amount of Wealth Could be Produced**

In America the artificial scarcity which causes unemployment and poverty is the result of innumerable small owners, many of them poor, holding land for a hoped-for advance in price. The fact that many of these owners are poor, obscures in the public mind the truth that their holdings are the cause of unemployment and poverty. The really important thing to seek is the enormous amount of wealth which could be produced if our great natural resources in lands were *freely accessible* and not merely the redivision of the relatively small amount of wealth now being produced.

The whole question of cities should be left out of consideration. Land values in cities are no part of the social problem. They are mainly only an index of the crowding which results from the artificial scarcity of farm land. I do not mean that cities should be carefully preserved as havens for speculators in land, but only that they are not the province of the reformer. Everything connected with cities will take care of itself, or rather, will be adequately managed by persons who never think of the social problem.

All that would be necessary would be to *destroy the hope of profit in holding land*. Farm and farming communities would then grow rapidly and would draw the unemployed away from the cities and make of them self-respecting and loyal citizens. The increasing demand of these people for things other than the product of farms would usher in *the greatest industrial age* the world has ever seen.

*Note: As stated in the preamble, this presentation must be credited to Mr. Francis I. duPont, of Wilmington, Del. Mr. duPont's interest in economic research and public welfare has an international background, as he is a direct descendant of one of the founders of the famous Eighteenth Century "Ecole Physiocratique". He was formerly a director of E. I. duPont de Nemours & Co. and is now the active head of Francis I. duPont and Company and Chisholm and Chapman a Single Co-Partnership.*

The duPont plan looks to me like a constriction of George's original idea -- and I prefer extending it rather than limiting it. The Physiocrats did indeed relate everything to agriculture -- an error, in my opinion. Jones attacks Mother Earth with a plow, and produces wheat; Brown attacks her with a pick, and produces coal; Smith attacks her with a more intricate mechanism, and produces radios or shoes. To single out Agriculture means that Jones' activities somehow differ from those of the others -- but I can't see how.

duPont points out one very important fact, too often overlooked by Georgists and students of taxation in general, that poverty is caused, not by the landlords' grabbing what rightfully belongs to the poor, but by the failure of production caused by our system of land tenure -- a failure from which, by and large, the landowner suffers with the rest.

duPont's proposal to have a government price-fixing bureau to regulate the price of land, setting a maximum price and so on, seems pretty unworkable to me. I will undertake to evade any such law, or to figure out a way to evade it.

His statement that "Agriculture cannot be over-manned" is true only if we are prepared to return to a primitive economy. Then, when each man grows his own food, the statement becomes true. But in an exchange economy, where there is specialization, every sort of capital enterprise is subject to misadventure -- the most common misadventure being that in which the entrepreneur overestimates the capacity of the market to absorb his product. This is as true of farmers as of others.