

# EVERY MAN'S WAGES



*By*  
GEORGE BURGESS

THE UNITED COMMITTEE  
FOR THE TAXATION OF LAND VALUES,  
11, TOTHILL STREET, LONDON, S.W.1.

AND  
T. W. GRIGGS & Co., DURBAN.

*Price 6d. net.*

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How to Increase them  
Permanently

A Claim for the Taxation of Land Value

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# EVERY MAN'S WAGES

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## How to Increase them Permanently

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### CHAPTER I—THE PRODUCTION OF WEALTH

#### (A) THE WEALTH-PRODUCING FACTORS

THE "masses" in countries affected by the late war are in a querulous and discontented mood, and those sectionally organised are more active than usual in seeking to secure for themselves a larger share in the distribution of the continuously produced wealth, to the continuous production of which their labour contributes. Organisation to this end has been one of the features of the times. And the "classes" generally have exhibited a greater desire than usual to see the lot of the "masses" improved. There are in this Union of South Africa some ninety of these organisations, each struggling more or less independently and more or less ineffectually to attain better wages for its own members, or for but some of its own members; and thinking little of the wages of the members of the other organisations and less of the wages of the larger numbers who are not organised at all but whose need of better wages is as great as that of the organised.

One of the purposes of this paper is to show a more excellent way in which these organisations may attain their object—a way which not only they but all who work for their living may, without formal organisation or union, adopt for the common purpose of permanently raising everybody's wages and which those who take the trouble to study and understand it are compelled, whether they assert or deny the propriety of adopting it, to admit would be at once simple and effective.

The problem of these organisations is described generally as that of the relation of Capital and Labour, or specifically as that of the equitable distribution between Capital and

Labour of the wealth they continuously produce; and it is usually tacitly assumed that Capital and Labour are the only factors in the production of wealth, or at any rate the only ones that count, and that between them they do get all the wealth produced, or at any rate all that is worth mentioning. Yet everyone who begins at the beginning premises that there are three agents or factors in the production of wealth—land, labour, and capital.

Writers who have command of plenty of printer's ink have recently dealt with these subjects at some length. Three of them are—a writer in the "Times," which in 1919 published some forty columns of "Talks with Workers"; the Union Government's Income Tax Inquiry Committee, who reported in December, 1918; and Mr. Thos. Boydell, M.L.A., parliamentary leader of the "Labour" Party in the Union and one of the Union Government's "Cost-of-Living" Commissioners, who reported in November, 1918; and some things they have said and other things they have left unsaid invite attention and comment.

The "Times" writer in some places says there are four factors in the production of wealth—land, labour, capital, and organisation; though in other places he treats labour, whether of hand or brain, as one factor—and organisation is specially the work of the brain. If he is not Professor Chapman, he agrees with Professor Chapman, who was engaged by the Union Government in 1913-14 as Chairman of its "Economic" Commission, who says: "The agents (in the production of wealth) are commonly classified as land, labour, capital, and organising," but adds: "Organisation and labour are of the same general class and to a large extent they interpenetrate one another," and who therefore cannot oppose the treatment of "organising" and "labour" as one. The Income Tax Inquiry Committee speak of "the produce of land, labour, and capital," and of the application of labour and capital to land. Mr. Thos. Boydell, M.L.A., says: "As capital is that portion of wealth utilised to produce more wealth, and as all wealth is due in the first place to the application of labour to the land (or its products), labour takes precedence of capital in importance, hence 'labour and capital' instead of the generally expressed 'capital and labour.'"

All three of these writers and Professor Chapman recognise that land, labour, and capital are the three factors in the production of wealth. With their support and that of recognised authorities generally it is here premised that land, labour, and capital are the three factors in the production of wealth.

## (B) PRIMARY DEFINITIONS

In a serious argument the preliminary business is to define with some approach to accuracy the meanings to be attached to its cardinal terms. No reasoning on any subject can proceed unless the meanings of the terms used are fairly clear and the same meaning is uniformly attached to the same term. At any rate, if the meaning of an important term is changed, notice should be given of the change. Part of the price of reasoning on any subject therefore is the trouble, first of arriving at definitions of its principal terms, and second of adhering afterwards to the definitions arrived at. An American professor well and truly says: "Men may think and talk and write and dispute till doomsday, but until they come to use words with definiteness and mean the same thing by the same word they reach comparatively few results and make but little progress." If the meanings of our words are confused, our mental conceptions, our thoughts, for which the words stand, will probably be also confused.\*

### *The term "Land"*

The term "land" the "Times" writer, with a carelessness and an inadequacy that attract attention, defines as "the gifts of Nature—land in particular." He virtually asserts that land is land; and the assertion is void of meaning. Probably what is meant is that the term "land" includes in particular so much of the solid Earth as is not covered by the ocean and is accessible to man—the greater part of the dry surface of the Earth and so much of the Earth's crust, a few thousand feet deep, as is within his reach. Yet the term includes in general all the matter and energies of Nature outside man himself—air, water, and sunshine and all other natural forces; for man is a land animal and the dry superficies of the Earth is the only medium through which the other "gifts of Nature" become accessible to him.

\* "Words being intended for signs of my ideas to make them known to others, not by any natural signification but by a voluntary imposition, it is plain cheat and abuse when I make them stand sometimes for one thing and sometimes for another."—Locke.

After any term has been defined the printer is asked whenever it is used to spell it with an initial capital letter as a continual reminder of its imposed meaning. This expedient will permit us to indicate, if and when we spell the defined word without an initial capital letter, that we are absolved from the definition and are leaving the reader to make out as best he can in each case the meaning of the word from its context—that is, that we (or those whom we quote) are making common use of the word.

The definition of "land" as "the gifts of Nature" is incomplete and, as far as it goes, is open to improvement. Of those gifts some organic parts, such as coal and natural forests, are by the action of man being more rapidly reduced to their inorganic elements and perhaps may never be reproduced by Nature in their preadamite quantities; but, except for negligible parts such as these, the gifts of Nature cannot be impaired and are relatively everlasting. There are as good fish in the sea as ever were caught, and probably as good minerals in the earth as ever were mined. Nature is continuous, and the giving by Nature is continuous. Nature and Nature's gifts are new every morning.\*

Man cannot own this "land" in the sense that he can own wealth. Man makes wealth and can consume or destroy it or leave it to perish, when the elements from which it is made and in which it is temporarily embodied are restored to the reservoir of Nature from which they were borrowed. He cannot make "land" or consume or destroy it, or leave it to perish, for it is, as the "Times" authority says, "the fixed and unalterable dowry of Nature." Man may consume or destroy wealth or leave it to consumption or destruction by others when he dies. With "land" Nature allows him no such option: he can neither consume it nor destroy it; and he must leave it as he found it. Were man able to consume or destroy "land," the two would probably perish together.

The term "land" may, therefore, be with greater accuracy described as the free loan of Nature, or as an estate the usufruct of which is offered free by Nature. Without the use of this loan or the enjoyment of this usufruct mankind could not be.

The definition of "land" as "the gifts of Nature" having been altered for the better (and its letter has been altered rather than its spirit), it must next be completed. For the definition of "land" as the gift or loan of Nature is on the face of it deficient—is but half a definition. To whom is the "land" lent—to whom is its usufruct offered? Formal logic limits the possible answers to these—to some man, to some men, or to all men of each generation in succession. Reason rejects the first and second answers and is compelled

\* For me kind Nature wakes her genial power,  
Suckles each herb, and spreads out every flower;  
Annual for me, the grape, the rose renew  
The juice nectareous, and the balmy dew;  
For me, the mine a thousand treasures brings;  
For me, health gushes from a thousand springs;  
Seas roll to wait me, suns to light me rise;  
My footstool earth, my canopy the skies.—Pope.

to accept the third.\* The corollaries are that no man ever did or ever can own Land, and that its usufruct belongs to all living men; and these corollaries are eternal and immutable, despite all temporary and mutable human laws and customs to the contrary.

### *The term "Labour"*

"Labour" is human exertion applied to matter (particles of "Land"), so as partly or wholly to fit matter for the satisfaction of human desires—so as to carry it some stage or stages on the road from its natural place and condition in Land to the place and condition in which its progress culminates, in which it is of greatest value—that is, when it arrives in the hands of those who are to consume it in direct satisfaction of their desires or to devote it to the production of more wealth, that is to the indirect satisfaction of their desires.

### *The term "Wealth"*

"Wealth" consists of matter (provided by Nature) which Labour has by change in place, form, or condition fitted partly or wholly for the satisfaction of human desires.†

\* It is remarkable that an authority on economics, who says that "our business is to get at the truth, which is the only thing that matters," and that "the particular kind of truth we are searching for is economic truth," has failed to see and tell the workers with whom he talks this economic truth of the first magnitude. He does but follow other economists whose works are admitted to universities and public schools; and with the works of the economist Henry George before them, it is difficult to believe that none of them has seen this truth and his obligation and duty to state it. The Rt. Hon. J. M. Robertson says: "To teach logic by way of reasoning on interesting questions instead of dead formulas is a method so obviously sound that only the fear of raising burning questions in the academic world can explain its avoidance."

Walker states that the soil is the "original endowment of the human race," but does not explain or follow up that statement. Marshall, Ely and Chapman speak of "the free gifts of Nature," and Sidgwick of the "bounties of Nature." The idea common to all is that Nature yields benefits—is a benefactor. There cannot be a benefactor without a beneficiary or beneficiaries. Writers and teachers who adopt the metaphor that Nature is a benefactor and whose business is to get at the truth are asked whether omission to specify Nature's beneficiaries is compatible with intellectual integrity—whether their omission is excusable on the ground that economists are not teachers of ethics or of logic, or on any other ground. Would that the young were in things that matter taught the truth and the whole truth!

† This definition is in harmony with that of Professor Chapman, who says that "Wealth is made up of all things desired by man, which can be attained only with the expenditure of human effort." Generally one can get in exchange for an article of Wealth the benefit of as much Labour as must be expended to produce it.



*The term "Capital"*

"Capital" is not a different thing from Wealth. All capital is Wealth, though some Wealth is not capital. In this initial definition capital is Wealth used, not for direct satisfaction of desire, but for the production (in conjunction with Land and Labour) of more Wealth and so for the indirect satisfaction of desire.\* The partitions dividing Land, Labour, and Capital from each other are impassable: the three terms are exclusive of each other. Land can never be Labour or Capital. Those who imply that Land, Labour, and Capital are three separate factors cannot at the same time imply that Land (or anything that Nature provides) may be Capital or Wealth; or if they do fall into so fundamental an error the argument they construct on such an erroneous foundation, though it pass for reason in schools, in the Press, and in Parliament, must be fundamentally erroneous. But the partition dividing Wealth which is Capital from Wealth which is not Capital is passable.†

When Wealth was first produced its production could not have been assisted by Capital, for there was no Capital. Land and Labour are therefore at bottom the necessary and the only necessary factors in the production of Wealth. Capital, however, is so invaluable an auxiliary of Labour that (neglecting minutiae) no Labour is performed without its aid—indeed, some people who would not deny that in theory Land and Labour are the necessary and sufficient factors have come in practice to regard Capital as the most important factor of the three and to forget, not only that Land and Labour

\* This definition of Capital is in harmony with that of Professor Chapman, namely, "Wealth which is not consumed to afford immediate gratification, but is on the contrary applied to further production." Both simple Wealth and Capital are Labour incorporated in matter—that is, stored-up Labour. The "Times" authority is graphic in his statements as to the nature of Capital. He says: "If the whole of the capital of Great Britain were whirled skyward in the night we should be once more a mass of unaided men struggling grimly with the bare gifts of Nature for a miserable livelihood." Whether men lived in a mass before they had Capital may be questioned. But if all Capital and all simple Wealth were destroyed the original factors, Land and Labour, would remain, and Labour would simply start *de novo* on the production of Wealth from Land.

† The cardinal categories of the first part of this paper are properly three—the original two categories, Land and Labour, and the derived third category (a compound of the other two), Wealth: the third being for convenience sake divided into two classes—Capital (Wealth that is Capital) and Simple Wealth (Wealth that is not Capital). Properly a distinct term should be used for the second class, just as a distinct term is used for the first class: in default of a distinct term we sometimes improperly use the single word Wealth to stand for but part of the category as well as for the whole category. Confusion of the classes is not fatal to reasoning regarding the categories, but confusion of the categories themselves is. See last footnote to Chapter II.

(being indispensable) are each of them more important than Capital, but even that Land is a factor at all.

The subject of the first part of this paper is confined to the natural laws of the production and distribution of Wealth. And let it be remarked at once that human services which give direct satisfaction to those who are served—which are not impressed upon matter so that if that matter is stored up for use the services are stored up in the matter—are not considered in this first part. But as all services that do not produce Wealth are exchangeable for Wealth and all Wealth is exchangeable for those services, this temporary limitation presents no difficulties, and direct and indirect services are assimilated in the following parts.

*The term "Labourer"*

Now if all Wealth currently produced is produced solely by the three impersonal factors Land, Labour and Capital, the personal factors, the human partners contributing to its production, will be related solely to these three impersonal factors, and the Wealth produced will accrue to the partners in accordance with their relation to the three factors. Every individual who contributes to the current production of Wealth must therefore be classified as a contributor of the use of Land, a contributor of Labour (whether of brain-work or handi-work), or a contributor of the use of Capital, or as a contributor of two of these factors or of all three of them. He must be entered in one alone, or in some two, or in all three of these categories.

Of the three categories, contributors of the use of Land and contributors of the use of Capital are passive. Contributors of Labour are the only active partners. All men whose minds or bodies are exercised in the production of Wealth must be entered in the second category.

At once we reduce to the one common denomination or term, Labourer, a multiplicity of terms which have no place in this enquiry, of which some are compound terms, and some are too often turned to account with an intent to prejudice in thoughtless minds different classes of men rendering different kinds of service—producing Wealth in different modes, earning their living in different callings or occupations. The terms we eliminate include farmer, manufacturer, trader, distributor,\*

\* Notice the insufficiency and onesidedness of this term when used instead of "merchant" or "storekeeper." A man must be both a collector and a storer of goods before he can be a distributor of them.

speculator, middleman, manager, employer, employé, worker, and the like. Thus for us an employer is, as often as not, one on whose initiative others (employés) become Labourers together with him in the production of Wealth. Directors and managers are generally men who labour with their minds—though they also labour with their bodies, if only in moving from place to place in the process of directing and managing. All men who contribute Labour exert both mind and body; for present purposes there is no distinction between the loftiest and the lowliest of them—all are Labourers.

### *The term "Wages"*

Economists used to speak of the "wages of labour" and the "wages of superintendence"; and, when they were logical enough to apply the same word to the same conception, they were illogical enough to divide into unrelated parts the receipts for their work of what were called the "working classes" and those of directors and overseers generally, or, as one might now say, the receipts of employés for their work and those of employers for theirs. It was of a piece with this illogical treatment of receipts for work to regard the Labour of the "working classes," those who more generally work with their coats off and get predetermined pay (in lieu of wages as defined in the next paragraph) at regular intervals, as a commodity, and the Labour of other classes, those who more generally work with their coats on and get post-determined pay\* (also in lieu of wages as about to be defined) at less regular intervals, as something else. The economists were obsessed by the idea that the two classes were not one species of being—were not of the same common clay. McCulloch throughout treats labourers as a "race" apart. And this idea, though now scotched, is not yet killed.†

The term Wages as used hereinafter is defined as that share of their currently produced Wealth which remains to Labourers after they have paid contributors of the use of Land and contributors of the use of Capital for the current use

\* But the pre-determination of the pay of the employé implies a part pre-determination (*pro tanto*) of the pay (or lack of pay) of the employer.

† Professor Duerden in his presidential address in July, 1921, to the South African Society for the Advancement of Science, said: "The blood of the labourer produces the labourer." This sentence, like most terse sentences, is subject to

of Land and Capital—after rent and interest (as yet undefined) have been subtracted from the Wealth produced.\*

As is elsewhere indicated, if a man in himself combine the functions of Labourer, of contributor of the use of Land, and of contributor of the use of Capital, the Wealth he produces must for the purposes of this paper be apportioned or distinguished as rent (for use of Land), interest (for use of his Capital), and Wages (for his Labour).

### *The term "Interest"*

Capital in general form (represented by and spoken of as money) is bought and sold in the market in the same way—according to the same rules—as Capital in specific form (*e.g.*, horses, machinery, ships). So Capital in general form is lent and borrowed according to the same rules as Capital in specific form. But when Capital in specific form is lent, what has to be returned is generally the specific Capital, less fair wear and tear—that is, less value has to be returned; while Capital in general form, being represented by money, has generally to be returned in the same amount of money, without wear and tear—that is, the same value in money has to be returned.†

some limitation or qualification; but the likeness to McCulloch is striking. One might as well say that the blood of the capitalist produces the capitalist or the blood of the landholder the landholder. The patent truth is that a man tends to remain in that class or caste ("that state of life," as the Catechism has it) in which he happened to be nurtured as a child, and whose mental and material inheritance he shares continuously after birth. "If the whole of the capital" of South Africa or of any other country "were whirled skyward in the night"—if there were no inheritance of Wealth in the country—there would be next day but one class of inhabitant—the "working class," the "labourer"—the blood of the fathers notwithstanding. The patent truth is that differences of opportunity, psychical and physical, from the hour of birth are in general the principal factors in determining differences in men's classes or castes—that inborn heredity, if a factor at all, is not in general a prevailing factor.

\* If of two (or more) joint Labourers, one (or more) being an employer, and one (or more) an employé, no one gets his true Wages as defined, their joint Labour is treated herein as a unit; and so is the Wealth they produce, the rent they pay, the interest they pay, and the Wages they get. If they do not themselves resolve joint Wages into individual Wages, no one else can.

† The value of the money returned may from either of two causes be more or less than that of the money lent. The value of gold (by which the value of money in English-speaking communities is generally measured) may slowly change. Again, the State and other makers of paper money (Banks) may issue more paper money than they are able and willing to redeem in gold, and the State may make laws (in contravention of moral and economic law) compelling the people of the country (some its own creditors) to accept paper money as the equivalent of gold money, when in fact the paper is not equivalent to gold. Economic law is not easily defeated; and other State laws are made, placing new, if temporary, restrictions on natural liberty and inventing new, if temporary, artificial crimes.



The term "interest" generally includes two entirely different conceptions—(1) return for the use of Capital—pure interest—and (2) compensation for the risk the lender runs that his Wealth may not be returned to him intact and that even the interest may not be paid. In return for pure Interest at the rate of six per cent. per annum, people are now lending for a term of years to the Union Government Wealth which is to be expended on railway works. The lenders are confident that in due time the Interest will be paid and their Wealth returned intact, and they ask no compensation for a risk they regard as non-existent. They will not generally lend to one another at that rate; the lender is not quite so confident that in due time the borrower will be able to pay the Interest and return the Capital. So the rates of Interest are now about six per cent. per annum purely for the use of Capital for a term of several years, plus variable rates for the risks the lenders run, the added rates varying with the estimated variation of the risks. The added or compensation rates may be regarded as providing the equivalent of so much of the Capital as may be reasonably expected to be lost in the long run—the one may be regarded as replacing the other.

Simple Wealth inevitably decays and ultimately becomes of no value to its owner; but Wealth devoted to use by Labour as Capital (in general form) is by the terms of the contract between lender and borrower maintained intact by the borrower. While Capital serves Labour by increasing its efficiency, Labour serves Capital (in general form) by maintaining it intact as well as by rewarding it with pure Interest, both the maintenance and the reward being parts of the contract. The rate of pure Interest is determined by the relation of supply and demand. A few years ago it was less than three per cent. per annum. In a more affluent age Capital may be offered and may accept still less. The present relatively high rate is obviously related to the recent serious diminution of the supply of Capital unaccompanied by a corresponding diminution in the demand for its use.

Other conditions remaining constant, the rate at which the stock of Wealth is increased (or diminished) is an effect of the intensity of the desire to save (or consume). Desire to save may be analysed into two parts—desire to exchange some satisfactions in the present for some in the future, and desire to gain (through Interest) by denial of satisfactions in the present additional satisfactions in the future. The intensity of neither part of this desire is truly constant. During the late war the normal desire to save was in the foremost warring nations overpowered by an abnormal desire to consume

—by a desire to exchange on almost any terms and at almost any future cost in Interest future satisfactions for the present satisfaction of victory. But apart from such temporary perversion of the social economy, taking other conditions as approximately constant, we may be permitted to regard the intensity of the first part of the desire to save as constant, and therefore to eliminate it and to regard the rate at which the stock of Wealth is increased (or the level at which the stock of Capital is maintained) as governed by the intensity of the desire for Interest. And as the intensity of the desire for Interest on a given stock of Wealth is governed by the rate of Interest, we may be permitted to regard the intensity of the whole desire to save and the rate at which the stock of Capital is increased as governed by the rate of Interest.

A rise in the rate of pure Interest adds to the inducement to save and thus tends to increase the supply of Capital; a fall has a contrary tendency. Other things remaining the same, the more the Capital, the lower the rate of pure Interest, that is, the less the proportion of the Wealth currently produced that Labour has to pay out in Interest for the Capital it uses. So, other things remaining the same, the more the Capital, the more the Wages; and the fundamental relation of Capital to Labour is this—Capital increases the efficiency of Labour and, other things remaining the same, assists Labour to earn more Wages.

### *The term "Rent"*

By the primary definitions all Labour and all Capital contribute to the production of Wealth, and therefore some share of the Wealth currently produced accrues to all Labour and some share to all Capital. But all Land does not contribute to the production of Wealth, and therefore some share of the Wealth currently produced does not accrue to all Land.

Let us imagine two alterations in present conditions,—one in the world of morals as practised by man, one in the world of matter. Let us suppose that Land were treated by man as—what in truth it is—the free loan of Nature for the use of all. Let us also suppose that this Land were re-arranged in a series of belts or parcels, graded according to their capability for the production of Wealth, not merely by farmers, but also by miners, manufacturers, traders, or any other description of Labourers. Labourers would, other things equal, desire to use the belts of greater capability, because from or on them they could produce the more Wealth, and so get the more Wages.

The use of some Land is sought by Labourers, to the use of some Land they are indifferent, and the use of all other Land they eschew. Labourers then would seek the use of some belts and eschew the use of some others; and between the belts desired and the belts eschewed there would be a belt or margin of indifference—the “margin of production” of the economists.

It is plain that if all Land were left open to use every day by everybody the very poorest use would be made of even the best Land, and that to prevent extremely wasteful and unprofitable use of the Earth equitable arrangements would have to be considered for the grant of some fixity of tenure to individuals of individual parcels of good Land. One just method of determining who should enjoy the sole use of the better belts would be by open competition before the period of fixed tenure began; all men resigning to individuals for the fixed period their right to the use of all Land in common, but receiving their quid pro quo from the common pool—from the total of the sums freely bid and paid by individuals for the common rights temporarily resigned and transferred.

The intensity of the desire of Labourers for the use of particular belts would be in ratio with the degree of capability or Goodness\* of the belts. The zero of desire would be on the belt of indifference. Labourers then would make no bid for the exclusive right to use the belt of indifference and would appropriate unchallenged all the Wealth (less Interest) they produced on it; and the Wealth produced (less Interest) would be their Wages.

With each remove above the margin the intensity of the desire of Labourers for the use of the belts would increase and would be translated into competition of greater and greater intensity—into higher and higher bids. If the right to the use of particular belts were determined by casting lots instead of by competition, equal Labour on the different belts would earn unequal Wages. The effect of the competition would be that equal Labour would earn equal Wages everywhere. Labourers would bid for the use of each belt the difference between the Wealth (less Interest) produced or producible on it and the Wealth (less Interest) produced or producible on the belt of indifference all of which accrued to them.

So we come to the law of rent—the Rent of every parcel of Land is the excess of the Wealth (less Interest) produced (or

\* The words Goodness, and good, better, and best when related to Land will hereinafter relate to the capability of Land above the margin for the production of Wealth in any form or manner by Labour.

producible) from or on it over the Wealth (less Interest) that the same (or equivalent) Labour produces from or on the poorest Land in use, that is Land on the margin of indifference; Labourers using as much Land and employing as much Capital as they find most economical.\*

It may be said that feigned cases introduced to elicit a principle or to prove a proposition must be possible cases,—that the preceding imaginations are faulty and futile because they disregard non-Labourers, immoveable Capital, and other existing conditions. The answer is that this play to imagination has been given, not to prove but merely to suggest in a simple way what Rent is and how it arises. And although Land in the Union and elsewhere is not generally treated as the loan of Nature for the use of all—although Land is not arranged in belts according to its Goodness—although others than producers of Wealth make use of Land on which Rent arises—and although in sequence of time Land of greatest Goodness is generally the first used—Rent does arise in the manner described. For Land above the margin *is* divided into parcels which vary in Goodness; Labour *does* compete for the use of each parcel essentially in the manner described; and for the use of each parcel somebody *does* get in Rent the excess of the Wealth (less Interest) produced on that parcel over the Wealth (less Interest) that the same (or equivalent) Labour produces from or on the poorest Land in use. The Goodness of all parcels of Land above the margin, where no Rent arises, is measured by Rent; and all the Goodness of Land is absorbed by Rent.

If the reasoning of this paper is sound—if Land is the loan of Nature for the use of all—there can be in truth no ownership of Land, either by the community or by the individual, and the term “landowner” is a misnomer of which we should be rid, as it expresses an untruth of the first magnitude. For the production of Wealth, whether by farming, mining, manufacturing, or trading, or in any other mode—except in such quantities as primeval men produced and as sufficed to maintain their animal existence—individual parcels of Land must be possessed or held by individuals to the exclusion of others; but that is not to say that Land may or must be owned. For the misleading expression “landowners” we will in this paper

\* This definition of Rent and the conclusions drawn from it are in harmony with those of Professor Chapman, who says that “the rent of land is the payment which equalises the earnings of cultivators [producers] of the same capacity, thus leaving them indisposed to substitute one piece of land for another”; and with those of Palgrave, who says that “the essential underlying basis of rent is the difference of return to equal effort.”

substitute the expression "Landholders," meaning thereby those who by convention or prescription are treated as owners, but who in truth are but tenants of the Earth, as are all its inhabitants.

## CHAPTER II—THE RENDERING OF SERVICE

### (A) THE SERVICE-PRODUCING FACTORS

SINCE man does not live by Wealth alone, we may now enlarge the boundary of our subject to include not only service stored-up in matter, but also service not so stored-up, and thus to include not only the primary class of servers who minister indirectly to human desires, whose services are impressed on matter, but also the secondary class of servers who minister directly to human desires, whose services are impressed on the mind and not on matter, save only that ever-changing matter which is the physical form of man himself. Examples of this secondary class are most professional men, most civil servants, most inventors, and most personal servants. A musician belongs to both classes who makes an impression for the gramophone at the same time that he entertains an audience. And to both classes belong the officers and crew of a ship, their indirect service being the production of Wealth by moving merchandise from its place of less value to its place of greater value, their direct service the bringing of passengers to their desired haven. The distinction between the two classes is, however, of little importance now, as we are about to resolve them into one class.\*

Servers of the secondary class equally with those of the primary class must have the use of Land. Their ministrations being direct to their fellow men, the sites they need—whether for pulpit or platform, for laboratory, for office, or merely for dwelling—are usually in the more populous centres, where Rent is relatively high, and where they can give the more direct service and get in exchange the more Wealth or direct

\* We have been and are still regarding only those direct and indirect services "which men render to each other and on which a price can be put"—(Rogers)—that is, those services that the server sells; or (with greater accuracy) those that he does not transfer or render to others without return. Crusoe is not excluded. Men of course render to each other services that they do not sell; and the worthiness of a man may be measured by the true worth of these other services, or by the excess of the benefits of the services he renders to others over the benefits he receives from them in return. These other services are greater if rendered to many than if to one, and greatest if rendered to all humanity.

service of others, that is, where exchanges of Wealth and services are most freely and easily made.

Servers of the secondary class as well as those of the primary class employ Capital for the greater efficiency of their service. An efficient professor must use a library and a lecture room; an efficient surgeon an operating theatre and instruments; and an efficient crossing-sweeper on a frequented "pitch" a good broom. Few writers could earn their salt to-day without employing the printing press.

### (B) SECONDARY DEFINITIONS

We may now extend the boundaries of and add to our terms as follows:

1. *Labour*: To include exertion in direct service;
2. *Wealth*: To be retained with the meaning already assigned it, but to be bracketed with another term, namely,  
*Service or Services*: To stand for all direct satisfaction given by Labour to human desires;
3. *Capital*: To include Wealth as already defined employed by direct servers for increasing the quantity or improving the quality of the services they give;\*
4. *Labourers*: To include both classes of servers, the primary class transmuting their Labour into Wealth, the secondary theirs into Services;
5. *Wages*: To stand for that share of currently produced Wealth and Services (or of the proceeds of the Services) that remains to Labourers after Rent and Interest have been subtracted;

and the meanings of the terms Rent and Interest and of other co-ordinate and subordinate terms (such as Capitalist, produce, capability, and Goodness), whether they have or have not been formally defined, are extended in like manner as the meanings of the five enumerated terms.

\* All Wealth may be regarded broadly as value created by Labour and stored in reservoirs (articles of Wealth) ready for consumption as and when desired, and as value stored because if not stored it would be wasted or used uneconomically. The Labour that is transmuted into Wealth is so transmuted because it is expected to furnish in that way in the future more satisfaction to desire than it would furnish if transmuted into Service for immediate satisfaction. So in the broadest sense of the words all Wealth is Capital.

## CHAPTER III—RECAPITULATION

THE subject of the remainder of this paper is similarly extended to include with the laws of the production and distribution of Wealth those of the giving and receiving of Services.

To recapitulate and to extend in accordance with the extended definitions what has already been said :

All Wealth and Services are produced solely by Labourers, using Land and employing Capital: from the Wealth and Services (or the proceeds of the Services) they currently produce Labourers pay contributors of the use of Land current Rent, and contributors of the use of Capital current Interest; and the remainder of the Wealth and Services (or of the proceeds of the Services) currently produced is the current Wages of Labourers.\*

\* To recapitulate further: Every person contributing to the production of Wealth or the rendering of Service must be entered in one, or two, or all three of these categories, and no others—(1) contributors of the use of Land, (2) contributors of Labour, (3) contributors of the use of Capital. In truth (which is the only thing that matters) all men (as usufructuaries or co-heirs of Nature) are in the first category. A carpenter working with his own tools is also in the second in respect of his contribution of Labour and in the third in respect of his contribution of the use of tools. A ship-owner is also in the third category in respect of his contribution of the use of a ship and in the second in respect of his Labour (if any) in putting the ship to use—in arranging its routes and in seeking and contracting with mariners, freighters and passengers to use or employ the ship. A coalowner (so far as the term means "owner" of some part of the Earth's crust) is a moral impossibility, just as an ocean-owner, an air-owner, or a man-owner is a moral impossibility.

We have then for the purposes of the remainder of this paper three sets of irreducible categories, each set consisting of three categories; in all, nine irreducible categories, perfectly distinct and perfectly correlated, as in the following table.

The factors in the current production of Wealth and rendering of Services (or, as otherwise stated for brevity's sake, the factors in the current production of Value) are—

The three impersonal factors or, stated in terms of men, the three personal factors

The three factors produce

The Value currently produced is divisible amongst the three factors as

Land.	Labour.	Capital.
All mankind.	Labourers.	Capitalists.

Value.

Rent.	Wages.	Interest.
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(The meaning of the term "Value" is as defined in the next Chapter.)

## CHAPTER IV—"LAND VALUE" AND ITS "TAXATION"

## (A) MEANING OF THE TERM "VALUE"

"Value" is not a thing. Value is a quality or attribute of things and actions; just as size, weight, lustre, and utility are qualities of things, and kindness, morality, effectiveness, and futility are qualities of actions.

It may be said that the word "Value" in common speech covers two genera of meanings and that one of the genera covers two species of meanings. Of the genera, one relates to usefulness, the other to costliness; being distinguished by economists as "value in use" and "value in exchange." We are concerned only with the genus which relates to costliness or "value in exchange"; and this genus covers two species of meanings which must be carefully distinguished.

In the one meaning or sense there is value in the products of Labour, that is, in Wealth and Services and in them alone, with this difference—that the value in Wealth, being a quality in matter, has some permanence or durability, for time (whether seconds or centuries) is necessarily occupied in using up or consuming the Wealth in which the value is; while the value in Services, being a quality of an action or force, has no permanence, the giving and receiving of Service, that is its production and its consumption, occurring simultaneously. The more the Wealth produced and the Service rendered, the more of this value the world as a whole enjoys.

In the other sense of the term there is value in debts or other obligations. But while a debt or other obligation is a claim by someone to get something that has value, it is also a liability on someone else to give or be deprived of something that has value. The claim and the liability are correlative; the one cannot be without the other. What is plus in the book of the creditor is necessarily a minus in that of the debtor; and in the total sum of things the plus and the minus cancel each other. This second kind of value may be increased ad infinitum without adding one penny's worth to the values enjoyed by the world as a whole.

All value belongs to one or other of these two species. Liberty being taken to limit the use of the word "Value" in the remainder of this paper to the first species of meaning,



the second can be described as "claim to Value," and confusion between the two will be avoided.\*

### (B) MEANING OF THE PHRASE "LAND VALUE"

Ownership of bank notes, of Government bonds, and (in bygone ages) of slaves is ownership, not of Value, but of claim to Value. The owner's claim to Value in slaves rested upon certain sanctions now regarded as immoral: when these immoral sanctions were withdrawn the owner's claim to Value was extinguished—his claim and the slave's liability cancelled each other—but no Value was extinguished. The claim was not a claim to Value already existing; it was a claim to Value expected to be brought into existence by the Labour of the slave. And as in no circumstances can Land be property in the sense that Wealth is property, so in no circumstances can Land have worth in the sense that Wealth has worth; and in no circumstances can Land have Value in the imposed and proper sense of the word. But in present circumstances of mental confusion and certain sanctions which, it is submitted, must be regarded as immoral, the individual holding of a parcel of Land above the margin gives the individual holder—not Value, but a claim to Value. His claim is a claim to the usufruct of the parcel, or its Rent—that is, a claim to a certain share of the Value expected to be produced by Labour from time to time hereafter on the individual parcel, that share being the measure and the reciprocal of the continuing Goodness of the parcel, which Goodness is itself a fruit of the continual Labour of all. The claim is a claim not to Value already existing, but to Value expected to be brought into existence hereafter.

It is in these Land-owning times the practice to speak of Land in terms of the present worth (to the holder) of its expected Rent in perpetuity, just as in man-owning times it was the practice to speak of slaves in terms of the present

\* We must not forget, however, that description of this second species of value as "claim to Value" expresses the partial view of the claimant, and that its description as "liability for Value" (expressing the partial view of the party on whom the claim is made) is of equal validity. In what is being said there is no necessary idea of "service for service"—no necessary ethical notion. The necessary and sufficient idea is an expectation that amongst men in the given place and at the given time the claim or liability will be recognised and met. The distinction between a legal claim or liability and an equitable one is commonplace. Unhappily both individuals and communities are seen conceding and enforcing an inequitable claim if inequitable law allows it, and evading or repudiating an equitable liability if it cannot be brought within the equitable clauses of a statute or some inequitable clause annuls it.

worth (to the man-owner) of the expected produce of their Labour and the Labour of their descendants in perpetuity. The one practice will necessarily cease when Rent is treated as common property, just as the other necessarily ceased when the produce of the Labour of the slave was treated as his own.

Now if all so-called Land value were taxed at the rate of one per cent. per annum the worth in expectation of a parcel of Land to the holder, or his claim to Value, which before the imposition of the tax was £1,200 would, after the imposition, other things remaining the same, and taking the rate of pure Interest at six per cent. per annum, fall nearly to £1,000,\* and, with due regard to the desirability, not to say the necessity, if our reasoning is to be clear, of always meaning the same thing by the same word, the tax could no longer be spoken of even as a tax on so-called Land value, but might be called a tax on a sum that measures the Rent-yielding quality, the Goodness, of the parcel of Land, that is a tax on Rent. The use of the confusing expression is, as is pointed out in Chapter VI., part and parcel of the incongruous business usages and habits of thought by which men accommodate themselves to an incongruous institution, and must cease when all Rent is paid by Landholders to the community; for then the worth in expectation of any parcel of Land to the holder will be nil, and it will be impossible to speak of the taxation of Land value in any sense in which the words are commonly used. In the case supposed the so-called Land value is £1,200 because the sum that measures the Rent-yielding quality of the Land (to the holder) is £72 a year. Rent-yielding

\* As the tax would be a tax, not on the old "Land value" but on the new, the level of the new "Land value" would be governed by the fact that the community would take one per cent. per annum, not of the old "Land value," but of the new, and the new "Land value" would not fall quite so low as £1,000. In truth the total "Land value" remains unaltered; the community may be said to take one part of it and to leave the individual the other part; and the individual's part is the only part recognised in common thought.

Let  $x$  stand for the individual's part,  $i$  for the rate of pure Interest per cent. per annum, and  $t$  for the rate of tax per cent. per annum. Then the annual tax

is  $\frac{tx}{100}$  and the present worth of that annual tax in perpetuity—the part of the

total "value" which may be said to be taken by the community—is  $\frac{tx}{i}$ . The

total "value" is  $x + \frac{tx}{i} = x \left( \frac{t+i}{i} \right)$ ; and  $x = \frac{i}{t+i}$  of the total "value." If  $i$  be six and  $t$  be four (almost 10d. in the £ of the capital "value"), the individual's part of the total "value" is still six-tenths. As Professor Leffeldt, who gives the formulae, points out, this purely mathematical basis makes no allowance for the beneficial effect on "Land value" that relief of improvements from taxation and the consequent stimulation of industry might have.

quality (to the holder) is the cause and the measure of the so-called Land value.

The use of the words "the taxation of Land value" to stand for the collection by the public of a part of their property in the usufruct or Rent of Land involves two confusing uses of language. Having made this explanation and protest, we will still sometimes acquiesce in the use of these confusing expressions. For their use is universal, cannot always be avoided without periphrasis, and has a certain merit of brevity and convenience. What is known as the "selling value" or market value of Land offers the first and, perhaps, the readiest means of assessing the amount to be collected from each Landholder when "taxation of Land value" is first enforced. But it seems clear that the tax is and should be treated as being a collection of a part of the Rent.

#### (C) THE CAUSES OF "LAND VALUE"

If the doctrine of evolution is true, primeval men must have lived very like the animals from which they evolved, each appeasing his own hunger with the particular fruits and other edibles he himself collected—each satisfying his own desires with the particular Wealth produced by his own Labour. The first men must have lived literally, not only each from hand to mouth, but each from his own hand to his own mouth. They could have known nothing of the vast increase of Value that results from the practice of exchange of articles of Wealth and Services and from the concomitant practices of co-operation and specialisation by individuals in the production of Wealth and Services. Without these three social industrial practices (which are inter-related and inter-dependent) material civilisation as we know it could not be.

If to-day from any cause men were prevented from exchanging or trading, and thus each had to supply his own needs with the particular Wealth that he himself produced and by serving himself, the efficiency of their Labour would be reduced to a very low level—they would revert approximately to the material condition of primeval men. And what is called Land value would disappear. For men would be incapable of producing more Wealth than sufficed for the satisfaction of their primary desires—those for a minimum of food, clothing, and shelter; and Land which has now the greatest Goodness—the richest gold and diamond mines and sites in the centres of cities—would be good for nothing.

The following conditions must exist before there can be any so-called Land value—before any Land can have any Goodness:—

1. There must be observance of individual exclusive occupation for an appreciable period of some Land—that is, observance of some fixity of individual tenure of some individual parcels of Land. For if all Land were open to use every day by everybody no one would place on it Wealth or Capital that anybody could oust and demolish; the very poorest use would be made even of what might then be the best Land; practically all the Wealth produced by Labourers they would immediately consume or they would perish; and there would be no Goodness in any Land.\*

2. There must be some appreciable Labour. For as without Labour no Wealth or Service would be producible, so without Labour all Land would be without Wealth-producing or Service-producing capability and therefore without Rent-yielding quality.

3. There must be some appreciable Capital. For without its assistance Labourers would "struggle grimly" for a "miserable livelihood"; they would immediately consume practically all the Wealth they produced, or perish; and there would be no Rent-yielding quality in any Land.

4. There must be some ability and freedom of Labourers to exchange or trade articles of Wealth or Services, and some co-operation and specialisation by individuals in the production of Wealth and Services; for without these practices men would revert approximately to a primeval material condition, and could pay no Rent from the meagre Wealth produced.

Given somewhere on the Land a certain minimum degree of fixity of tenure, a certain minimum number of Labourers of a certain minimum of efficiency, a certain minimum amount of Capital, and a certain degree of freedom of trade: given these conditions, a certain minimum of Rent-yielding quality, of Goodness, will appear in the most desired sites. An enhancement of the Goodness of Land accompanies every intensification and extension of fixity of tenure, every addition to the stock of Capital, every removal of taxation or other restraint of industry, and every increase in the number or in

\* Here as in other places minutiae are disregarded. We are rough-hewing and cannot afford to cut blocks with a razor.

the efficiency of Labourers. And an increase of that efficiency accompanies every increase of knowledge and intelligence and every advance of science and useful art. Each of these improvements is reflected in an improvement in the Goodness of Land—not necessarily in that of every parcel already above the margin, not necessarily in a lowering of the margin, but in an enhancement of the Goodness of Land considered as a whole.

In the earth, that is in Nature, no minerals have lustre. The quality of lustre is imparted to some of them only as and when they are brought by man to the surface and are affected by light; and the intensity of that quality in any given mineral at any given time will be related to the quantity and quality of the light affecting it. So in Nature no parcels of Land have Goodness. The quality of Goodness is imparted to some of them only as and when they are brought by man under the institution of individual possessorship and are affected by Labour; and the intensity of that quality in any given parcel at any given time will be related to the quantity and quality of the Labour affecting it. And as by "light" is meant not merely the rays of the sun falling directly upon the given mineral, but all the light that affects it; so by "Labour" is meant not merely the Labour of those who are located directly upon the given parcel of Land, but all Labour that affects it.

The observance of individual exclusive possessorship of individual parcels of Land is relatively vindicated by the infinitely better opportunity it affords for the production of Wealth and Service than the use of Land in common; but it is absolutely unjustified morally when not subordinated to observance of the common right of everyone to the use of all Land.

## CHAPTER V—THE RIGHT TO RENT

RENT being the equivalent or reciprocal of the usufruct of Land above the margin, that is the usufruct of good Land, the right to the usufruct of good Land resolves itself into the right to Rent.

The Goodness of Land considered as a whole, its Rent-yielding quality, is created by all current Labour,\* reinforced by such past Labour as remains stored-up and of Value in

\* The meanings of the words Labour, Labourer and Services are extended to include all Services that men render to each other and all who serve their fellow men, whether a price is put on the Services or not.

existing Capital.\* The Union Income Tax Enquiry Committee touch upon this truth when they say that "enhanced" Land value is "a profit that arises from the activities and general needs of the community and not from the personal industry of the owner." By "enhanced" Land value the Committee appear to mean for each parcel of Land the Value the holder can get in exchange for his conventional ownership less the Value which he gave when he acquired somebody else's conventional ownership and which of course may have been little or nothing.

Now neither Value nor claim to Value arises from people's needs. People's needs are merely the spur to their activities, that is to their current toil and their exploitation of past toil which they have stored up in Capital. These active conditions create all Value and in conjunction with certain passive conditions all so-called Land value. So the Committee may be fairly brought to say that all the so-called value of some parcels of Land arises solely from Labour.† And if they can be brought to say this, it is difficult to conceive how they can help being brought to say that all the so-called value of every parcel of Land arises solely from Labour. But they are not careful to state the case for the Landholder; for, if he is industrious, he is a Labourer, and so a unit in the activities by which all so-called Land value, including of course that of the parcel he holds, is created.

The effect of the toil of each Labourer is two-fold—the production of Value in particular Wealth and Services and the production of Goodness in Land in general. Each Labourer is generally conscious of his production of Value in Wealth and Services; for that production is intentional, that Value is palpable and has (or is thought of as having) some permanence, and in that Value he has (or should have) the closest interest. He is generally unconscious of his production of Goodness in Land; for his contribution to that Goodness is unintentional, impalpable and evanescent, and in that Goodness under present conditions of Landlordism he has no interest. And the toil of each Labourer is more certain to result in contributing to the Goodness of Land than in producing Value from which to pay Rent, Interest, and his Wages.

\* Capital is taken to include communal or State Wealth laid out and embodied in roads and bridges, which are used by Labourers for increasing their efficiency but for the use of which they pay no Interest directly.

† Unless the contrary is expressed Labour is always taken to be assisted by Capital, for the use of which, however, each Labourer (or each unit of joint Labourers) pays the price—in Interest, if he (or they) have the sole right to that use; in general taxation, if the right is communal. This statement is made once for all.

For after paying Rent and Interest from the Value they produce some Labourers may at times by misfortune have little or no Wages left; or they may be unable even to pay Rent and Interest and have incurred a debt; but a direct contribution by them to the Goodness of Land is inevitable. In the same sweat of the brow in which day by day they earn more or less precariously their bread each of them day by day perforce and with certainty contributes to that Goodness. In other words, the maintenance or enhancement of the Goodness of Land in general is a continual first charge upon the exertion of every Labourer, Rent and Interest being second and third charges and Wages but the residuary charge. So long as man goeth forth to his labour he inevitably and continuously creates Goodness in Land. Imagine the number of Labourers in any country materially lessened or the intensity or efficiency of their Labour materially lowered, and then further imagine the effect upon the Goodness of the Land of that country.

When a Landholder in Ireland living on the parcel of good Land he holds is boycotted; the boycotters—that is, some Labourers—stay these parts of their Labour that contribute to the Goodness of that parcel; and for the term of the boycott that parcel may have no Goodness and may even sink below the margin of indifference and be eschewed. The first and third conditions necessary for the presence of Goodness (Cap. IV.) may remain unimpaired; but the second and fourth are impaired or extinguished; and the more complete the boycott, the more complete is their extinction and the extinction of Goodness in the parcel boycotted.

And so the effect of all Capital is two-fold—an increase in the production by Labour of (1) Value in Wealth and Services and (2) Goodness in Land. Take highways and bridges. These embody very large amounts of public Wealth; and where there is no "taxation of Land value" the public gets no reward in Interest on its outlay. But the reward is there awaiting collection—in some of the Goodness of the Land served by the highways and bridges. Imagine that the highways and bridges were destroyed and the tracks they follow returned to their natural unlaboured state, or that they were merely left unrepaired; and then further imagine the effect upon the Goodness of Land.

A Capitalist may contract with Labourers to produce—of course in specific form—immovable Wealth (of which, for example, a factory or mine development consists) in exchange for Wealth in general form. He may be prompted by an

expectation that his acquired Wealth in specific form will be of more assistance to Labour in the production of more Wealth than his divested Wealth in general form, and that therefore the new Capital will yield him more than the ordinary reward in Interest—more Interest than was yielded by the old. By misfortune the result may be the reverse of his expectation: it may be that he will get less Interest or none at all—that his Capital in specific form, even though maintained unimpaired, may (for him) lose all or nearly all its Value. But so long as it remains Capital—so long as it subsists as Wealth employed by Labour for the production of more Wealth—it perforce contributes indirectly to the Goodness of Land, and an indirect contribution to that Goodness is a first charge upon it.

Similar conditions apply to State railways, whether their operation yields Interest or not. The public Wealth sunk in them may (so far as the public is concerned) all be lost; but so long as they are operated by Labour an indirect contribution to the Goodness of Land is a first charge upon them. And so the first charge upon State outlay on harbours, irrigation works, and other public works (provided, of course, that they are operated by Labour) is an indirect contribution to the Goodness of the Land they serve.

An indirect contribution to the Goodness of Land is a certain effect of all Capital. But there is a vital difference between the direct contribution by Labour and the indirect contribution by Capital. All Goodness of Land being the creation of Labour and Capital, let it be granted for a moment that Rent when collected by the State should be divided amongst Labourers and Capitalists, those who labour best or provide the most Capital getting most. Such a distribution of Rent would at first be a resolution or conversion of Rent into substantial additions to Wages and to Interest. The addition to Interest would stimulate the saving of Wealth and its devotion in larger quantities to Capital. This stimulus would last until the rate of Interest paid by Labour combined with the virtual rate of Interest paid from the pooled Rent fell to a point at which desire to save was brought to its former relation (whether a relation of equilibrium or not) with desire to consume, which relation, other conditions unchanged, is governed by the rate of Interest. Other things equal, the increased supply of Capital would cause the combined new rate of Interest to be lower than the rate of Interest before the combination. After the new conditions had adjusted themselves—after the period of transition had been passed—the combined new rate of Interest would not be more than



the rate of Interest before the combination: Labour would pay only the combined rate minus the rate virtually contributed from the pooled Rent; and the pooled Rent would virtually be paid to Labour alone. So in the long run the rate of reward to individuals for saving and for devoting their Wealth to Capital would not be increased by a distribution of Rent to Capital. But the rate of reward to the community for saving and for devoting communal Wealth to capital outlay would; and much more Wealth would be saved or borrowed by the State and laid out as Capital or in continuous expenditure on works of public utility if the Wealth so laid out were credited by way of Interest or compensation with a proper share of the Rent due to the Goodness that the outlay assisted Labour to create in Land.

Capitalists are passive partners in the production both of Goodness and of Value. In relation to production Capital is the tool of Labour and nothing else. Rightly understood, Labour can have no conflict with Capital. Labour remaining unchanged, an increase in the quantity of Capital causes the following results: Labour uses more Capital, produces more Goodness and more Value, pays a lower rate of Interest, gets more Wages, but pays more Rent. Capital implements Labour. The conflict is not between Labour and Capital, but between Labour and Landlordism.

In his writings Adam Smith generally regards both Land and its Goodness as gifts of Nature; but he gives signs that he saw that its Goodness is due to Labour and Capital. Though Land is of Nature, its Goodness is of men. The greater and the more efficient their toil, the greater the Goodness of Land and the greater therefore the Rent the Landless pay and the Landholder enjoys. Labour creates the Goodness without which no one would bid Rent, and the Value without which no one could pay it. Labour lays the foundation of Rent and rears the superstructure as well.

While it is the duty of every able-bodied man to produce Value sufficient for his reasonable sustentation and that of his immediate dependants, beyond that point the production of Value for the obtaining of superior comfort and luxury for himself and his dependants is but one, and that not the worthiest, of man's activities. "Land-grabbing" and "money grubbing" have found places in the dictionary as terms of reprobation.

Without individual possession of individual parcels of Land, a concession that is without moral justification unless

the possessors pay Rent into the common pool for the common benefit, superior efficiency and strenuousness would count for relatively little in the production of Value. If, making the most for themselves of this concession, some labour more efficiently and persistently than others for the production of Value for themselves and devote more Wealth to Capital than others, that is their own election and concern. If they contribute a superior share to the Goodness of Land, that is a mere incident of their self-regarding activities. They have their reward in more Wages and Interest, and their superior ability and persistency in the production of Value for themselves afford them no warrant for claiming a larger share of Rent than the rest of their fellow usufructuaries of Nature.

Man does not live merely by the Value of the Wealth and Services he produces. He has a higher life in other things so superior that they are spoken of as proceeding out of the mouth of God—in Truth and Justice and Mercy, the kingdom of God and its right-doing; and when he seeks these things, all other things, he is told, will be added unto him.

Men who labour in the production of Wealth or Services most efficiently and assiduously or devote most Wealth to Capital are the most efficient contributors to the Goodness of Land.\* They now contribute, or are generally supposed to contribute, from their superior income from Wages or Interest a superior share to the public revenue through income taxes, customs taxes, excise taxes, licence taxes, turnover taxes, stamp taxes, and many other arbitrary, shifting, and haphazard devices. It accords with nature and reason that their superior share of contribution to the public revenue would be better made by way of their superior contribution to the Goodness of Land—by way of the so-called Single Tax—than by way of the present miscellaneous, evadable, and waste-engendering taxes.†

\* It is an observed fact (as noted by Ely) that the better Labourer generally uses the better Land; and to this may be added the observed fact that the better Labourer generally employs the more Capital. So the better Labourer not only gets more Wages for himself, but causes more Rent and (through his better demand for Capital) greater accumulation of Capital than the worse Labourer.

† It may be suspected that if public officers charged with the duty of collecting these taxes were free to publish the whole truth, or even if the Government published all the information at its disposal, the public conscience would revolt at the absurdities, injustices, demoralisation and waste inseparable from the present expedients adopted for commandeering Wealth for public revenue. Everyone sees at times something of these evils; perhaps none can see them steadily and see them whole.

It will not escape notice that the injustice of the institution of private property in the usufruct of the Earth weighs heavily upon the poorer and less intelligent, who by reason of their very poverty and ignorance are the less able to understand and apply a remedy for the mischief that is done them and have the greater claim upon the justice, not to say the generosity, of their wealthier and more intelligent fellow men. Verily the destruction of the poor is their material and mental poverty—a poverty that may be in part natural and congenital, but is in part unnatural and inflicted upon them by their fellow men.

#### CHAPTER VI—THE PONS ASINORUM

It is easy to understand how in an elementary state of society, in a sparse population beginning to settle down to an agricultural life, the institution of private property in Land could become established even without the conscious or unconscious exercise of force. Let us outline the possible history of such a society, one in which there was at first no kind of government and no kind of taxation, in which perfect peace prevailed and individual rights of property were fully respected, and in which the common right of every individual to the use of all Land was at first recognised and observed. When first a member of the society erected a shelter and cleared and tilled the soil around it he would be regarded as having established, beside his common claim, a special claim to the use of that soil and would by common consent be left in undisturbed possession of it. There being sufficient equally desirable Land for everybody, his private possession would aggrieve nobody. Others would follow the example set, and a custom of individual possession of Land would arise. The strongest and most energetic would till and occupy the most Land, and, having made the most improvements, would be the most concerned in the development of the new custom into a right. So a new and secondary right of individual possession would be presently established, while the old and primary common right, being exercised only on such less desirable parcels of Land as were kept as "commons," would become, except as regards those parcels, disestablished and forgotten. Thus the full right of private ownership of Land would be developed, and the private rights to parcels of Land would come to be bought and sold.

Whether the institution of private property in Land arose in any part of the world in this way or not, all that is suggested is that that institution could easily become established, even supposing that all men recognised at first the equal right of each to the use of all Land and that no Land was ever taken and held by force by anyone. If of parcels of Land of nearly equal desirability there were enough to satisfy everybody's desire, the right of all to common use of all Land would be of no immediate practical interest to anyone and would be lost sight of. If Lot would but agree to the abandonment of the exercise of vexatious common rights and allow each to exercise the peaceful right of private possession, Abraham would be content that Lot should make the necessary division.

Being bought and sold by superficial measure and sometimes even by cubic measure or by weight (as with beds of sand and coal and other natural deposits) Land is assimilated in general thought to articles of Wealth and to Capital. Any false conception of an object is necessarily accompanied by false reasoning regarding the object; and some of the qualities of Wealth and of Capital are by false reasoning ascribed to Land.

Nothing can be Capital unless it first is Wealth. Far from being Wealth, Land is merely the natural opportunity for Labour to produce Wealth. But the holder of a parcel of Land (above the margin) can get Rent from it either by applying his own Labour to it or by letting others apply theirs; and the general practical mind has no time for such unpractical distinctions. So in spite of the truth, in spite of the teaching of every accredited writer on economics, legislators debating in their Assembly the question of taxation are able without contradiction to assert that land is capital, and to argue that because it is impolitic to tax the owner of capital it is impolitic to tax the holder of land. And a statesman of culture like Mr. Merriman cannot understand why land reformers should advocate what is called the taxing of Land and in the same breath the untaxing of buildings—cannot understand the placing of Land and buildings in separate categories as objects of thought, and thinks that the whole of the "value" of a parcel of Land is due solely to the man who happens to hold it, if only he happens to be amongst those who labour on it or provide the Capital that is placed upon it.

A recurring or other tax on houses cumbars the building of houses: the cost of a house to the owner is increased by the

capital sum that is the equivalent of the recurring tax\*: house-rent is increased by the amount of the tax: the tax is borne by the tenant or user—that is, by the “consumer” (in economic phrase) of the house. So a customs or excise tax on goods adds so much to the cost of their production and is borne by the “consumer” of the goods. It has been shown that what is called a tax on Land “value” is in truth a collection by the community of a part of Rent, or, by a practical extension of meaning, is a tax on Rent. The general practical mind has no time for such refinements, serving no immediate practical purpose. It calls a tax on Rent a tax on Land and, if it thinks on the subject at all, is apt to think (most confusedly) that the tax can be passed on by the Landholder to somebody else—to tenants as “consumers” of the unconsumable Land, or to the “consumers” of the particular articles of Wealth produced or Services rendered by Labourers on the Land. So men otherwise reasonable and well read will, despite the teaching of every accredited economist, argue that a tax on the holder of Land can be shifted by him to somebody else; when the truth is clear that what is called a tax on Land or Land “value” is (by a tolerable extension of the meaning of the word) a tax on Rent and is borne by the “consumer” of the Rent, that is, of course, by the Landholder.

Social institutions have an influence upon the thought of those amongst whom they are established that can scarcely be overestimated, and the more pervading and world-wide the institutions the greater is their influence. They set the track which until a new one is made must be kept and followed. So ill-conceived roads, once they are made and once their margins are built upon and almost unalterably fixed, may themselves be regarded as unalterable and may determine the course of traffic for generations.

Men in general being more or less engrossed in the pursuit of Value and of claim to Value, each for himself, follow in that pursuit the line of least resistance—the beaten track. They adapt their business methods and habits of thought to fit their institutions; and, if they are unconscious or reckless of the unfitness and impropriety of the institution and of the falsity of their conceptions of it, then they are unconscious or reckless of their self-abuse in accommodating themselves to it. There may be perversion of men's psychical powers and processes

\* Let it cost £1,000 to build a house, and let the current rate of Interest be 6 per cent. per annum. Then it is (approximately) all one to the owner whether he pays an annual tax (or rate) on the house of 5d. in the £ (approximately 2 per cent. per annum on £1,000) or a tax of £333 outright.

as well as of their physical. The more completely the individual conforms—the more completely he subdues the spirit of the reformer—the more successful he is in the pursuit of Wealth. Those who the least so conform—or deform—themselves are regarded as unpractical theorists, and for them the business world has the least place and scope. So it may be suspected that some intelligent political leaders and even some writers adapt themselves to their environment, lowering themselves to the general level of intelligence of their entourage and refraining from telling all the truth that is in them and from lighting up as much as they could the darkness around them; for honesty, though always the best policy, is not always politic. Then, as Judge President Sir J. W. Wessels says, “there is a time at which the law has to conform itself to the commercial usages of the day.” If men are unconscious of the incongruity and deformity of their institutions they will be unconscious of the incongruity and deformity of their usages and habits of thought relating to those institutions; and a severe and even painful effort of the intellect may be required to discern the incongruity and deformity.\* The conditions of the place in which a man labours every working day of his life become so familiar that he becomes and remains unconscious of their defects or merits until he consciously compares them with the better or worse conditions of the places in which others labour or with ideal conditions.

An American who was opposed to slavery said that after travelling through the Slave States he was obliged to go to theory to arouse within himself any abhorrence of that institution. If while in Virginia he had been allowed to express his views he would have been regarded by intellectual slaveholders, well acquainted with general opinion, as a mere theorist or doctrinaire, and probably by all (except maybe the slaves themselves, supposing them to hear his views) as a dangerous agitator. It may be remarked that the “value” of negro slaves was never higher than a year or two before the outbreak of the war that in another year or two cancelled all

\* “The human understanding when it has once adopted an opinion (as being either the received opinion, or as being agreeable itself) draws all things else to support and agree with it. And though there be a greater number and weight of instances to be found on the other side, yet these it either neglects or despises, or else by some distinction sets aside and rejects: in order that by this great and pernicious pre-determination the authority of its former conclusions may remain inviolate. . . . But with far more subtlety does this mischief insinuate itself into philosophy and the sciences: in which the first conclusion colours and brings into conformity with itself all that come after, though far sounder and better.”—*Bacon*;

the slave-holders' immoral and unnatural claim to Value in the slaves.

This mental difficulty of many is illustrated by the complaint of a respected and intellectual citizen of Natal, an ex-Minister of State, one with as keen a general regard for the rights of others as for his own, who has raised his voice in denunciation of the oppression of the weak and unsophisticated by the strong and astute and has been honoured by being called a negrophilist. He implies that by purchase of certain six parcels of Land he had acquired the right to the exercise of six votes in the election of legislators; and he complains that the legislature in abolishing plural voting has "deliberately robbed" him of the right to exercise five of those votes. His difficulty in seeing that he could not buy these voting rights, because no one could sell them; and that his exercise of six votes involved a continual robbery, a part enslavement, of other men as good as himself exercising one vote or none at all, is the same difficulty others have in seeing that no one could buy, because no one can or ever could sell the eternal, continuing right of all to the usufruct of Land, and that the collection or enjoyment by one of more than his common share of Rent involves a continual robbery, a part enslavement, of others receiving less than their common share or no share at all.

No man can give another a greater right to a thing than he (the giver) possesses (and the most important thing on earth is its usufruct): and it is obvious that the first man or body of men who purported to give or sell the right in perpetuity of the usufruct of any parcel of Land possessed no such right and therefore could neither give it nor sell it. The law generally is that the true owner of a thing sold by a non-owner may follow it up and recover it from the hands even of an innocent purchaser, without being responsible to the latter for the price he paid.

When men become better civilised they may regard with a repugnance akin to the repugnance with which in the present stage of civilisation they regard slavery a state of society that deprives some members of the community at once of their right to part and lot in the usufruct of the Land and of part and lot in the constitution of the legislature, in and through which alone (save by revolution) they can hope to attain their other rights.

## CHAPTER VII—CONCLUSIONS

THE fundamental law, the *grondwet*, of Nature that all men are her usufructuaries, that the usufruct of Land belongs to all men in common, demands the obedience of all. This law is as valid in morals as the laws against robbery and murder, and, as Herbert Spencer once said, "to deprive others of their rights to the use of the Earth is to commit a crime inferior only in wickedness to the crime of taking away their lives or personal liberties."

Mankind being divided into some 78 nations, and each nation being a self-contained unit, making its own internal economic arrangements and recognising little or no responsibility for economic arrangements beyond its borders, it is plainly the duty of each nation to set its own house in order, leaving to the Parliament of Man, that is the League of Nations, the duty of establishing international economic order.

The amount of the annual Rent of Land in the Union may well approximate to the amount of the taxes annually collected in the Union. If Rent were collected by the State on behalf of the whole community and applied—as the taxes are or are supposed to be applied—for the benefit of the whole community, the present taxes might be unnecessary and be gradually abolished. With their abolition the Goodness of the Land of the country considered as a whole would increase; Rent might well increase by the amount of the taxes remitted\*—the public revenue from Rent might approximate to double what the revenue would have been from taxation. Labourers and their dependants would on the one hand be relieved of

\* The Rent Labourers have to pay plus the taxes they have to pay may be regarded as the price they have to pay for living in the Union. If an Arabian Nights' genie could be got to pay all Union taxes, the Union would at first be by so much a better place for Labourers to live in; but ultimately they would pay so much the more Rent and (unless Rent were collected by and for the community) be no better off. So neither taxation (except the misnamed "taxation of Land value," which in truth is the antithesis of taxation) nor abolition of taxation availeth anything permanently to Labourers while Rent is privately appropriated. Under existing conditions of Landlordism the contest between one scheme of taxation and another, while of temporary direct concern to some Labourers, is of no lasting direct concern to any of them. It is of lasting direct concern only to holders of certain parcels of Land of special capability for the production of Value in certain forms or modes—such as (in the Union) holders of wheat-lands (who gain relatively by "Protection") and holders of mineral lands and town lands (who gain relatively by "Free Trade").



taxation, direct and indirect, and on the other receive much more benefit from State activities and expenditure; and the relief and benefit would be virtually a substantial increase in Wages.

The way then permanently to increase Wages is through what is called the taxation of Land values, which, properly understood and better worded, is not taxation at all—is the collection by the public of a part of their common property in the usufruct of the Land.

Surely a true and enlightened Labour Party will presently arise which, while as regards destructive legislation advocating less rather than more State interference in and control over people's daily lives and activities—that is less officious intermeddling with each man's life and activities by other men—will as regards constructive legislation make it their main object to secure the practical recognition in human law of the natural law that all are but tenants of the Earth, that none are owners of it, and that its usufruct is the property of all. Such a party might expect support from all reasonable Landholders, and from all non-Landholders, whether reasonable or unreasonable. And a large number—perhaps the majority—of Landholders would even in a material sense not be prejudiced by the change, for they would gain in Wages as much as or more than they ceased to appropriate in Rent.

Consider how, if the usufruct of this estate of Nature were treated as the property of all, public improvement and development of that estate would set in with unprecedented vigour:—how the public through the State would engage labour and hire capital for the construction and full equipment of harbours, railways, roads, and irrigation and other works, and for afforestation, not waiting to be cajoled or jockeyed by rival landholding interests but taking the initiative themselves: how, if the capital outlay of the State embodied in railway and harbour works and their equipment were credited with a fair share of the Rent due to the Goodness that that outlay assists Labour to create in Land, such railway lines and harbours as now show a loss to the State might show a gain, and rates and fares and dues could be reduced and some of them perhaps abolished—as no direct charges are levied by the State on users of roads and bridges, public libraries and museums, and no charges are levied by private holders on those who use the funicular railways in private buildings forty stories high or enter with vehicles on private premises for the transaction of business: how by State collection of Rent every parcel of Land that Labourers desired to use would be

let to them, or the holder would pay his fellow men the current price for withholding the use of it from them: how by thus opening up all Land for use the opportunities for Labour and the demand for the use of Capital would be multiplied, and commerce and other industry would flourish: how, if this simple law of Nature were obeyed, many of the seemingly discordant interests of the agriculturist, the miner, the manufacturer, and the trader, of high and low, of rich and poor, and of the inhabitants of different localities, which on analysis are often found to be the interests of competing Landholders and not of those who labour, would be harmonised and the interests of each tend more fully to become the interests of all: how anxiety for the welfare of one's self and one's posterity would be assuaged: how the recognition of the inalienable right of everyone to use the Earth, involving a better realisation of the inherent sovereignty of every member of the human family, would profoundly modify the general mental attitude of man to man and quicken the perception of social justice, of the right of every man to seek the satisfaction of his own desires in his own way, so long as he does not infringe the equal right of any other.

DURBAN,

*February, 1922.*

## APPENDICES

## APPENDIX A

LETTERS OF THE RIGHT HON. J. X. MERRIMAN, P.C., M.L.A.

House of Assembly, Capetown,

11th April, 1913.

G. Burgess, Esq., Durban.

DEAR SIR,

Thank you for the trouble you have taken to send me your reasons for wishing to tax land. I think that you make an error in forgetting that the bulk of the land in South Africa is held by those who work it and that to them the whole value is due as well perhaps as the value of the buildings, etc., at the ports. In England land is largely held by the drones of the community.—Yours, etc.,

JOHN X. MERRIMAN.

House of Assembly, Capetown,

4th June, 1920.

DEAR MR. BURGESS,

I can of course have no objection to your reprinting my letter quantum valeat. I should have added that in my opinion the proper way of "getting at" the land, which seems to be the main object of the Land Taxers, is attained through the English Income Tax way of estimating the farmer's income, which has the additional merit of satisfying the farmer, as far as any taxpayer can be said to be satisfied. As you may be aware, this method was adopted in the Cape Income Tax, 1908. I thank you for your courteous letter.—I am, etc.,

JOHN X. MERRIMAN.

The respect and deference due to this illustrious and veteran statesman embarrass comment. The letters are reproduced because the first of them discloses the conception of an eminent law-giver of the cause of "Land value" and the cause of the value of buildings at South African ports. All Landholders qua Landholders are drones, whether in England or in any other country.

## APPENDIX B

## THE INCOME TAX ENQUIRY COMMITTEE AND THE TAXATION OF LAND VALUE

The Income Tax Enquiry Committee furnish a good and plainly-worded reason why incomes in general should not be taxed. They say: "Under any circumstances the ascertainment of individual income is exceedingly difficult with all classes of taxpayers; and, when the attempt to reach the income of the individual has to rest upon the declaration of the taxpayer himself, it is putting upon him a strain which in the usual state of relations of the individual to the Government may be characterised as exceedingly severe. If such be the position with the general body of taxpayers, how much more difficult becomes the problem when dealing with a particular class of taxpayers, like farmers, whose incomes are irregular, and who as a rule have not had the opportunity of acquiring a knowledge of accounts and are not in the habit of keeping even a simple record of their few business transactions."

The Committee furnish an equally good and plainly-worded reason why the special income or Wealth should be taxed which a Landholder receives on the exchange of his conventional ownership of Land for somebody else's Wealth. They say: "Values (Land values) grow with a growing population and also increase with the industrial activity of the State. In a new country like South Africa increasing population and State expenditure tend to create enhanced values (of Land) without any effort on the part of the owners. This enhancement, whether fortuitous or due to the expenditure of the Government on roads, bridges, railways, and irrigation works, when realised, is a profit that arises from the activities and general needs of the community and not from the personal industry of the owner." They say that it "is impossible to justify" the exemption of this income from taxation. And if they carried their reasoning a step further they would see that all Land value is "enhanced" value and arises from the activities of the community, that no Land value is fortuitous, and that it is impossible to justify the exemption of any Land value from taxation.

It was also open to the Committee to point out that, in contradistinction to all other sources of income, Land value can be estimated without resting upon the declaration of the taxpayer—that all Land is out of doors and exposed to public view and Land value is generally as patent to any experienced valuer as to the taxpayer—and that on this ground incomes from Rent are as peculiarly appropriate for taxation as incomes from Wages and Interest are peculiarly inappropriate.

So when they come to oppose the taxation of the income or Wealth continually realised or realisable by a Landholder from his conventional ownership of Land—that is when they come to oppose the taxation of all Land value—the Committee are naturally unable to furnish reasons as good and as plainly worded as their reasons for supporting the taxation of some Land value. Let us examine one of their reasons for opposing the taxation of all Land value—a reason which they incongruously classify as an amplification of one of the advantages

claimed for that taxation. It is worded loosely and ambiguously as follows:—

The substitution of a land tax for an income tax in the Union might secure the taxation of all farming incomes, but it would tax more than income. Under Union conditions, where much of the land is undeveloped and non-producing, the tax would fall on capital and not on income. Taxation which falls on capital must diminish the sum of the community's wealth, a process that cannot continue indefinitely, and in using land as the basis of taxation there is always the danger in a new country of trenching on the accumulated savings of the community.

By "land" in their reason the Committee mean for any parcel of Land that parcel considered as stripped of its improvements—that is stripped of Wealth or savings or Capital—the Land of our definition. And where the Committee speak of land tax they mean, not a tax on land, but what is usually expressed as "the taxation of Land values."

On looking for a unifying principle in the Committee's paragraph, the following assertions are seen in it:—

(A) A tax on Land value in the Union would fall on capital.

(B) A tax on Land value in the Union (falling on capital) must diminish the wealth of the community.

(C) A tax on Land value in the Union may diminish the savings of the community.

"Wealth" and "savings" are two names for the same thing. So assertions (B) and (C) would be the same, but for the different words "must" and "may." These two words being incompatible, the two assertions are incompatible.

All taxation falls on Wealth—it can fall on nothing else. Every tax is a transfer of Wealth to the State from the individual—that is, the Committee will doubtless concede, a transfer of Wealth to the community from the individual. Every tax transfers Wealth to the community from the individuals whose Wealth is taxed; yet the Wealth of individuals left to them by the community and unspent may increase; and no tax directly diminishes the Wealth of the community. Indirect diminution is another matter, but of that the Committee are not speaking.

On looking further for some unity of purpose in the Committee's paragraph, part of a syllogism is seen, namely:—

(A) Taxation of Land value in the Union would be taxation of capital; and taxation of capital would be diminution of the wealth of the community:

(B) Diminution of the wealth of the community could not continue indefinitely.

The Committee do not complete their syllogism by drawing the necessary and only conclusion:—

(C) Taxation of Land value in the Union could not continue indefinitely.

If they did, they must see that, the conclusion being absurd, there must be something wrong with their premises. But they content themselves with adding another premise, incompatible with one of the others:—

(D) Taxation of Land value in the Union might be diminution of the wealth of the community:

and they leave their reader to draw his own conclusion of their reasoning.

When the Committee speak of "the community," do they mean the Landholders only? Are they regarding the material interests of Landholders and disregarding those of others? Do the Committee mean that Land—"the fixed and unalterable dowry of Nature"—is the "accumulated savings" of Landholders, or of the community or of anybody? The Committee are (no doubt unconsciously) fighting against Nature and reason; and they naturally fail.

A tax on Land value is a collection by the community from the Landholder for the Rent-yielding opportunity that they continually create and that they allow none but him or his proxy to utilise. It is a rate for a public irrigation service, the improvement of which Landholders desire, contesting amongst themselves in the legislature for larger shares of it, and for which many of them now pay nothing. It is a charge for the fertilising streams which, flowing perennially from the brow of Labour into State-made furrows, irrigate all Land above the margin, and without which no parcel of Land could yield any Rent or would be worth twopence.

A classic example of the warping of one's thought to accommodate itself to the incongruous institution of private property in Land is afforded by the logician John Stuart Mill. He wrote: "The land of every country belongs to the people of that country. The individuals called landowners have no right in morality and justice to anything but the rent." Those who see that these two assertions are incompatible will also see how much greater is the freedom of their mind than was that of the mind of Mill, who fifty years ago was regarded as a fearless thinker and as the saint of rationalism. But Mill says in his autobiography: "The social problem of the future we considered to be how to unite the greatest individual liberty of action, with a common ownership in the raw material of the globe. . . . Interest in the common good is at present so weak a motive in the generality, not because it can never be otherwise, but because the mind is not accustomed to dwell on it as it dwells from morning till night on the things which tend only to personal advantage. . . . The deep-rooted selfishness which forms the general character of the existing state of society, is so deeply rooted, only because the whole course of existing institutions tends to foster it."

## APPENDIX C

## THE ECONOMICS OF THE "LABOUR" PARTY

Mr. T. Boydell, M.L.A., is the leader of the "Labour" Party in the Union Parliament, and his official views must be taken to be those of his party. He has written a memorandum on the "features and faults of the present economic system," which memorandum is appended to the report of the "Cost of Living" Commission. At the outset he says that "as capital is that portion of wealth utilised to produce more wealth, and as all wealth is due in the first place to the application of labour to the land (or its products), labour takes precedence of capital in importance." By the same token Land equally takes precedence of Capital in importance. Mr. Boydell does not follow his own reasoning, but devotes nearly all his attention to the subject of minor importance—Capital and the evils of Capitalism, and a very small part of his attention to the subject of major importance—Land and the evils of Landlordism. He confuses "landowners and other capitalists" (p. 80), says that capital levies rent (pp. 79 and 82), and everywhere treats the economic conflict as a conflict of Labour and Capital. He quotes with apparent approval Ruskin's preposterous statements that the taking of interest "is worse than theft" and that interest "is increase to one person by decrease to another"; yet comes to the incongruous conclusion that "a time must arrive when Labour will insist . . . that those who have capital invested will not receive any share in the profits by virtue of 'owning' such capital, but will probably receive the current rate of interest for 'loaning' the capital" (p. 89). Mr. Boydell is silent as to the fate of those who hold Land. But as the Landholder can hardly be in his opinion less deserving than the Capitalist—who is worse than a thief—it may be assumed that the Landholder will probably receive current Rent for "loaning" the Land. So, when the "Labour" Party rules, the Wealth currently produced will probably be distributed as now—one part in current Interest to Capitalists, another in current Rent to Landholders, and (there is no escape) only the remaining part in current Wages to Labourers.

As regards the particular Wages to be sub-distributed to particular Labourers, Mr. Boydell says: "Labour service, whether rendered by a millionaire, a pauper, or a duke, is entitled to be remunerated in proportion to the value of such service. . . . If it could be assured that every unit rendered the utmost service according to his ability and energy, and that such service was necessary, then it might be fair to distribute the wealth in equal proportions. Until this consummation is within reach, it cannot be unfair to remunerate according to merit" (p. 81).

If it may be further assumed that when the "Labour" Party gets into power the perfect state described by Mr. Boydell will still be

beyond reach, then it follows that the only direct change that the "Labour" Party would make in the present economic system would probably be that Government officers would order everybody's daily life and activities (or inactivities) and would assess everybody's merit and determine everybody's share of the total Wages. What a prospect!

Mr. Boydell said to a Committee of the Legislative Assembly on 16th May, 1921: "I do not see why anyone should work in order to put interest on my money. Why should I be able to put £500 in the Bank and without doing any extra work for it be able to draw £600 or £700 after a time? That is all wrong"

Money is the medium for the exchange of Wealth and Service; and Mr. Boydell's money is to all intents and purposes his Wealth. Mr. Boydell cannot put his £500 in the Bank, retaining his right to draw it out again whenever he pleases, and yet after a time draw out £600. The condition precedent to his drawing of any Interest is that he gives the Bank the control and use of his Wealth for a given period—that he forgoes for a given time the control and use of his own Wealth. In order to get Interest from others he must lend his Wealth to them—he must allow them to use it as Capital. If he lends his Wealth to others for use as Capital he increases the efficiency of their Labour just as truly as though he did some Labour for them, when by using the Capital himself he might increase the efficiency of his own Labour—he renders them a service; and it is not wrong that they should render him a service in return. "Service for service" is good morals and good economics, as well as good Socialism. What is the general purpose of toil? The production of Wages. No one can produce Wages except by producing Wealth (or Service), whence Wages come; and (neglecting minutiae) no one can produce Wealth without using pre-existing Wealth, which when so used is called Capital. Let Mr. Boydell try to produce Wealth (or Service) without the use of pre-existing Wealth; he will find that (neglecting minutiae) he cannot. Without the use of Wealth already existing he would probably be dead in a week; but rather than die he would go into the market and borrow the necessary Wealth or Capital on the best terms he could. One of those terms would be that he must give the lender part of the new Wealth created—otherwise the lender might prefer to use his Wealth or Capital himself. But Mr. Boydell would not "work in order to put interest on the money" or Wealth he borrowed; he would work in order to produce Wealth (or Service), whence come Wages, and would yield from the Wealth he produced the Interest he had agreed to pay.

While Land, Labour, and Capital persist as the three factors in the production of Wealth (and Service) and individual possession of individual parcels of Land above the margin is allowed, Rent, Wages, and Interest, the rewards of the three factors, must also persist.

Interest is not "increase to one person by decrease to another"; nor is it "a breed for barren metal"—a statement which is a contradiction in terms. On this point Mr. Boydell with Mr. Ruskin reverts to the sophistry and casuistry of what in these relatively enlightened times are called the dark ages. It is Rent and Rent alone that under the incongruous institution of Landlordism is increase to some (Landholders) by decrease to others (the whole community).

When will the "Labour" Party see this truth, cease its warfare



with Capital, which is the auxiliary of Labour, and focus its attention on securing through the "taxation of Land value" the overthrow of the real despoiler, Landlordism? There are inklings of a change. The day after Mr. Boydell attacked the getting of Interest by Capitalists Mr. Robert Smillie attacked the getting of Rent by Landholders. He said: "You might settle many big problems with little effect if the land is still to be privately owned and used to extract blackmail on life. . . . If the Labour movement forgot everything for two years and concentrated on getting rid of the greatest burden of all . . . we should have a land fit for heroes to live in and heroes fit to live in a free land."

## APPENDIX D

### THE MEASURE OF VALUE

Men toil and labour to get satisfaction of their desires—they suffer present dissatisfaction to enjoy future satisfaction: and Value is the nexus between the dissatisfaction and the satisfaction. Value is related to both the pain of production and the pleasure of consumption.

The cost of Wealth and Services to the producer is the toil he must undergo to produce them; their cost to the consumer is the saving of toil he must transfer to the producer in exchange for them.

Value inevitably after lapse of sufficient time fades away and vanishes, whether consumed or not. Value is created in order that it may be used up or extinguished by consumption; and consumption is the be-all and end-all of production. Therefore the measure of the Value of an article of Wealth or a Service is established, not by the producer, but by the consumer, and is the amount of toil that ownership of the article of Wealth or the Service will enable the owner to avoid in the gratification of his desires.

The Value of a particular article of Wealth or of a particular Service is determined, not by the particular toil undergone in its production, but by the particular toil the purchaser must himself now undergo on behalf of the seller (or, what amounts to the same thing, the particular toil the purchaser must engage a third party to undergo on behalf of the seller), to induce the seller to part with the article or to render the Service; and the amount of that particular toil can be determined only by agreement between the buyer and the seller—that is by bargaining or the higgling of the market.

Attempts by legislators and others to determine the Value of an article by reference to its cost to the seller are irrational; and they are one-sided, being attempts to fix the maximum price the seller may accept, never the minimum price the buyer may give. They are generally attempts to violate a natural and moral order. They may be prompted by a desire to placate the distraught and blinkered generality, or to improve the condition of the poor, whose poverty is in part caused by the violation by the State of another natural and moral order. The rational course for legislators to pursue is to conform to all natural and moral order.

In the natural and moral order the distribution of the Wealth and Services—the Value—currently produced is in Rent to the whole community (as represented by the State) for the concession to certain individuals of the exclusive use of Land fit for use; in Interest to Capitalists for the use of their Capital; and in Wages to Labourers. The evil effects produced by the distribution of Rent to but some of Nature's usufructuaries are comparable with the evil effects that would be produced by the distribution of Interest to but some Capitalists or of Wages to but some Labourers. "It is vain," Sismondi says, "to observe only one of the rules of political economy: it cannot by itself suffice to produce good." There is a profound meaning in the words of St. James: "Whoever shall keep the whole law and yet offend in one point, he is guilty of all."