

# RAMPART JOURNAL

OF INDIVIDUALIST THOUGHT

## TABLE OF CONTENTS

The Anatomy of the State *by Murray N. Rothbard*..... 1

A Challenge to the Georgists *by Robert LeFevre* .....25

Crisis for America *by Felix Somary* .....59

### Departments:

Book Review .....73

On the Other Hand *by Robert LeFevre* .....76

Vol. I, No. 2

SUMMER, 1965

# RAMPART JOURNAL      Of Individualist Thought

Editor ..... Nan Corby  
Director of Publications ..... J. Dohn Lewis

Published by Pine Tree Press for the  
RAMPART COLLEGE GRADUATE SCHOOL  
Box 158

Larkspur, Colorado 80118

President ..... William J. Froh  
Dean ..... Robert LeFevre

## Board of Academic Advisers

Robert L. Cunningham, Ph.D.

University of San Francisco  
San Francisco, California

Arthur A. Ekirch, Ph.D.

American University  
Washington, D. C.

Georg Frostenson, Ph.D.

Sollentuna, Sweden

J. P. Hamilius, Jr., Ph.D.

College of Esch-sur-Alzette  
Luxembourg

F. A. Harper, Ph.D.

Institute for Humane Studies  
Stanford, California

F. A. von Hayek, Ph.D.

University of Freiburg  
Freiburg, Germany

W. H. Hutt, B.A.

University of Cape Town  
Cape Town, South Africa

Arthur Kemp, Ph.D.

Claremont Men's College  
Claremont, California

Bruno Leoni, Ph.D.

University of Pavia  
Turin, Italy

James J. Martin, Ph.D.

Deep Springs College  
Deep Springs, California

Ludwig von Mises, Ph.D.

New York University  
New York, New York

Toshio Murata, M.B.A.

Kanto Gakuin University  
Yokohama, Japan

Wm. A. Paton, Ph.D.

University of Michigan  
Ann Arbor, Michigan

Sylvester Petro, LL.M.

New York University  
New York, New York

Hans F. Sennholz, Ph.D.

Grove City College  
Grove City, Pennsylvania

Louis M. Spadaro, Ph.D.

Fordham University  
New York, New York

V. Orval Watts, Ph.D.

Northwood Institute  
Midland, Michigan

---

The RAMPART JOURNAL of Individualist Thought is published quarterly (March, June, September and December) by Rampart College Graduate School. Application to mail at second class postage rates is pending at Boulder, Colorado. The Journal accepts advertising, and will supply rate cards on request.

Regular subscriptions are \$7.50 per year (four issues). Student rates of \$5.00 per year are available to full-time undergraduate students under 25 years of age. Single copies are \$2.00 each. (Quantity rates available on request.)

All manuscripts submitted for publication will receive prompt and careful attention from the editorial staff. Manuscripts cannot be returned unless the sender encloses a self-addressed, stamped envelope.

Please address all inquiries to the RAMPART JOURNAL, Box 158, Larkspur, Colorado 80118.

# The Anatomy of the State

by Murray N. Rothbard

Dr. Rothbard received his doctorate in economics from Columbia University, and has been a consulting economist and historian for the past six years. Among the many books he has authored is *What Has Government Done to Our Money?* published by and available from Pine Tree Press, Box 158, Larkspur, Colorado.

## I. What the State Is Not

The State is almost universally considered an institution of social service. Some theorists venerate the State as the apotheosis of society; others regard it as an amiable though often inefficient organization for achieving social ends; but almost all regard it as a necessary means for achieving the goals of mankind, a means to be ranged against the "private sector" and often winning in this competition of resources. With the rise of democracy, the identification of the State with society has been redoubled, until it is common to hear sentiments expressed which violate virtually every tenet of reason and common sense: such as "we *are* the government." The useful collective term "we" has enabled an ideological camouflage to be thrown over the reality of political life. If "we are the government," then anything a government does to an individual is *not only* just and untyrannical; it is also "voluntary" on the part of the individual concerned. If the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying that "we owe it to ourselves"; if the government conscripts a man, or throws him into jail for dissident opinion, then he is "doing it to himself" and therefore nothing untoward has occurred. Under this reasoning, any Jews murdered by the Nazi government were *not* murdered; instead, they must have "committed suicide," since they *were* the government (which was democratically chosen), and therefore anything the government did to them was voluntary on their part. One would not think it necessary to belabor this point, and yet the over-

whelming bulk of the people hold this fallacy to a greater or less degree.

We must therefore emphasize that "we" are *not* the government; the government is *not* "us." The government does not in any accurate sense "represent" the majority of the people,<sup>1</sup> but even if it did, even if 70 per cent of the people decided to murder the remaining 30 per cent, this would still be murder, and would not be voluntary suicide on the part of the slaughtered minority.<sup>2</sup> No organicist metaphor, no irrelevant bromide that "we are all part of one another," must be permitted to obscure this basic fact.

If, then, the State is not "us," if it is not "the human family" getting together to decide mutual problems, if it is not a lodge meeting or country club, what is it? Briefly, the State is that organization in society which attempts to maintain a monopoly of the use of force and violence in a given territorial area; in particular, it is the only organization in society that obtains its revenue not by voluntary contribution or payment for services rendered, but by coercion. While other individuals or institutions obtain their income by production of goods and services, and by the peaceful and voluntary sale of these goods and services to others, the State obtains its revenue by the use of compulsion, i.e., by the use and the threat of the jailhouse and the bayonet.<sup>3</sup> Having used force and violence

---

<sup>1</sup>We cannot, in this paper, develop the many problems and fallacies of "democracy." Suffice it to say here that an individual's true agent or "representative" is always subject to that individual's orders, can be dismissed at any time, and cannot act contrary to the interests or wishes of his principal. Clearly, the "representative" in a democracy can never fulfill such agency functions, the only ones consonant with a libertarian society.

<sup>2</sup>Social democrats often retort that democracy—majority choice of rulers—logically implies that the majority must leave certain freedoms to the minority, for the minority might one day become the majority. Apart from other flaws, this argument obviously does not hold where the minority *cannot* become the majority, e.g., when the minority is of a different racial or ethnic group from the majority.

<sup>3</sup>"The friction or antagonism between the private and the public sphere was intensified from the first by the fact that . . . the State has been living on a revenue which was being produced in the private sphere for private purposes and had to be deflected from these purposes by political force. The theory which construes taxes on the analogy of club dues or of the purchase of the services of, say, a doctor only proves how far removed this part of the social sciences is from scientific habits of mind." Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Bros., 1942), p. 198.

Also see Murray N. Rothbard, "The Fallacy of the 'Public Sector,'" *New Individualist Review* (Summer, 1961), pp. 3 ff.

to obtain its revenue, the State generally goes on to regulate and dictate the other actions of its individual subjects. One would think that simple observation of all States through history and over the globe would be proof enough of this assertion; but the miasma of myth has lain so long over State activity that elaboration is necessary.

## II. What the State Is

Man is born naked into the world, and needing to use his mind to learn how to take the resources given him by nature, and to transform them (i.e., by investment in "capital") into shapes and forms and places where the resources can be used for the satisfaction of his wants and the advancement of his standard of living. The only way by which man can do this is by the use of his mind and energy to transform resources ("production") and to exchange these products for products created by others. Man has found that, through the process of voluntary, mutual exchange, the productivity, and hence the living standards, of all participants in exchange may increase enormously. The only "natural" course for man to survive and to attain wealth, therefore, is by using his mind and energy to engage in the production-and-exchange process. He does this, first, by *finding* natural resources, and then by transforming them (by "mixing his labor" with them, as Locke puts it), to make them his individual *property*, and then by exchanging this property for the similarly obtained property of others. The social path dictated by the requirements of man's nature, therefore, is the path of "property rights" and the "free market" of gift or exchange of such rights. Through this path, men have learned how to avoid the "jungle" methods of fighting over scarce resources so that A can only acquire them at the expense of B, and, instead, to multiply those resources enormously in peaceful and harmonious production and exchange.

The great German sociologist Franz Oppenheimer pointed out that there are two mutually exclusive ways of acquiring wealth; one, the above way of production and exchange, he called the "economic means." The other way is simpler in that it does not require productivity; it is the way of seizure of another's goods or services by the use of force and violence. This is the method of one-sided confiscation, of theft of the property of others. This is the method which Oppenheimer termed "the political means" to wealth. It should be clear that the peaceful use of one's reason and energy in production is the "natural" path for man: the means for

his survival and prosperity on this earth. It should be equally clear that the coercive, exploitative means is contrary to natural law; it is *parasitic*, for instead of adding to production, it subtracts from it. The "political means" siphons production off to a parasitic and destructive individual or group; and this siphoning not only subtracts from the number producing, it also lowers the producer's incentive to produce beyond his *own* subsistence. In the long run, the robber destroys his own subsistence by dwindling or eliminating the source of his own supply. But not only that; even in the short run, the predator is acting contrary to his own true nature as a man.

We are now in a position to answer more fully the question: what is the State? The State, in the words of Oppenheimer, is the "organization of the political means"; it is the systematization of the predatory process over a given territory.<sup>4</sup> For crime, at best, is sporadic and uncertain; the parasitism is ephemeral, and the coercive, parasitic lifeline may be cut off at any time by the resistance of the victims. The State provides a legal, orderly, systematic channel for the predation of private property; it renders certain, secure, and relatively "peaceful" the lifeline of the parasitic caste in society.<sup>5</sup> Since production must always precede predation, the free market is anterior to the State. The State has never been created by a "social contract"; it has always been born in conquest and exploitation. The classic paradigm was a conquering tribe pausing in its time-honored method of looting and murdering a conquered tribe, to realize that the time-span of plunder would be longer and

---

<sup>4</sup>"There are two fundamentally opposed means whereby man, requiring sustenance, is impelled to obtain the necessary means for satisfying his desires. These are work and robbery, one's own labor and the forcible appropriation of the labor of others. . . . I propose in the following discussion to call one's own labor and the equivalent exchange of one's own labor for the labor of others, the 'economic means' for the satisfaction of needs, while the unrequited appropriation of the labor of others will be called the 'political means'. . . . The State is an organization of the political means. No State, therefore, can come into being until the economic means has created a definite number of objects for the satisfaction of needs, which objects may be taken away or appropriated by warlike robbery." Franz Oppenheimer, *The State* (New York: Vanguard Press, 1926), pp. 24-27.

<sup>5</sup>Albert Jay Nock wrote vividly that "the State claims and exercises the monopoly of crime. . . . It forbids private murder, but itself organizes murder on a colossal scale. It punishes private theft, but itself lays unscrupulous hands on anything it wants, whether the property of citizen or of alien." Nock, *On Doing the Right Thing, and Other Essays* (New York: Harper and Bros., 1928), p. 143; quoted in Jack Schwartzman, "Albert Jay Nock—A Superfluous Man," *Faith and Freedom* (December, 1953), p. 11.

more secure, and the situation more pleasant, if the conquered tribe were allowed to live and produce, with the conquerors settling among them as rulers exacting a steady annual tribute.<sup>6</sup> One method of the birth of a State may be illustrated as follows: in the hills of southern "Ruritania," a bandit group manages to obtain physical control over the territory, and finally the bandit chieftain proclaims himself "King of the sovereign and independent government of South Ruritania," and, if he and his men have the force to maintain this rule for a while, lo and behold! a new State has joined the "family of nations," and the former bandit leaders have been transformed into the lawful nobility of the realm.

### III. How the State Preserves Itself

Once a State has been established, the problem of the ruling group or "caste" is how to maintain their rule.<sup>7</sup> While force is their *modus operandi*, their basic and long-run problem is ideological. For in order to continue in office, *any* government (not simply a "democratic" government) must have the support of the majority of its subjects. This support, it must be noted, need not be active enthusiasm; it may well be passive resignation as if to an inevitable law of nature. But support in the sense of acceptance of some sort it must be; else the minority of State rulers would eventually be outweighed by the active resistance of the majority of the public. Since predation must be supported out of the surplus of production, it is necessarily true that the class constituting the State—the full-time bureaucracy (and nobility)—must be a rather small minority in the land, although it may of course purchase allies among important groups in the population. Therefore, the chief task of the

<sup>6</sup>"What, then, is the State as a sociological concept? The State, completely in its genesis . . . is a social institution, forced by a victorious group of men on a defeated group, with the sole purpose of regulating the dominion of the victorious group of men on a defeated group, and securing itself against revolt from within and attacks from abroad. Teleologically, this dominion had no other purpose than the economic exploitation of the vanquished by the victors." Oppenheimer, *op. cit.*, p. 15.

And De Jouvenel has written: "the State is in essence the result of the successes achieved by a band of brigands who superimpose themselves on small, distinct societies. . . ." Bertrand De Jouvenel, *On Power* (New York: Viking Press, 1949), pp. 100-101.

<sup>7</sup>On the crucial distinction between "caste," a group with privileges or burdens coercively granted or imposed by the State, and the Marxian concept of "class" in society, see Ludwig von Mises, *Theory and History* (New Haven: Yale University Press, 1957), pp. 112 ff.

rulers is always to secure the active or resigned acceptance of the majority of the citizens.<sup>8,9</sup>

Of course, one method of securing support is through the creation of vested economic interests. Therefore, the King alone cannot rule; he must have a sizable group of followers who enjoy the perquisites of rule, i.e., the members of the State apparatus, such as the full-time bureaucracy or the established nobility.<sup>10</sup> But this still secures only a minority of eager supporters, and even the essential purchasing of support by subsidies and other grants of privilege still does not obtain the consent of the majority. For this essential acceptance, the majority must be persuaded by *ideology* that their government is good, wise, and, at least, inevitable, and certainly better than other conceivable alternatives. Promoting this ideology among the people is the vital social task of the "intellectuals." For the masses of men do not create their own ideas, or indeed think through these ideas independently; they follow passively the ideas adopted and disseminated by the body of intellectuals. The intellectuals are therefore the "opinion-moulders" in society. And since it is precisely a moulding of opinion that the State almost desperately needs, the basis for age-old alliance between the State and the intellectuals becomes clear.

It is evident that the State needs the intellectuals; it is not so evident why intellectuals need the State. Put simply, we may state that the intellectual's livelihood in the free market is never too secure; for the intellectual must depend on the values and choices of the masses of his fellow-men, and it is precisely characteristic of the masses that they are generally uninterested in intellectual matters. The State, on the other hand, is willing to offer the intel-

<sup>8</sup>Such acceptance does not, of course, imply that the State rule has become "voluntary"; for even if the majority support be active and eager, this support is not unanimous by every individual.

<sup>9</sup>That every government, no matter how "dictatorial" over individuals, must secure such support has been demonstrated by such acute political theorists as Étienne de la Boétie, David Hume, and Ludwig von Mises. Thus, cf. David Hume, "Of the First Principles of Government," in *Essays, Literary, Moral and Political* (London: Ward, Locke, and Taylor, n.d.), p. 23; Étienne de la Boétie, *Anti-Dictator* (New York: Columbia University Press, 1942), pp. 8-9; Ludwig von Mises, *Human Action* (New Haven: Yale University Press, 1949), pp. 188 ff. For more on the contribution to the analysis of the State by La Boétie, see Oscar Jaszi and John D. Lewis, *Against the Tyrant* (Glencoe, Ill.: The Free Press, 1957), pp. 55-57.

<sup>10</sup>"... whenever a ruler makes himself dictator . . . all those who are corrupted by burning ambition or extraordinary avarice, these gather around him and support him in order to have a share in the booty and to constitute themselves petty chiefs under the big tyrant." La Boétie, *op. cit.*, pp. 43-44.



lectuals a secure and permanent berth in the State apparatus: and thus a secure income, and the panoply of prestige. For the intellectuals will be handsomely rewarded for the important function they perform for the State rulers, of which group they now become a part.<sup>11</sup>

The alliance between the State and the intellectuals was symbolized in the eager desire of professors at the University of Berlin, in the nineteenth century, to form the "intellectual bodyguard of the House of Hohenzollern." In the present day, let us note the revealing comment of an eminent Marxist scholar concerning Professor Wittfogel's critical study of ancient Oriental despotism: "The civilization which Professor Wittfogel is so bitterly attacking was one which could make poets and scholars into officials."<sup>12</sup> Of innumerable examples, we may cite the recent development of the "science" of strategy, in the service of the government's main violence-wielding arm, the military.<sup>13</sup> A venerable institution, furthermore, is the official or "court" historian, dedicated to purveying the rulers' views of their own and their predecessors' actions.<sup>14</sup>

<sup>11</sup>This by no means implies that all intellectuals ally themselves with the State. On aspects of the alliance of intellectuals and the State, cf. Bertrand de Jouvenel, "The Attitude of the Intellectuals to the Market Society," *The Owl* (January, 1951), pp. 19-27; de Jouvenel, "The Treatment of Capitalism by Continental Intellectuals," in F.A. Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press, 1954), pp. 93-123, reprinted in George B. de Hussar, *The Intellectuals* (Glencoe, Ill.: The Free Press, 1960), pp. 385-399; and Schumpeter, *op. cit.*, pp. 143-55.

<sup>12</sup>Joseph Needham, "Review of Karl A. Wittfogel, *Oriental Despotism*," *Science and Society* (1958), p. 65. Needham also writes that "the successive [Chinese] emperors were served in all ages by a great company of profoundly humane and disinterested scholars." *Ibid.*, p. 61. Wittfogel notes the Confucian doctrine that the glory of the ruling class rested on its gentleman-scholar-bureaucrat officials, destined to be professional rulers dictating to the mass of the populace. Karl A. Wittfogel, *Oriental Despotism* (New Haven: Yale University Press, 1957), pp. 320-21 and *passim*. For an attitude contrasting to Needham's, cf. John Lukacs, "Intellectual Class or Intellectual Profession?" in de Huzzar, *op. cit.*, pp. 521-22.

<sup>13</sup>"... strategists insist that their occupation deserves the dignity of 'the academic counterpart of the military profession.'" Jeanne Riha, "The War Plotters," *Liberation* (August, 1961), p. 13. Also see Marcus Raskin, "The Megadeath Intellectuals," *New York Review of Books* (November 14, 1963), pp. 6-7.

<sup>14</sup>Thus, the historian Conyers Read, in his presidential address, advocated the suppression of historical fact in the service of "democratic" and national values. Read proclaimed that "total war, whether it is hot or cold, enlists everyone and calls upon everyone to play his part. The historian is not freer from this obligation than the physicist. . . ." Read, "The Social Responsibilities of the Historian," *American Historical Review* (1951), pp. 283 ff. For a critique of Read and other aspects of court history, see Howard K.

Many and varied have been the arguments by which the State and its intellectuals have induced their subjects to support their rule. Basically, the strands of argument may be summed up as follows: (a) the State rulers are great and wise men (they "rule by divine right," they are the "aristocracy" of men, they are the "scientific experts"), much greater and wiser than the good but rather simple subjects, and (b) rule by the extant government is inevitable, absolutely necessary, and far better than the indescribable evils that would ensue upon its downfall. The union of Church and State was one of the oldest and most successful of these ideological devices. The ruler was either anointed by God or, in the case of the absolute rule of many Oriental despotisms, was himself God; hence, any resistance to his rule would be blasphemy. The States' priestcraft performed the basic intellectual function of obtaining popular support and even worship for the rulers.<sup>15</sup>

Another successful device was to instill fear of any alternative systems of rule or nonrule. The present rulers, it was maintained, supply to the citizens an essential service for which they should be most grateful: protection against sporadic criminals and marauders. For the State, to preserve its own monopoly of predation, did indeed see to it that private and unsystematic crime was kept to a minimum; the State has always been jealous of its own preserve. Especially has the State been successful in recent centuries in instilling fear of *other* State rulers. Since the land area of the globe has been parcelled out among particular States, one of the basic doctrines of the State was to identify *itself* with the territory it governed. Since most men tend to love their homeland, the identification of that land, and its people, with the State, was a means of making natural patriotism work to the State's advantage. If "Ruritania" was being attacked by "Walldavia," the first task of the State and its intellectuals was to convince the people of Ruritania that the attack was really upon *them*, and not simply upon the ruling caste. In this way, a war between *rulers* was converted into a war between *peoples*, with each people coming to the defense of its rulers in

---

Beale, "The Professional Historian: His Theory and Practice," *The Pacific Historical Review* (August, 1953), pp. 227-55. Also cf. Herbert Butterfield, "Official History: Its Pitfalls and Criteria," in *History and Human Relations* (New York: Macmillan, 1952), pp. 182-224; and Harry Elmer Barnes, *The Court Historians Versus Revisionism* (n.d.), pp. 2 ff.

<sup>15</sup>Cf. Wittfogel, *op. cit.*, pp. 87-100. On the contrasting roles of religion *vis a vis* the State in ancient China and Japan, see Norman Jacobs, *The Origin of Modern Capitalism and Eastern Asia* (Hong Kong: Hong Kong University Press, 1958), pp. 161-94.

the erroneous belief that the rulers were defending *them*. This device of "nationalism" has only been successful, in Western civilization, in recent centuries; it was not too long ago that the mass of subjects regarded wars as irrelevant battles between various sets of nobles.

Many and subtle are the ideological weapons that the State has wielded through the centuries. One excellent weapon has been *tradition*. The longer that the rule of a State has been able to preserve itself, the more powerful this weapon; for then, the X-Dynasty or the Y-State has the seeming weight of centuries of tradition behind it.<sup>16</sup> Worship of one's ancestors then becomes a none-too-subtle means of worship of one's ancient rulers. The greatest danger to the State is independent intellectual criticism; there is no better way to stifle that criticism than to attack any isolated voice, any raiser of new doubts, as a profane violator of the wisdom of his ancestors. Another potent ideological force is to deprecate the *individual* and exalt the collectivity of society. For since any given rule implies majority acceptance, any ideological danger to that rule can only start from one or a few independently thinking individuals. The new idea, much less the new *critical* idea, must needs *begin* as a small minority opinion; therefore, the State must nip the view in the bud by ridiculing any view that defies the opinions of the mass. "Listen only to your brothers" or "adjust to society" thus become ideological weapons for crushing individual dissent.<sup>17</sup> By such measures, the masses will never learn of the non-existence of their Emperor's clothes.<sup>18</sup>

<sup>16</sup>"The essential reason for obedience is that it has become a habit of the species . . . Power is for us a fact of nature. From the earliest days of recorded history it has always presided over human destinies . . . the authorities which ruled [societies] in former times did not disappear without bequeathing to their successors their privilege nor without leaving in men's minds imprints which are cumulative in their effect. The succession of governments which, in the course of centuries, rule the same society may be looked on as one underlying government which takes on continuous accretions." De Jouvenel, *On Power*, *op. cit.*, p. 22.

<sup>17</sup>On such uses of the religion of China, see Jacobs, *passim*.

<sup>18</sup>"All [government] can see in an original idea is potential change, and hence an invasion of its prerogatives. The most dangerous man, to any government, is the man who is able to think things out for himself, without regard to the prevailing superstitions and taboos. Almost inevitably he comes to the conclusion that the government he lives under is dishonest, insane and intolerable, and so, if he is romantic, he tries to change it. And even if he is not romantic personally he is very apt to spread discontent among those who are." H. L. Mencken, *A Mencken Crestomathy* (New York: Knopf, 1949), p. 145.

It is also important for the State to make its rule seem *inevitable*; even if its reign is disliked, it will then be met with passive resignation, as witness the familiar coupling of "death and taxes." One method is to induce historiographical determinism, as opposed to individual freedom of will. If the X-Dynasty rules us, this is because the Inexorable Laws of History (or the Divine Will, or the Absolute, or the Material Productive Forces) have so decreed, and nothing any puny individuals may do can change this inevitable decree. It is also important for the State to inculcate in its subjects an aversion to any "conspiracy theory of history"; for a search for "conspiracies" means a search for motives, and an attribution of responsibility for historical misdeeds. If, however, any tyranny imposed by the State, or venality, or aggressive war, was caused *not* by the State rulers but by mysterious and arcane "social forces," or by the imperfect state of the world, or, if in some way, *everyone* was responsible ("We Are All Murderers," proclaims one slogan), then there is no point to the people's becoming indignant, or rising up against such misdeeds. Furthermore, an attack on "conspiracy theories" means that the subjects will become more gullible in believing the "general welfare" reasons that are always put forth by the State for engaging in any of its despotic actions. A "conspiracy theory" can unsettle the system by causing the public to doubt the State's ideological propaganda.

Another tried and true method for bending subjects to one's will is inducing guilt. Any increase in private well-being can be attacked as "unconscionable greed," "materialism," or "excessive affluence," profit-making can be attacked as "exploitation" and "usury," mutually beneficial exchanges denounced as "selfishness," and somehow with the conclusion always being drawn that more resources should be siphoned from the private to the "public sector." The induced guilt makes the public more ready to do just that. For while individual persons tend to indulge in "selfish greed," the failure of the State's rulers to engage in exchanges is supposed to signify *their* devotion to higher and nobler causes—parasitic predation being apparently morally and esthetically lofty as compared to peaceful and productive work.

In the present more secular age, the Divine Right of the State has been supplemented by the invocation of a new god, Science. State rule is now proclaimed as being ultra-scientific, as constituting planning by experts. But while "reason" is invoked more than in previous centuries, this is not the true reason of the individual and

his exercise of free will; it is still collectivist and determinist, still implying holistic aggregates and coercive manipulation of passive subjects by their rulers.

The increasing use of scientific jargon has permitted the State's intellectuals to weave obscurantist apologia for State rule that would have only met with derision by the populace of a simpler age. A robber who justified his theft by saying that he really helped his victims by his spending giving a boost to retail trade would find few converts; but when this theory is clothed in Keynesian equations and impressive references to the "multiplier effect," it unfortunately carries more conviction. And so the assault on common sense proceeds, each age performing the task in its own ways.

Thus, ideological support being vital to the State, it must unceasingly try to impress the public with its "legitimacy," to distinguish its activities from those of mere brigands. The unremitting determination of its assaults on common sense is no accident, for as Mencken vividly maintained:

"The average man, whatever his errors otherwise, at least sees clearly that government is something lying outside him and outside the generality of his fellow men—that it is a separate, independent, and hostile power, only partly under his control, and capable of doing him great harm. Is it a fact of no significance that robbing the government is everywhere regarded as a crime of less magnitude than robbing an individual, or even a corporation? . . . What lies behind all this, I believe, is a deep sense of the fundamental antagonism between the government and the people it governs. It is apprehended, not as a committee of citizens chosen to carry on the communal business of the whole population, but as a separate and autonomous corporation, mainly devoted to exploiting the population for the benefit of its own members. . . . When a private citizen is robbed, a worthy man is deprived of the fruits of his industry and thrift; when the government is robbed, the worst that happens is that certain rogues and loafers have less money to play with than they had before. The notion that they have earned that money is never entertained; to most sensible men it would seem ludicrous. . . ."<sup>19</sup>

#### IV. How the State Transcends Its Limits

As Bertrand de Jouvenel has sagely pointed out, through the centuries men have formed concepts designed to check and limit

<sup>19</sup>*Ibid.*, pp. 146-47.

the exercise of State rule; and, one after another, the State, using its intellectual allies, has been able to transform these concepts into intellectual rubber stamps of legitimacy and virtue to attach to its decrees and actions. Originally, in Western Europe, the concept of divine sovereignty held that the kings may rule only according to divine law; the kings turned the concept into a rubber stamp of divine approval for any of the kings' actions. The concept of parliamentary democracy began as a popular check upon absolute monarchical rule; it ended with parliament being the essential part of the State and its every act totally sovereign. As De Jouvenel concludes:

"Many writers on theories of sovereignty have worked out one . . . of these restrictive devices. But in the end every single such theory has, sooner or later, lost its original purpose, and come to act merely as a springboard to Power, by providing it with the powerful aid of an invisible sovereign with whom it could in time successfully identify itself."<sup>20</sup>

Similarly with more specific doctrines: the "natural rights" of the individual enshrined in John Locke and the Bill of Rights, became a statist "right to a job"; utilitarianism turned from arguments for liberty to arguments against resisting the State's invasions of liberty, etc.

Certainly the most ambitious attempt to impose limits on the State has been the Bill of Rights and other restrictive parts of the American Constitution, in which written limits on government became the Fundamental Law to be interpreted by a judiciary supposedly independent of the other branches of government. All Americans are familiar with the process by which the construction of limits in the Constitution has been inexorably broadened over the last century. But few have been as keen as Professor Charles Black to see that the State has, in the process, largely transformed judicial review itself from a *limiting* device to yet another instrument for furnishing ideological legitimacy to the government's actions. For if a judicial decree of "unconstitutional" is a mighty check to government power, an implicit or explicit verdict of "constitutional" is a mighty weapon for fostering public acceptance of ever-greater government power.

Professor Black begins his analysis by pointing out the crucial necessity of "legitimacy" for any government to endure, this legiti-

---

<sup>20</sup>De Jouvenel, *On Power*, *op. cit.*, pp. 27 ff.

mation signifying basic majority acceptance of the government and its actions.<sup>21</sup> Acceptance of legitimacy becomes a particular problem in a country such as the United States, where "substantive limitations are built into the theory on which the government rests." What is needed, adds Black, is a means by which the government can assure the public that its increasing powers are, indeed, "constitutional." And this, he concludes, has been the major historic function of judicial review.

Let Black illustrate the problem:

The supreme risk [to the government] is that of disaffection and a feeling of outrage widely disseminated throughout the population, and loss of moral authority by the government as such, however long it may be propped up by force or inertia or the lack of an appealing and immediately available alternative. Almost everybody living under a government of limited powers, must sooner or later be subjected to some governmental action which as a matter of private opinion he regards as outside the power of government or positively forbidden to government. A man is drafted, though he finds nothing in the Constitution about being drafted. . . . A farmer is told how much wheat he can raise; he believes, and he discovers that some respectable lawyers believe with him, that the government has no more right to tell him how much wheat he can grow than it has to tell his daughter whom she can marry. A man goes to the federal penitentiary for saying what he wants to, and he paces his cell reciting . . . "Congress shall make no laws abridging the freedom of speech" . . . . A businessman is told what he can ask, and must ask, for buttermilk.

The danger is real enough that each of these people (and who is not of their number?) will confront the concept of governmental limitation with the reality (as he sees it) of the flagrant overstepping of actual limits, and draw the obvious conclusion as to the status of his government with respect to legitimacy.<sup>22</sup>

This danger is averted by the State's propounding the doctrine that *some one* agency must have the ultimate decision on constitutionality, and that this agency, in the last analysis, must be *part of* the federal government.<sup>23</sup> For while the seeming independence of

<sup>21</sup>Charles L. Black, Jr., *The People and the Court* (New York: Macmillan, 1960), pp. 35 ff.

<sup>22</sup>*Ibid.*, pp. 42-43.

<sup>23</sup>" . . . the prime and most necessary function of the [Supreme] Court has been that of *validation*, not that of *invalidation*. What a government of limited powers needs, at the beginning and forever, is some means of satisfying the people that it has taken all steps humanly possible to stay within its powers. This is the condition of its legitimacy, and its legitimacy, in the long run, is the condition of its life. And the Court, through its history, has acted as the legitimation of the government." *Ibid.*, p. 52.

the federal judiciary has played a vital part in making its actions virtual Holy Writ for the bulk of the people, it is also and ever true that the judiciary is part and parcel of the government apparatus, and appointed by the executive and legislative branches. Black admits that this means that the State has set itself up as a judge in its own cause, thus violating a basic juridical principle for aiming at just decisions. He brusquely denies the possibility of any alternative.<sup>24</sup>

Black adds:

The problem, then, is to devise such governmental means of deciding as will (hopefully) reduce to a tolerable minimum the intensity of the objection that government is judge in its own cause. Having done this, you can only hope that this objection, *though theoretically still tenable* [italics mine], will practically lose enough of its force that the legitimating work of the deciding institution can win acceptance.<sup>25</sup>

In the last analysis, Black finds the achievement of justice and legitimacy from the State's perpetual judging of its own cause as "something of a miracle."<sup>26</sup>

Applying his thesis to the famous conflict between the Supreme Court and the New Deal, Professor Black keenly chides his fellow pro-New Deal colleagues for their shortsightedness in denouncing judicial obstruction:

. . . the standard version of the story of the New Deal and the Court, though accurate in its way, displaces the emphasis. . . . It

<sup>24</sup>To Black, this "solution," while paradoxical, is blithely self-evident: ". . . the final power of the State . . . must stop where the law stops it. And who shall set the limit, and who shall enforce the stopping, against the mightiest power? Why, the State itself, of course, through its judges and its laws. Who controls the temperate? Who teaches the wise? . . ." *Ibid.*, pp. 32-33. And: "Where the questions concern governmental power in a sovereign nation, it is not possible to select an umpire who is outside government. Every national government, so long as it is a government, must have the final say on its own power." *Ibid.*, pp. 48-49.

<sup>25</sup>*Ibid.*, p. 49.

<sup>26</sup>This ascription of the miraculous to government is reminiscent of James Burnham's justification of government by mysticism and irrationality:

"In ancient times, before the illusions of science had corrupted traditional wisdom, the founders of cities were known to be gods or demigods. . . . Neither the source nor the justification of government can be put in wholly rational terms . . . why should I accept the hereditary or democratic or any other principle of legitimacy? Why should a principle justify the rule of that man over me? . . . I accept the principle, well, . . . because I do, because that is the way it is and has been." James Burnham, *Congress and the American Tradition* (Chicago: Regnery, 1959), pp. 3-8. But what if one does *not* accept the principle? What will "the way" be then?



concentrates on the difficulties; it almost forgets how the whole thing turned out. The upshot of the matter was (and this is what I like to emphasize) that after some twenty-four months of balking . . . the Supreme Court, without a single change in the law of its composition, or, indeed, in its actual manning, *placed the affirmative stamp of legitimacy on the New Deal, and on the whole new conception of government in America.* [Italics the author's.]<sup>27</sup>

In this way, the Supreme Court was able to put the quietus on the large body of Americans who had had strong constitutional objections to the New Deal:

Of course, not everyone was satisfied. The Bonnie Prince Charlie of constitutionally commanded *laissez faire* still stirs the hearts of a few zealots in the Highlands of choleric unreality. But there is no longer any significant or dangerous public doubt as to the constitutional power of Congress to deal as it does with the national economy. . . .

We had no means, other than the Supreme Court, for imparting legitimacy to the New Deal.<sup>28</sup>

As Black recognizes, one major political theorist who recognized—and largely in advance—the glaring loophole in a constitutional limit on government of placing the ultimate interpreting power in the Supreme Court was John C. Calhoun. Calhoun was not content with the “miracle,” but instead proceeded to a profound analysis of the constitutional problem. In his *Disquisition*, Calhoun demonstrated the inherent tendency of the State to break through the limits of such a constitution:

A written constitution certainly has many and considerable advantages, but it is a great mistake to suppose that the mere insertion of provisions to restrict and limit the power of the government, without *investing those for whose protection they are inserted with the means of enforcing their observance* [my italics] will be sufficient to prevent the major and dominant party from abusing its powers. Being the party in possession of the government, they will, from the same constitution of man which makes government necessary to protect society, be in favor of the powers granted by the constitution and opposed to the restrictions intended to limit them. . . . The minor or weaker party, on the contrary, would take the opposite direction and regard them [the restrictions] as essential to their protection against the dominant party. . . . But where there are no means by which they could compel the major party to observe the restrictions, the only resort left them would be a strict con-

<sup>27</sup>Black, *op. cit.*, p. 64.

<sup>28</sup>*Ibid.*, p. 65.

struction of the constitution. . . . To this the major party would oppose a liberal construction. . . . It would be construction against construction—the one to contract and the other to enlarge the powers of the government to the utmost. But of what possible avail could the strict construction of the minor party be, against the liberal construction of the major, when the one would have all the power of the government to carry its construction into effect and the other be deprived of all means of enforcing its construction? In a contest so unequal, the result would not be doubtful. The party in favor of the restrictions would be overpowered. . . . The end of the contest would be the subversion of the constitution . . . the restrictions would ultimately be annulled and the government be converted into one of unlimited powers.<sup>29</sup>

One of the few political scientists who appreciated Calhoun's analysis of the Constitution was Professor J. Allen Smith. Smith noted that the Constitution was designed with checks and balances to limit any one governmental power, and yet had then developed a Supreme Court with the monopoly of ultimate interpreting power. If the federal government was created to check invasions of individual liberty by the separate states, who was to check the federal power? Smith maintained that implicit in the check-and-balance idea of the Constitution was the concomitant view that no one branch of government may be conceded the ultimate power of interpretation: "It was assumed by the people that the new government could not be permitted to determine the limits of its own authority, since this would make it, and not the Constitution, supreme."<sup>30</sup>

The solution advanced by Calhoun (and seconded, in this century, by such writers as Smith) was, of course, the famous doctrine of the "concurrent majority." If any substantial minority interest in the country, specifically a state government, believed that the federal government was exceeding its powers and encroaching on that minority, the minority would have the right to veto this exer-

<sup>29</sup>John C. Calhoun, *A Disquisition on Government* (New York: Liberal Arts Press, 1953), pp. 25-27. Also cf. Rothbard, "Conservatism and Freedom: A Libertarian Comment," *Modern Age* (Spring, 1961), p. 219.

<sup>30</sup>J. Allen Smith, *The Growth and Decadence of Constitutional Government* (New York: Henry Holt and Co., 1930), p. 88. Smith added: "It was obvious that where a provision of the Constitution was designed to limit the powers of a governmental organ, it could be effectively nullified if its interpretation and enforcement were left to the authorities it was designed to restrain. Clearly, common sense required that no organ of the government should be able to determine its own powers." *Ibid.*, p. 87. Clearly, common sense and "miracles" dictate very different views of government.

cise of power as unconstitutional. Applied to state governments, this theory implied the right of "nullification" of a federal law or ruling within a state's jurisdiction.

In theory, the ensuing constitutional system would assure that the federal government check any state invasion of individual rights, while the states would check excessive federal power over the individual. And yet, while limitations would undoubtedly be more effective than at present, there are many difficulties and problems in the Calhoun solution. If, indeed, a subordinate interest should rightfully have a veto over matters concerning it, then why stop with the *states*? Why not place veto power in counties, cities, wards? Furthermore, interests are not only sectional, they are also occupational, social, etc. What of bakers, or taxi drivers, or any other occupation? Should *they* not be permitted a veto power over their own lives? This brings us to the important point that the nullification theory confines its checks to *agencies of government itself*. Let us not forget that federal and state governments, and their respective branches, are still States, are still guided by their own State interests rather than by the interests of the private citizens. What is to prevent the Calhoun system from working in reverse: with states tyrannizing over *their* citizens, and only vetoing the federal government when it tries to intervene to *stop* that state tyranny? Or for states to acquiesce in federal tyranny? What is to prevent federal and state governments from forming mutually profitable alliances for the joint exploitation of the citizenry? And even if the private occupational groupings were to be given some form of "functional" representation in government, what is to prevent them from using the State to gain subsidies and other special privileges for themselves, or from imposing compulsory cartels on their own members?

In short, Calhoun does not push his path-seeking theory on concurrence far enough: he does not push it down *to the individual* himself. If the individual, after all, is the one whose rights are to be protected, then a consistent theory of concurrence would imply veto power by every individual, i.e., some form of "unanimity principle." When Calhoun wrote that it should be "impossible to put or to keep it [the government] in action without the concurrent consent of all," he was, perhaps unwittingly, implying just such a conclusion.<sup>31</sup> But such speculation begins to take us away from our subject, for down this path lie political systems which could hardly be called

---

<sup>31</sup>Calhoun, *op. cit.*, pp. 20-21.

"States" at all.<sup>32</sup> For one thing, just as the right of nullification for a state logically implies its right of *secession*, so a right of individual nullification would imply the right of any individual to "secede" from the State under which he lives.<sup>33</sup>

Thus, the State has invariably shown a striking talent for the expansion of its powers beyond any limits that might be imposed upon it. Since the State necessarily lives by the compulsory confiscation of private capital, and since its expansion necessarily involves ever-greater incursions on private individuals and private enterprise, we must assert that the State is profoundly and inherently *anti-capitalist*. In a sense, our position is the reverse of the Marxist *dictum* that the State is the "executive committee" of the ruling class—in the present day, supposedly the capitalists. Instead, the State—the organization of the political means—constitutes, and is the source of, the "ruling class" (rather, ruling *caste*), and is in permanent opposition to *genuinely* private capital. We may therefore say, with De Jouvenel:

Only those who know nothing of any time but their own, who are completely in the dark as to the manner of Power's behaving through thousands of years, would regard these proceedings [nationalization, the income tax, etc.] as the fruit of a particular set of doctrines. They are in fact the normal manifestations of Power, and differ not at all in their nature from Henry VIII's confiscation of the monasteries. The same principle is at work; the hunger for authority, the thirst for resources; and in all of these operations the same characteristics are present, including the rapid elevation of the dividers of the spoils. Whether it is socialist or whether it is not, Power must always be at war with the capitalist authorities and despoil the capitalists of their accumulated wealth; in doing so it obeys the law of its nature.<sup>34</sup>

## V. What the State Fears

What the State fears above all, of course, is any fundamental threat to its own power and its own existence. The death of a State

<sup>32</sup>In recent years, the unanimity principle has experienced a highly diluted revival, particularly in the writings of Professor James Buchanan. Injecting unanimity into the present situation, however, and applying it only to *changes* in the *status quo* and not to existing laws, can only result in another transformation of a limiting concept into a rubber stamp for the State. If the unanimity principle is to be applied only to *changes* in laws and edicts, the nature of the initial "point of origin" then makes all the difference. Cf. James Buchanan and Gordon Tullock, *The Calculus of Consent* (Ann Arbor: University of Michigan Press, 1962), *passim*.

<sup>33</sup>Cf. Herbert Spencer, "The Right to Ignore the State," in *Social Statics* (New York: D. Appleton and Co., 1890), pp. 229-39.

<sup>34</sup>De Jouvenel, *On Power*, *op. cit.*, p. 171.

can come about in two major ways: (a) through conquest by another State, or (b) through revolutionary overthrow by its own subjects—in short, by war or revolution. War and revolution, as the two basic threats, invariably arouse in the State rulers their maximum efforts and maximum propaganda among the people. As stated above, any way must always be used to mobilize the people to come to the State's defense in the belief that they are defending themselves. The fallacy of that idea becomes evident when conscription is wielded against those who refuse to "defend" themselves and are therefore forced into joining the State's military band: needless to add, no "defense" is permitted them against this act of "their own" State.

In war, State power is pushed to its ultimate, and, under the slogans of "defense" and "emergency," it can impose a tyranny upon the public such as might be openly resisted in time of peace. War thus provides many benefits to a State, and indeed every modern war has brought to the warring peoples a permanent legacy of increased State burdens upon society. War, moreover, provides to a State tempting opportunities for conquest of land areas over which it may exercise its monopoly of force. Randolph Bourne was certainly correct when he wrote that "war is the health of the State," but to any particular State a war may spell either health or grave injury.<sup>35</sup>

We may test the hypothesis that the State is largely interested in protecting *itself* rather than its subjects by asking: which category of crimes does the State pursue and punish most intensely—those against private citizens or those against *itself*? The gravest crimes in the State's lexicon are almost invariably not invasions of private person or property, but dangers to its *own* contentment, e.g., treason, desertion of a soldier to the enemy, failure to register for the draft, subversion and subversive conspiracy, assassination of rulers, and such economic crimes against the State as counterfeiting its money, or evasion of its income tax. Or compare the degree of zeal devoted

---

<sup>35</sup>We have seen that essential to the State is support by the intellectuals, and this includes support against their two acute threats. Thus, on the role of American intellectuals in America's entry into World War I, see Randolph Bourne, "The War and the Intellectuals," in *The History of a Literary Radical and Other Papers* (New York: S. A. Russell, 1956), pp. 205-22. As Bourne states, a common device of intellectuals in winning support for State actions, is to channel any discussion *within* the limits of basic State policy, and to discourage any fundamental or total critique of this basic framework.

to pursuing the man who assaults a policeman, with the attention that the State pays to the assault of an ordinary citizen. Yet, curiously, the State's openly assigned priority to its *own* defense against the public strikes few people as inconsistent with its presumed *raison d'être*.<sup>36</sup>

## VI. How States Relate to One Another

Since the territorial area of the earth is divided among different States, inter-State relations must occupy much of a State's time and energy. The natural tendency of a State is to expand its power, and, externally, such expansion takes place by conquest of a territorial area. Unless a territory is stateless or uninhabited, any such expansion involves an inherent conflict of interest between one set of State rulers and another. Only one set of rulers can obtain a monopoly of coercion over any given territorial area at any one time: complete power over a territory by State X can only be obtained by the expulsion of State Y. War, while risky, will be an ever-present tendency of States, punctuated by periods of peace, and by shifting alliances and coalitions between States.

We have seen that the "internal" or "domestic" attempt to limit the State, in the seventeenth through nineteenth centuries, reached its most notable form in constitutionalism. Its "external," or "foreign affairs," counterpart was the development of "international law," especially such forms as the "laws of war" and "neutrals' rights."<sup>37</sup> Parts of international law were originally purely private, growing out of the need of merchants and traders everywhere to protect their property and adjudicate disputes. Examples are admiralty law and the law merchant. But even the governmental rules emerged

---

<sup>36</sup>As Mencken puts it in his inimitable fashion: "This gang ('the exploiters constituting the government') is well-nigh immune to punishment. Its worst extortions, even when they are baldly for private profit, carry no certain penalties under our laws. Since the first days of the Republic, less than a few dozen of its members have been impeached, and only a few obscure understrappers have ever been put into prison. The number of men sitting at Atlanta and Leavenworth for revolting against the extortions of the government is always ten times as great as the number of government officials condemned for oppressing the taxpayers to their own gain." Mencken, *op. cit.*, pp. 147-48. For a vivid and entertaining description of the lack of protection for the individual against incursion of his liberty by his "protectors," see H.L. Mencken, "The Nature of Liberty," in *Prejudices: A Selection* (New York: Vintage Books, 1958), pp. 138-43.

<sup>37</sup>This is to be distinguished from modern international law, with its stress on maximizing the extent of war through such concepts as "collective security."

voluntarily, and were not imposed by any international super-State. The object of the "laws of war" was to limit inter-State destruction *to the State apparatus itself*, thereby preserving the innocent "civilian" public from the slaughter and devastation of war. The object of the development of neutrals' rights was to preserve private civilian international commerce, even with "enemy" countries, from seizure by one of the warring parties. The overriding aim, then, was to limit the extent of any war, and particularly to limit its destructive impact on the private citizens of the neutral, and even the warring, countries.

The jurist F. J. P. Veale charmingly describes such "civilized warfare" as it briefly flourished in fifteenth-century Italy:

. . . the rich burghers and merchants of medieval Italy were too busy making money and enjoying life to undertake the hardships and dangers of soldiering themselves. So they adopted the practice of hiring mercenaries to do their fighting for them, and, being thrifty, business-like folk, they dismissed these mercenaries immediately after their services could be dispensed with. Wars were, therefore, fought by armies hired for each campaign. . . . For the first time, soldiering became a reasonable and comparatively harmless profession. The generals of that period maneuvered against each other, often with consummate skill, but when one had won the advantage, his opponent generally either retreated or surrendered. It was a recognized rule that a town could only be sacked if it offered resistance: immunity could always be purchased by paying a ransom. . . . As one natural consequence, no town ever resisted, it being obvious that a government too weak to defend its citizens had forfeited their allegiance. Civilians had little to fear from the dangers of war which were the concern only of professional soldiers.<sup>38</sup>

The well-nigh absolute separation of the private civilian from the State's wars in eighteenth-century Europe is highlighted by Nef:

Even postal communications were not successfully restricted for long in wartime. Letters circulated without censorship, with a free-

<sup>38</sup>F.J.P. Veale, *Advance to Barbarism* (Appleton, Wisc.: C. C. Nelson Publ. Co., 1953), p. 63. Similarly, Professor Nef writes, of the War of Don Carlos, waged in Italy between France, Spain, and Sardinia against Austria, in the eighteenth century: "at the siege of Milan by the allies and several weeks later at Parma . . . the rival armies met in a fierce battle outside the town. In neither place were the sympathies of the inhabitants seriously moved by one side or the other. Their only fear was that the troops of either army should get within the gates and pillage. The fear proved groundless. At Parma the citizens ran to the town walls to watch the battle in the open country beyond. . . ." John U. Nef, *War and Human Progress* (Cambridge: Harvard University Press, 1950), p. 158. Also cf. Hoffman Nickerson, *Can We Limit War?* (New York: Frederick A. Stoke, Co., 1934).

dom that astonishes the twentieth-century mind. . . . The subjects of two warring nations talked to each other if they met, and when they could not meet, corresponded, not as enemies but as friends. The modern notion hardly existed that . . . subjects of any enemy country are partly accountable for the belligerent acts of their rulers. Nor had the warring rulers any firm disposition to stop communications with subjects of the enemy. The old inquisitorial practices of espionage in connection with religious worship and belief were disappearing, and no comparable inquisition in connection with political or economic communications was even contemplated. Passports were originally created to provide safe-conduct in time of war. During most of the eighteenth century it seldom occurred to Europeans to abandon their travels in a foreign country which their own was fighting.<sup>39</sup>

And trade being increasingly recognized as beneficial to both parties, eighteenth-century warfare also countenanced a considerable amount of "trading with the enemy."<sup>40</sup>

How far States have transcended rules of civilized warfare in this century needs no elaboration here. In the modern era of total war combined with the technology of total destruction, the very idea of keeping war limited to the State apparati seems even more quaint and obsolete than the original Constitution of the United States.

When States are not at war, agreements are often necessary to keep frictions at a minimum. One doctrine that has gained curiously wide acceptance is the alleged "sanctity of treaties." This concept is treated as the counterpart of the "sanctity of contract." But a treaty and a genuine contract have nothing in common. A contract transfers, in a precise manner, titles to private property. Since a government does not, in any proper sense, "own" its territorial area, any agreements that it concludes do not confer titles to property. If, for example, Mr. Jones sells or gives his land to Mr. Smith, Jones' heir cannot legitimately descend upon Smith's heir and claim the land as rightfully his. The property title has already been transferred. Old Jones' contract is automatically binding upon Young Jones, because the former had already transferred the property; Young Jones, therefore, has no property claim. Young Jones can only claim that which he has inherited from Old Jones, and Old Jones can only bequeath property which he still owns. But if, at a certain

<sup>39</sup>Nef, *op. cit.*, p. 162.

<sup>40</sup>*Ibid.*, p. 161. On advocacy of trading with the enemy by leaders of the American Revolution, see Joseph Dorfman, *The Economic Mind in American Civilization* (New York: Viking Press, 1946), I, 210-11.



date, the government of, say, Ruritania, is coerced or even bribed by the government of Walldavia, it is absurd to claim that the governments or inhabitants of the two countries are forever barred from a claim to reunification of Ruritania on the grounds of the sanctity of a treaty. Neither the people nor the land of North-west Ruritania are *owned* by either of the two governments. As a corollary, one government can certainly not bind, by the dead hand of the past, a later government through treaty. A revolutionary government which overthrew the king of Ruritania could, similarly, hardly be called to account for the king's actions or debts, for a government is not, as is a child, a true "heir" to its predecessor's property.

## VII. History As a Race Between State Power and Social Power

Just as the two basic and mutually exclusive inter-relations between men are peaceful cooperation or coercive exploitation, production or predation, so the history of mankind, particularly its economic history, may be considered as a contest between these two principles. On the one hand, there is creative productivity, peaceful exchange and cooperation; on the other, coercive dictation and predation over those social relations. Albert Jay Nock happily termed these contesting forces: "social power" and "State power."<sup>41</sup> Social power is man's *power over nature*, his cooperative transformation of nature's resources and insight into nature's laws, for the benefit of all participating individuals. Social power is the power over nature, the living standards, achieved by men in mutual exchange. State power, as we have seen, is the coercive and parasitic seizure of this production—a draining of the fruits of society for the benefit of non-productive (actually *anti-productive*) rulers. While social power is over nature, State power is *power over man*. Through history, man's productive and creative forces have, time and again, carved out new ways of transforming nature for man's benefit. These have been the times when social power has spurred ahead of State power, and when the degree of State encroachment over society has considerably lessened. But always, after a greater or smaller time lag, the State has moved into these new areas, to cripple and confiscate social power once more.<sup>42</sup> If the seventeenth

<sup>41</sup>On the concepts of State power and social power, see Nock, *Our Enemy the State* (Caldwell, Ida.: Caxton Printers, Ltd., 1946). Also see Nock, *Memoirs of a Superfluous Man* (New York: Harpers, 1943), and Frank Chodorov, *The Rise and Fall of Society* (New York: Devin-Adair, 1959).

<sup>42</sup>Amidst the flux of expansion or contraction, the State always makes sure that it seizes and retains certain crucial "command posts" of the economy

through the nineteenth centuries were, in many countries of the West, times of accelerating social power, and a corollary increase in freedom, peace, and material welfare, the twentieth century has been primarily an age in which State power has been catching up—with a consequent reversion to slavery, war and destruction.<sup>43</sup>

In this century, the human race faces once again the virulent reign of the State—of the State now armed with the fruits of man's creative powers, confiscated and perverted to its own aims. The last few centuries were times when men tried to place constitutional and other limits on the State, only to find that such limits, as with all other attempts, have failed. Of all the numerous forms that governments have taken over the centuries, of all the concepts and institutions that have been tried, none has succeeded in keeping the State in check. The problem of the State is evidently as far from solution as ever. Perhaps new paths of inquiry must be explored, if the successful, final solution of the State question is ever to be attained.<sup>44</sup>

---

and society. Among these command posts are a monopoly of violence, monopoly of the ultimate judicial power, the channels of communication and transportation (post office, roads, rivers, air routes), irrigated water in Oriental despotisms, and education—to mould the opinions of its future citizens. In the modern economy, *money* is the critical command post.

<sup>43</sup>This parasitic process of "catching up" has been almost openly proclaimed by Karl Marx, who conceded that socialism must be established through seizure of capital *previously accumulated* under capitalism.

<sup>44</sup>Certainly, one indispensable ingredient of such a solution must be the sundering of the alliance of intellectual and State, through the creation of centers of intellectual inquiry and education, which will be independent of State power. Christopher Dawson notes that the great intellectual movements of the Renaissance and the Enlightenment were achieved by working outside of, and sometimes against, the entrenched universities. These academies of the new ideas were established by independent patrons. See Christopher Dawson, *The Crisis of Western Education* (New York: Sheed and Ward, 1961).

# A Challenge to the Georgists

by Robert LeFevre

Robert LeFevre is dean of Rampart College Graduate School, which is being established north of Colorado Springs, Colorado. He is the founder and former president of the Freedom School, parent organization to Rampart College, and principal teacher during that school's summer courses for adults. LeFevre, author (*This Bread is Mine*, *The Nature of Man and His Government*, and *Constitutional Government Today in Soviet Russia*), educator, lecturer and columnist, recently resigned from his position as editor of the largest daily newspaper in Colorado Springs to devote full time to the establishment of Rampart College.

Among those interested in economic science have invariably appeared persons who, while accepting many broad aspects of economic probability or certainty, have special areas of concern wherein they find exceptions to rules which are otherwise acceptable.

Communists and other socialists have long been noted for their antipathy to rent, interest, and profit generally. They seem to find in these three areas justification for governmental intrusion since, as they view the world, these three factors interfere with the otherwise amiable processes of economics, in which each worker receives the full fruit of his labor.

Certain supporters of liberty, while entirely willing to accept rent, interest, and profit generally as the very core and heart of economic reason and moral justice, find the market place singularly incompetent in dealing with matters of protection and defense. While supporting freedom, private property, and a free market generally, a broad exception is taken to all services dealing with protection, defense, retaliation, or even adjudication. They call for *laissez faire* until the question of protection is broached. At this point, all economic understanding flees and a plea is made for massive governmental intervention; taxation is justified, and each

and every argument they have advanced before in favor of freedom is now abandoned in favor of reliance on force.

There are others who favor governmental control of this or that phase of economic activity. Some favor free trade in an area protected by high tariff barriers. Others favor private ownership of all save the tools of production and distribution. One might suggest that in the study of economics the major ingredient is the exceptionist who has his own area of concern in which freedom must be abandoned and governmental force brought to play.

Of these exceptionists, there is no more vigorous group than those calling themselves the followers of Henry George. With Henry George, they hold firmly to a concept of freedom, private ownership of property, laissez faire, with market place economic rules in vogue, until they arrive at the one area which troubles them. At this point, and in contradistinction to the general principles they uphold elsewhere, they reverse their position and call for collectivized or centralized control. Georgists do not see their reversal. The area that distresses and at the same time enthralls the Henry Georgist relates to land. Long dwelling with their conclusions respecting the nature of land has seemingly eradicated the processes by means of which their conclusions have been reached.

The Georgist is the "single taxer"; the supporter of the idea of land value taxation as the single remedy for all of man's economic ills. No more stalwart foe of income taxes, excise taxes, or other taxes could ever be found. But let land be brought into the range of discussion and the arguments against taxation employed elsewhere are suddenly dropped. Land value taxation, the Georgists aver, provides the long-sought solution to economic problems. This is the elixir which will bring justice and harmony between the state and the individual; it is the philosopher's stone which will eliminate speculative greed; it is the talisman which will forever determine which taxes are just and which are unjust; it is the alchemy by means of which governments can be reduced to necessary size, and man can live in harmony and prosperity forever and ever.

The Georgists do not favor large or oppressive government. They are found in the camps of those who believe in human liberty and they recognize in government a constant danger and threat to human dignity and to economic well-being. They favor free trade and will admit of no protectionist philosophies generally.

Nor are they simply clamoring for a tax on land to take the place of a tax on incomes—a point often overlooked. The Georgist is quite

specific. He does not want a tax on land, per se, nor yet a tax on the improvements which are built upon or added to the land. He favors a tax to be levied exclusively upon the value of the land. And it is his contention that if such a tax could be relied upon, economic justice and prosperity would eventuate; no other taxes would be required; government would be reduced to its inescapable minimum, and conceivably at this point the "war on poverty" would cease for want of an enemy to fight.

The Georgist theory is a logical extension of the Marxian antipathy to rents. The *Communist Manifesto* of Marx and Engels sums up the question of ownership of land and the income derived therefrom in this colorful proscription: "Abolition of property in land and application of all rents of land to public purpose."<sup>1</sup> This methodology, advanced by supporters of a world commune, has been refined by the Georgists and remains as their single connection to the world of socialist reform.

The Georgists envision this: They see a society in which land is never to be privately owned.<sup>2</sup> All land is to be regulated "socially" on the basis of land value taxation.<sup>3</sup> The various uses to which the land is to be put will determine the value of the land on which

<sup>1</sup>Karl Marx and Frederick Engels, *Communist Manifesto* (Gateway Ed.; Chicago: Henry Regnery Co., 1954), p. 55.

<sup>2</sup>Henry George, *Progress and Poverty* (50th Anniv. Ed.; New York: Robert Schalkenbach Foundation, 1946), p. 328: "We have traced the unequal distribution of wealth which is the curse and menace of modern civilization to the institution of private property in land. We have seen that so long as this institution exists no increase in productive power can permanently benefit the masses; but, on the contrary, must tend still further to depress their condition. . . . There is but one way to remove an evil—and that is to remove its cause. Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labor, is monopolized. . . . This then is the remedy for the unjust and unequal distribution of wealth apparent in modern civilization, and for all the evils which flow from it: *We must make land common property.*" (Emphasis through footnotes is that of Henry George.)

<sup>3</sup>*Ibid.*, p. 406: "Now, inasmuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—to abolish all taxation save that upon land values."

*Ibid.*, p. 421: "The tax upon land values is, therefore, the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. . . ."

the tax is to be based.<sup>4</sup> The income derived from this single tax will be sufficient, as they view it, to handle all expenses of the "public" sector. Such things as streets, sewage disposal, street lighting, domestic policing, and other services deemed of a "public" character, can be financed by means of this tax. Aside from this, there will be no other tax at all.

What of buildings, farm improvements, mining operations, orchards, and so on? Who will own these appurtenances to the land? The appurtenances will be owned by the entrepreneurs and the private citizens. These can be bought and sold just as real estate, businesses, or other items of property are bought and sold today. Only the land remains in the ownership of the state, or of that committee, group, or agency empowered to own the land and presumably endowed with the ability to assess the land on the basis of its value.<sup>5</sup>

To their credit, the Georgists do not propose to forcefully oust present owners of land. However, their proposal would have this result, for it would (1) deprive all present landlords of rentals from owned lands, and (2) force many who presently own land to lose it through increased taxation. Thus, the individual who today owns rental property would be prevented by law from collecting

---

<sup>4</sup>*Ibid.*, p. 406: "As we have seen, the value of land is at the beginning of society nothing, but as society develops by the increase of population and the advance of the arts, it becomes greater and greater. In every civilized country, even the newest, the value of the land taken as a whole is sufficient to bear the entire expenses of government. In the better developed countries it is much more than sufficient. Hence, it will not be enough merely to place all taxes upon the value of land. It will be necessary, where rent exceeds the present governmental revenues, commensurately to increase the amount demanded in taxation, and to continue this increase as society progresses and rent advances."

*Ibid.*, p. 413: "... if land were to be taxed to anything near its rental value, no one could afford to hold land that he was not using, and, consequently, land not in use would be thrown open to those who would use it."

*Ibid.*, p. 418: "Were all taxes placed upon land values, irrespective of improvements, the scheme of taxation would be so simple and clear, and public attention would be so directed to it, that the valuation of taxation could and would be made with the same certainty that a real estate agent can determine the price a seller can get for a lot."

*Ibid.*, p. 421: "With every increase of population the value of land rises; with every decrease it falls. This is true of nothing else save of things which, like the ownership of land, are in their nature monopolies. The tax upon land values is, therefore, the most just and equal of all taxes."

<sup>5</sup>*Ibid.*, p. 405: "I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the

rents. This would induce wide-scale poverty among the thrifty who have invested their savings in land. Further, the increase in taxes on land, made larger by the abolition of all other taxes, would, unless government sharply reduced its expenditures, have the effect of universal expropriation.

With no opportunity to buy or sell anything at all, the land agency will be peculiarly removed from temptation. It cannot sell the land, for this is implicit. It cannot buy land as none is for sale. Speculation in land will vanish. So will the so-called "unearned increment" wherein the value of land held by one party may increase due to the productive efforts of another party or of "society" generally. Stability will return to the market place. Poverty will be eradicated. Universal progress of man will be assured.<sup>6</sup>

In a nation such as our own, in which hundreds of taxes are collected and in which speculation seems to reward the unworthy and to rob the worthy, with government growing larger and more overbearing by the hour, the single tax of the Georgists appears to be no burden at all. It is small wonder that the Georgist scheme has a wide popular appeal. Its following is one of the most tightly knit of all the socialist schemes extant, and it enjoys the broadest private financial support. There are at least two foundations with resources estimated at well over a million dollars reserved to further Georgist ideas.<sup>7</sup> There are several schools called Henry George Schools.

---

individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent. . . . We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all. . . . In this way the state may become the universal landlord without calling herself so, and without assuming a single new function. The form, the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land anyone could hold. For, rent being taken by the state in taxes, land, no matter in whose name it stood, or in what parcels it was held, would be really common property, and every member of the community would participate in the advantages of ownership."

<sup>6</sup>*Ibid.*, p. 405: "What I, therefore, propose, as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals and taste, and intelligence, purify government and carry civilization to yet nobler heights, is—to appropriate rent by taxation."

<sup>7</sup>Ann O. Walton and F. Emerson Andrews (eds.), *The Foundation Directory* (New York: Russell Sage Foundation for the Foundation Library Center, 1960), p. 9, p. 440.

There is a monthly periodical called the *Henry George News*, published by the Henry George School of Social Science, 50 East 69th Street, New York City, which sets forth as its principle the following:

"The community, by its presence and activity, gives rental values to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community—known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth."

It is the purpose of this paper to challenge this principle and to demonstrate as clearly as possible that (1) the Henry George single-tax concept will not produce the benefits claimed; (2) no feasible method can be devised wherein the value of land can be determined by land rents; and (3) instability followed by gross invasion of human rights would tread upon the heels of any general adherence to the Georgist panaceas.

### Who Is Henry George?

Henry George was an American economist who was born in Philadelphia, September 2, 1839, and died in New York City on October 29, 1897. After some experience as a seaman, he became a printer in San Francisco, and in 1867 he edited the *San Francisco Times*.

Inclined by nature to social reform, he became interested in the socialist movement, various aspects of which he studied and rejected. In 1871 he wrote *Our Land and Land Policy*, wherein his socialist proclivities were somewhat revealed. In 1879 he wrote his most important work, *Progress and Poverty*. While he attacked the doctrines of Malthus, it is clear that he was affected by Malthusian logic, at least in the negative, for he persisted in viewing land values as produced by the growth of society, overlooking the fact that various mines, factories, and agricultural operations in remote and rural areas often increase in value in a way not directly related to the numbers of persons in immediate attendance upon this land. Impressed as he was by ideas respecting population increases, his work is at its base an effort to resolve the problem of unequal distribution of wealth in the face of unstable populations subject to growth.

Among valuable contributions made by George was his attack on the "wages fund" theory in which he argued that the wages of



labor are not paid from a "fund" of capital. While his full presentation is an oversimplification, it was timely and helpful when George was at the peak of his powers.

George visited England in 1880-1881 where he was doubtless influenced by the more moderate socialists of the time who were, in a few years, to launch the Fabian Society.

In 1886 he was nominated for mayor of New York by the United Labor Party, but was defeated. In 1897 he was again nominated for the office but died before election day.

His works, in addition to those already noted, include: *The Irish Land Question* (1881); *Social Problems* (1883); *Property in Land*; *The Condition of Labor*; *Protection or Free Trade* (1886).

### Conquest and Land Ownership

There have been customs established in various parts of the world wherein unowned land has become owned. "Things become the private property of individuals in many ways; for the titles by which we acquire ownership in them are some of them titles of natural law, which, as we said, is called the law of nations, while some of them are titles of civil law." (Justinian, *Institutes*, II, 1.)

Cicero (*De Officiis*—I) contends that there is "no such thing as private ownership established by nature, but property becomes private either through long occupancy . . . or through conquest . . . or by law, bargain, purchase, or allotment."

The Georgists tend to support the idea that property in land has almost invariably occurred as a result of conquest. Hence, they will argue that all private owners of land are essentially beneficiaries under prior acts of injustice. Since this is obviously true to some degree, a further argument is used to suggest that private ownership of land should cease and reliance upon collectivity of land control be instituted. What they fail to see or neglect to emphasize is that the system advocated by George would invariably follow conquest. The conqueror of a territory would, by conquest, have gained control of all land. It would be to his advantage to distribute the land to producers and at the same time retain control of it. This would result in something similar to the feudal system of land distribution. Here land title would depend upon fealty to the conqueror and eminent domain would be relied upon when, in the opinion of the ruler, "public" aims or good could be enhanced by repossessing the land already in the useful possession of tenants. A system wherein all rentals of land were determined by a central agency would be

a kind of practicing feudalism, at either community or national level. The Georgist theory would invariably produce some type of feudalism.

Thus, while Georgists profess to reject conquest and expropriation as a suitable method of acquiring land, there is a kind of harmony between conquest and the Georgist system of land management. Ownership of the land would remain with the conqueror. Even though political distribution of land cannot be recommended, it is obvious that political conquest followed by distribution of land into the hands of private owners is superior and far more benign than political conquest followed by the retention of all land in a monopoly of ownership remaining with the conqueror.

In the first period of American history, settlers in the Western Hemisphere, following the act of political usurpation performed by Columbus, tended to acquire lands privately and to develop them independently. In current times, the trend has reversed. Lands once privately owned are more and more being put back into the hands of one or another governmental agency.

Thus, the policy of the American government, whose role with the original inhabitants was often aggressive, if not actually predatory, was nonetheless beneficial in that every effort was made after expropriation to place land into the hands of private owners as rapidly as possible. Today, there are many governmental agencies at work acquiring and consolidating lands, many of which have been privately owned.

It could be said that our government land policy prior to 1930 was essentially predatory to start with, but aimed at ultimate private ownership. Since the 1930's the essentially predatory nature of the policy has not been altered, but the method is now in harmony with Georgist objectives and private ownership of land is declining.

### **Control and Use of Land**

It is significant that the Georgists do not wish to deprive anyone of the use of land. And it is at this point that the essential ambivalence of Georgist theory can be clearly discerned.

The Georgist will contend that what he wishes to see is a distribution of land to those who will use it. He wishes to prevent the distribution of land to those who merely hold it, either for future use or for speculation. The device which is presumed to maximize distribution for use only, and to prevent land speculation, is the device of central ownership of the land. The state becomes the landlord,

entering into contractual agreements with individuals or groups of individuals (firms) who will agree to put the land into use.

The dichotomy appears at this point. On the one hand, the Georgists will argue that their system will not prevent any kind of use of land, for the person contracting with the state merely has to agree to pay the rent for the use of land to the state. The amount of the rent, it is said, will be determined by the competitive bidding of those who seek the land for various and sundry purposes. Thus, the highest bidder (in terms of rent) will be successful and will obtain a long-term "lease" (land tenure contract) which will be held inviolate so long as he pays the agreed-upon rental. Thus, at least in theory, there is nothing to prevent the subleasing of land. A man may construct an apartment house, hotel, motel, or other types of rental units and sublet them to tenants. Presumably, the contracting party must state in advance the nature of his proposed use of the land and must afterwards conform to that usage or his contract would be violated, and eviction would follow.

This would mean that a given contractor with the state could lease an enormous acreage, presumably for agricultural development, and subsequently sublease this same land to marginal tenant farmers. In this sense, the state would not be the only landlord, although it is claimed that the state would be the only landlord. The original contractor with the state would become a new kind of landlord, acting as a middleman inserted between the actual occupant or user of the land and the state.

On the other hand, the Georgists argue that their system would wipe out this type of procedure. If this is true, then it would become impossible for certain types of land use to occur, and hotels, rooming houses, guest houses, motels, apartment houses, tenant farms, and so on (wherever rent could be collected) would all either become the monopolies of the state, owned and controlled by the state, or any such type of business venture would be eliminated.

The Georgists cannot have it both ways.

If they really mean to permit anyone to use land as he pleases, then subtenancy would occur. If subtenancy occurs, then speculation in land-use dealing would replace speculation in land per se. There would be nothing to prevent a firm or an individual, having independent resources, from taking a "lease" (long-term land tenure contract) on an enormous acreage (provided only that he pays the rent agreed upon), and then subleasing this property to the highest bidder, or holding it off the market until a subtenant could be found

who would meet the demand use price. Provided subtenancy conforms to agreed-upon usage, the state could hardly object.

If, on the other hand, the Georgists actually mean to see that only the state is to act as a landlord, then it is obvious that subtenancy would be illegal, and all businesses relating to subtenancy would cease to exist. Or, as has been suggested, the government itself would have to engage in many types of building activities in order to provide the rental units that a large, expanding population and a dynamic economy demand.

We now have two lines of possible procedure, both of which are defended by Georgists. It should be seen at once that if land use is to be absolutely at the discretion of the contracting party, then the Georgist theory will have only this result. The taxes (land value rents) paid to the state would enormously increase, thus impairing the willingness of many people to try to become original contractors for land. But speculation would continue, and, indeed, on the basis of the newly invoked land scarcity, it could be expected to increase. The long-range result could be expected to produce a new class of land holders who, while not actually owning the land, would in all respects be a privileged land-holding aristocracy. Since only the very affluent could attempt such holdings, it is reasonable to assume that land holdings would become consolidated into huge estates, each reserved for its own special kind of use. The very evils which George presumed to wipe out with his theory would be extended.

If, however, the Georgists do not mean this to occur, and actually believe that speculation can be eliminated by making the government the only agency capable of collecting rents legally; further, if they wish to place land in the hands of many individuals for private use and development; then a whole new area for governmental activity would emerge. All rental property would become a state monopoly. Instead of reducing the so-called "public sector," the "private sector" would be reduced and government would at once have to undertake massive construction in many areas. This would eventuate as a result of imposed force.

As an additional area of concern, the Georgists aver that they wish to reduce the size of government, limiting its functions to those chores which at the moment are viewed by many as essentially "public" in character. It is clear that either the government would have to police the use of land to make certain that all use was in conformity with agreed-upon contracts (and to invoke forceful

procedures where violations of usage appeared), or the government would have to enlarge its function by taking over a major area which is now, in the main, a private area of business.

Getting closer to the problem, let us see what would actually happen. Let us suppose that Mr. A wishes to develop a shopping center, hotel, and apartment house complex. He believes that if he does so, an actual community would develop in and about the central area he is willing to finance. He would first be forced to deal with the state. And being farsighted, he would undertake to plat the land he desires; some of it for business sites, some for the shopping center, some for residences. He contracts for a square mile of territory, states to the government how he proposes to develop this area, paying an agreed-upon rental for each segment in accordance with its ultimate usage as he sees it. He begins his project with building the shopping center and the apartment hotel. Building takes time. As construction proceeds, and it may take him a year or two, the territory he has under contract for residences remains in non-use.

Suppose that during this period of construction, Mr. B appears on the scene. Mr. B sees the advantages to the site selected by Mr. A, but he wishes to put in a factory to manufacture some useful household product. The land held by Mr. A for future residential purposes is not in use. Mr. B goes to the state and bids for some of this land at a rental higher than residential use would entail. Since the land is not in use, Mr. B claims that Mr. A is holding it speculatively. How does Mr. A know, at this moment, that enough people will ever arrive on the scene to make the construction of these residences possible or even feasible? Obviously, Mr. A is engaged in that dreadful procedure of land speculation.

What will happen? Either the government will move against Mr. A and cancel all or part of his contract, or the government will not move against Mr. A, thereby confirming Mr. A in the area of speculation.

### **Speculation**

Every commercial enterprise is speculative in character. Whether one buys and sells pork chops, refrigerators, gasoline, or land, all commerce is predicted upon buying at a lower price than ultimate sale will bring. Is there any assurance that can be found that any product or service can be retailed at a profit? There is none. If a man buys refrigerators and the market price for refrigerators drops,

he may hold his refrigerators in a warehouse until such time as sales can be made profitably. This is speculation. He does not know that the prices will ever rise again.

The reaction of the market to the purchase of land is identical to that found in handling refrigerators or any other product. Men attempt to buy cheap and sell dear. If they can, they profit. If they cannot, they lose.

The Georgists object to this procedure only in respect to land. They argue that (1) land values are provided by the growth of society; (2) there is a limited amount of land; (3) there is a fixed amount of land—new land cannot be produced; and (4) therefore, any speculative holding of land OUT OF USE for purposes of making future profits is essentially non-economic and immoral.

But all commercial ventures are speculative. At any given moment in the market, there is a limited (not fixed) amount of any good or service. All values derive from independent value judgments (more on this later), one factor of which, and only one, is the growth of population. All economic goods are in scarce supply in relation to demand and always will be. If, at any time, popular judgment lowers the evaluation of any good or service, sales on a profitable basis cannot occur; thus, any good or service may at times be removed from the market in order that demand may gather force while supply is curtailed through voluntary withdrawal from the market.

The single point having some validity in the Georgist argument is that land cannot be produced at will and, hence, there is virtually a fixed supply. Actually, this is not quite true. The Dutch have created some forty square miles of arable land by erecting dikes against the sea. Many a city has added to its land by pushing back rivers, building over lakes (Mexico City is a prime example), or by adding fill to sea or ocean. Islands have been built from the bottom up. Nor is there anything to prevent the construction of many floating islands upon which huge populations of the future could find dwelling and agricultural sites. While this procedure may face certain technical difficulties, our technology has already advanced to the place where such a proposal could be reasonably considered.<sup>8</sup>

---

<sup>8</sup>William J. Colson (engineer for Boeing Aircraft) has suggested, for example, that our knowledge of refrigeration makes economical the construction of large floating islands, the base composed of an ice floe kept from melting by modern refrigeration methods. Upon this floe, soil could be deposited and entire small countries could emerge. The same procedure could be invoked in the construction of large dams wherein river water could be refrigerated to erect the obstruction, and the release of water could be

The role of the speculator in all commercial ventures is unavoidable. Further, his role is not destructive, but beneficial. All businessmen buy goods or equipment or land when, in their view, the price favors such purchase. That is to say that the market benefits when purchases are made. A low price encourages purchase. When prices rise, the numbers of purchases diminish.

Consider land and the role of the land speculator. He buys land when prices are low. The reason prices are low is that demand for that particular land is low. This means that the speculator enters the land market and prevents the price of land from being unusually depressed. When land values diminish, as they frequently do, irrespective of population, the speculator buys when others are selling. He brings balance to the market and prevents prices from falling to zero.

He intends to sell at a profit; therefore, he holds the land in his possession when few or none are buying. When demand for that particular land rises, the speculator again enters the market and supplies the items which have become scarce through the increase of demand. Thus, the speculator serves to check the rise of prices and alleviates shortages. His actions, both as buyer or seller, bring balance to the market; they prevent runaway drops in market prices (when most are selling) and prevent scarcity when buyers are in large supply.

To argue that population growth is the factor which increases land values is to argue that India and China have the highest land values on earth. Or to argue that speculators always make profits through their endeavors is to forget the results occurring when areas are abandoned, when speculators are unable to find buyers, and they are compelled to shoulder their losses. In other words, the land speculator, like any other businessman, runs ordinary commercial risks and stands to gain or lose according to his foresight, his thrift, and his timing.

### The Question of Value

George states that "in the beginning" land is worth nothing, and its value derives wholly from the efforts of society. He did not have the advantage of an understanding of marginal utility, nor did he discover that value is essentially a state of mind, derived on the

---

engineered whenever necessary by merely permitting certain sections of the ice dam to melt—a proposal that might conceivably reduce the cost of dam construction by millions of dollars.

basis of independent value judgments having little or nothing to do with either labor or the cost of labor. Further, he seemed to have assurances that real estate men could accurately determine the value of land, and that the prices asked for or received for land are determined with precision outside of market place bargaining. From this he derived the view that if real estate men could determine the value of land, an assessor representing the state could perform the same chore.

In actual fact, value is an abstract, subjective, terminal supposition, whereas the prices by means of which land privately owned is conveyed are determined by the conflicting forces of supply and demand working between freely bargaining agents. Thus, the value (or the tax) attached to any piece of land is invariably an arbitrary and subjective finding, whereas the pricing by means of which conveyances occur results from an objective finding in which competing forces reach, at a given moment, a point of voluntary agreement.

Understanding of this point reveals that value and price are not only not a part of the same process, one being subjective, the other objective, they are not even related. Values are not provided by society, but are attached to any item of property wherever a single person desires what he possesses or wishes to possess. Any tax based upon evaluation is automatically an arbitrary determining by a person endowed with power to take wealth from others in a forceful manner.

If the tax is presumably based upon pricing, then it would follow that such an assessment would invariably be inaccurate since the tax would be derived from a momentary agreement between independent bargaining agents, either of whom would actually value the property at a level contrary to the price agreed upon. The seller would value the money or goods he receives for his property at a level higher than the property he conveys. Contrariwise, the buyer would value the property he obtains at a level higher than the money or goods he exchanges for the property. The value of the property remains unknown. The price is established between the bargaining parties. Nor is the price squarely between the separate evaluations. A buyer may value a plot of land at a level far above the price he pays. A seller may value a plot of land far below the price he receives. Thus, land value taxation requires an arbitrary decision, provided either on the basis of past pricing (which will probably never again hold true) or on the basis of the subjective judgment of the assessor, who knows less of the utility of the proper-



ty and its presumed market pricing potential than either the last seller, the present owner, or any future buyer.

### **The State as Landlord**

It is important to realize that economic law does not concern itself with semantics. If land is "rented" to tenants by the state, at prices determined by competitive bidding between renters, the amounts paid by the tenants would be substantially the same as they would be (barring Georgist increases) were land to be rented to tenants by a private party who is paying taxes to the state. The man who owns land and rents it to another includes, in the rent he charges, the amount of the taxes he expects to pay. Thus, the user of the land actually pays the taxes in any case. The difference provided by the Georgist system will actually not affect tenancy so much as it will affect landlords, save in amounts to be paid. The Georgist system proposes to make it impossible for any man to actually own land.

But when we come to the proposed Georgist monopoly of land ownership, we come to the place where we must decide who is to determine the correct and best utility for the land. Either the users of the land will independently make this decision, contract with the state for the land, and proceed as they wish, or the state is to decide how land is to be developed and will consider bids only from those persons who agree in advance to develop the land in accordance with some state "master plan."

If the individual user is to develop the land, the problems arise as presented heretofore. If the state is to determine the best use for the land (the Georgists will argue on either side of this fence), then competitive bidding loses its vigor for only certain bidders would be permitted into the bidding chamber. This would tend to reduce bidding and also would tend to build monopolistic holders of land as a new economic class. The opportunities here for political manipulation increase. Favoritism, bribery, corruption of every kind would be encouraged rather than eliminated or reduced.

With the state as landlord, the profit motive respecting the development of land, while not eliminated, would be thwarted and twisted. It is implicit in the Georgist proposal that the more the land is developed, and the larger the populations depending on its output, the larger the value it has. The larger the value is presumed to be, the larger the land rent will become. Assuming that the state would abide by its contract and not increase rents during

an existing contract, the fact would emerge that with each passing month and year the leasehold decreases in value. This would be especially true were the land to be improved. If the contracting party enhances the value of his land holdings by investing money in improvements, he finds that each additional dollar invested increases the likelihood of an increased rent at the time his contract expires. Assuming that the contracting party is hopeful of selling his improved leasehold to another, he will find that the more he improves it, the less another will be likely to pay for it.

Any man in occupancy on state land will limit his development of that land to those features with which he can anticipate "cashing out" during the term of his occupancy. Thus, under the Georgist system, the following forces would be at work:

(1) There would be a force against ultimate beautification and improvement of the land. Any such improvement which might make the land more desirable would increase the likelihood of a higher rent. The occupant who foolishly improved his land could readily find himself forced out as a result of his own concern with improving the property he occupied.

(2) In the event of an eviction occasioned either by the expiration of the lease or the increase in land rent, or both, the occupant would be able to take with him only those things which are portable. Certain types of land improvement would thus become highly risky and extravagant; for example, sewer systems, underground wiring, underground development of water resources. Additionally, structures built on the land would tend to become flimsy and portable rather than solid and fixed. Dwellings would tend toward prefabrication, toward a maximization of sheet material and the elimination of brick and masonry work. Landscaping, the planting of trees and flowers, the installation of walks and driveways, and other appurtenances which become a part of the land itself, would become risky investments.

It is implicit in a free market that it is always beneficial to keep as many competing factors at work as possible. The Georgist system would provide a monopolistic rental market with only the state serving as the landlord of the land itself. There would be no buyer's market with which to check the vagaries and greed of office holders, desirous always of increasing the income of the state. Thus, while competition would be retained between renters, competition offered

by buyers who can flee the rental market when rents become excessive would vanish.

Those seeking governmentally managed collectivism at any point in the market tend to emphasize the dependency of either the worker or the tenant upon the arbitrary decisions of the employer or the landlord. But if a free market is assumed, the employer is as needful of a productive employee as the employee is needful of a job; and the landlord, who has invested his capital in land which he hopes to rent, will profit not at all unless he can find a tenant willing and able to pay the fee he charges. Thus, employer and landlord are as much at the mercy of employee and tenant as the reverse is true.

### **Parallels: Georgism and Current Practice**

It is important here to realize that one cannot oppose the Georgist arguments simply by seeking to sustain our existing system in the United States. When confronting such opposition to their doctrine, Georgists can usually confound their critics merely by pointing out the evils of the present system. This paper is not intended to support the present system of land taxation. Rather, it argues for the abolition of all land taxes. What is called for is not a defense of the present system, but an exposure of it. All taxation, however it is levied, is an exaction taken by force from the rightful owner of property, real or otherwise.

The Georgist proposal to abolish taxation of all wealth would be most welcome. The problem is that the Georgists do not view land as wealth, having, as has already been shown, assumed that wealth is only the product of human labor and that value in land is a product of society. It is this chore that the libertarian must assume: He must show that the Georgist is correct in seeking to abolish taxation of wealth; that land is merely a form of wealth; that wealth is more than the product of labor; and that value in land is not a product of society, nor can it be arbitrarily assessed by a political agency in any fair or accurate manner.

While Henry George argues that it is security in the use of land that is important and not mere title (a point well taken), the system he advocates is one that will multiply occasions for demolishing the supposed "security" of the individual occupant of land. Zoning and planning boards today, in this respect, are acting exactly as they would have to act under a Georgist system. And the results of zoning and planning regulations have been, in thousands

of cases, the expropriation of the private property of innocent and productive persons in order that the collective wishes of the state may be more fully implemented.

The effect on the market in a system containing eminent domain, taxes on land, and zoning and planning boards is no different from the effect to be obtained if the Georgist system were invoked. In the latter case, the occupant of the land would know that he is a renter; in the former case, the occupant would presume himself the owner. But in either case, a fee would be extracted at a stated interval with the central authority having the power of ousting the unwanted occupant whenever the "public good" seemed to favor it. The market does not care whether the fee collected by the central authority is called a "rent," a single tax, or a land value tax. Whatever it is called, the occupant is not a true owner, for his ability to continue to enjoy his holdings is predicated upon his payment of the fee and upon the willingness of the central power to permit him to continue.

If the occupant of land knows that he may be ousted by an increase of the rent he pays, by an increase of the tax he pays, or by the processes of eminent domain, he will seek assurances to the contrary. If he can find no such assurances, he will be reluctant to commit major funds to the development of land.

Today, in this country, a private individual may invest in land and rent that land to a user. The user pays rent to the owner, and the owner pays the fees levied by the taxing authority. In the Georgist system, this class of private individual would be superseded by the state, wiping out at a single blow all savings invested in land for purposes of speculation, income, or retirement funds. That this procedure would injure our existing society is obvious. Further, the injury would occur in most places among the elderly, who are among the most numerous in investing capital in land which can later be rented. Since the elderly are often not capable of working competitively at physical chores, their ability to save and invest in land has been beneficial to them, for they are thus able to sustain themselves in a state of retirement or semi-retirement.

It can, of course, be contended that the elderly have other avenues of investment open to them, and this is true. But the particular merit of investing in land ownership for future rental income is that elderly persons are usually entirely capable of managing rental properties, even when they cannot perform more arduous chores. Also, the net earnings which they can thus acquire are sub-

stantial and often entirely adequate to take care of their expenses in their declining years. Thus, a married couple practicing thrift and investing in rental property can, in the course of their productive years, purchase a property having a cash price at the time of purchase of anywhere from \$10,000 to \$25,000 on the present market. Rentals from such investments can take care of their expenses when they retire. Were the same sums to be invested in stocks, bonds, or other securities earning them anywhere from a four to six per cent return annually, the interest or dividends thus acquired would not be enough to cover their anticipated expenses.

Since this avenue would now be barred under the Georgist proposal, the increase in welfare costs, either privately or governmentally administered, could not even be tabulated at the moment, but it would be enormous.

It should also be remembered that the Georgist theory does not suppose that existing rentals would be eliminated and the present tenant simply required to pay existing taxes. On the contrary, existing rentals, plus the taxes, plus whatever increase the state deemed feasible and correct (on the basis of rental bidding) would be assessed against each user of the land.

In our own country, we foster the illusion of private ownership of land by granting title. This does not prevent an increase of taxes; nor does it prevent the institution of eminent domain proceedings even though, thus far, the title holder has the assurance that if his property is wrested from him, he will receive some compensation, the amount of which is determined by an agency of the same state that seizes his land.

Because of these facts, the optimum benefits we might otherwise expect to derive from the private ownership of land have failed to appear in the United States. The benefits we do have, which are greater than would occur under a total Georgist system, derive from the existence of private landowners who rent their properties, and in a sense from an illusion which is widely cultivated and which presumes that when a person in this country has purchased his land, paid off the mortgage, and obtained a clear title, he in fact is the owner. Believing that his control of his property is sovereign, he is then ready to care for his land, to improve it, to look after it with great zeal and affection, and to guard it against marauders. However, the government will still compel him to pay an annual fee called a tax which affects his security as though it were called land value rent. If he fails to meet this assessment, he will find that his

sovereignty of the land is non-existent. His holdings will be confiscated.

One of the principal points to be emphasized is this: If a man rents land from a private party, the contract is presumed to be binding. Both parties are bound equally according to the terms agreed upon. In the event of a breach, a third party can be brought in to consider both sides and to adjust the differences.

If a man rents land from the government, he is bound but the government is bound only so long as it is pleasing to the government. If, for the "public good," the government wishes the contract to be vacated, a government order can accomplish it, a government law can make it legal, and a government court (not a third party, but an actual arm of one of the original contracting parties) will make the final ruling.

The two factors tending to increase uncertainty in the present economy, and to make the user of land unwilling to invest in and maintain it at peak efficiency, are:

- (1) The uncertainties attendant upon tax assessments which can be increased by the arbitrary decisions of a third party.
- (2) The power of eminent domain.

These evils are also implicit in the Georgist theory. Indeed, it could be argued that the problems we face in this country in respect to the proper development of the land and its best usage relate to the close parallels between Georgist theory and our existing practice. If we truly wish to cause the maximum best use of land, then we must set about eliminating these evils. We must do what we can to eliminate the uncertainties attendant upon increased taxes, arbitrary assessments, and the evils of legalized confiscation for the alleged "public" good (eminent domain).

The vagaries of the private rental market are held in check by the existence of a private market for owners and would-be owners of land. Thus, the fact that an individual may either rent or own serves to check exclusive trends in either direction. Assuming a free market, those who rent land are those who have insufficient resources to purchase or, for other reasons, do not wish to have a fixed location. But the mere fact that they are temporarily without these resources or the desire for a permanent site, will not deprive them of having the benefits that come from the use of land. On the contrary, even with meager capital, they can enter the rental market, employ the land to its highest utility as they comprehend it, and

make profits from which savings will accrue. Once they have saved sufficiently, and desire a fixed location, purchase of land can occur. The fact that a saver can purchase land will tend to keep the amounts charged in rent by landowners in check. For if rentals become too high, the tenant will be encouraged to purchase. Similarly, high prices for the sale of land can be influenced by the appearance of land that is for rent.

As to the risk attendant upon arbitrary increases in fees for the use of land, whether these fees are called taxes or rents, the problem can only be offset by total land ownership. If, as we have seen, the ability to purchase helps to control the fees charged in a private land rental market, the elimination of all taxes on all land would serve a similar purpose in the ownership area. If governments could not collect a tax on land, then the ownership of land by any owner who had completely retired all debts against his property would be secure. And, as Mr. George has himself argued, it is security and protection of one's possession of the land that is primary. If there is no tax upon the land, there can be no possibility of confiscation arising from a failure to pay the tax. Hence, the owner is truly the owner and the safety and security to arise from this situation would be the highest attainable.

Again, in the matter of eminent domain the finding is identical. If government did not presume itself to be collectively sovereign over all land, then it could not and would not confiscate land, even for the alleged "public" good. Once more, land would be safe, owners of land would be safe, and maximum best usage of land would be encouraged.

In short, the aims and objectives of Mr. George are best served in a free market, wherein land is privately owned and managed and where ownership is viewed as a total condition against which the wishes of ambitious politicians or greedy neighbors would have no means of procedure.

### **A Monopoly in Land**

The contention of the Georgists arises primarily because they view land ownership as a monopoly. They will contend, and rightly, that each piece of land is unique. But they fail to see that the lack of duplicate copies of an item does not create a monopoly. To extend their argument, it could be claimed that all ownership of anything is a kind of monopoly, since all the world is banned from use or possession of anything that is privately owned.

But the term monopoly should not be applied to either ownership or possession. It should be limited to items in trade and not applied to items which are not on the market. Thus, a true monopoly exists, not where private ownership occurs, but where all of any given product offered for exchange is held in the hands of a single individual or firm *and* competition is banned by laws which inhibit rival market offerings.

To use the unique character of land as meaning that the owner is the monopolist of his single piece of land is to imply that an artist is the monopolist of his unique talent; the owner of a Reubens is the monopolist of that Reubens; the inventor of any item is the monopolist of his creation.

Private ownership of any thing, including land ownership, is not a monopoly; it is merely ownership. What the Georgists propose is to create a state monopoly of land ownership as opposed to a free market of exchange and rental in land on a voluntary basis.

Assuming neither taxation, eminent domain, nor incursions against the uses of land by the state, then a free market in land could emerge. With ownership no longer subject to attack, a monopoly in land could not endure.

If monopoly is to be opposed by elimination of competition, which is the essential ingredient of the Georgist proposal, then, if we must turn all land value rents over to the state, it must follow that all income derived by the artist who is a unique monopolist of his own talent must also be surrendered to the state; the monies from the sale of a Reubens must be confiscated by the state, and the earnings of the unique qualities of the inventor must also be taken by the state.

If the Georgist objects to the seizure of the earnings of the artist, the collector of fine paintings, or the inventor, as he undoubtedly would, it is only necessary to extend the Georgist argument that society and the community are the actual sources of the value of the work of the artist, the collector, and the inventor. And since all of society and the community are to benefit by the existence of these attributes, rightfully the earnings from these attributes belong to the community and not to individual monopolists who thus control these unique items.

If it is assumed that only a man in government, acting as a "representative" of the community, can determine the best use of the land and hence the rental to be collected, then it is equally valid to claim that only a man in government, in a position of representing every-



one in the community, could determine the best display of the talents, art objects, or devices which presently may be owned monopolies within the community.

In short, in spite of his constant reiteration that land ownership is a monopoly and therefore harmful, Mr. George is not opposed to monopolies, but specifically seeks to create a monopoly where none exists. None will exist so long as men can buy and sell land in the market and keep it off the market when they do not wish to exchange.

### A Limited Resource

Another argument offered by the Georgists relates to the limited supply of land. There is only so much and no more. Hence, to permit private and exclusive ownership, as they see it, is to deprive others of the fruits of that land. But the reverse is true. The reason for obtaining land and developing it is to make profits. And in order to make profits, the products of the land must be offered to those who do not have the products readily available that the land is producing. Thus, the fruits of the land, whatever they may be, are produced so that all in the community or in society may have them. Private ownership of land does not deter or limit production. On the contrary, it tends to put land into its most fruitful and profitable use.

The assumption that private ownership of land automatically means that the land will not be put to its best use will not hold up. The person seeking profits and willing to expend capital in order to ultimately obtain profits is in the best position to know and to develop land to its highest utility. He cannot afford to do otherwise.<sup>9</sup>

<sup>9</sup>On the subject of protectionism generally, Madison sent a letter to Henry Clay which included the following: "... The bill [initiating tariffs], I think, loses sight too much of the general principle which leaves to the judgment of individuals the choice of profitable employments for the labor and capital; and the arguments in favor of it, from the aptitudes of one situation for manufacturing establishments, tend to shew that these would take place without a legislative interference. The law would not say to the cotton planter, you overstock the market, and ought to plant tobacco; nor to the planter of tobacco, you would do better by substituting wheat. It presumes that profit being the object of each, as the profit of each is the wealth of the whole, each will make whatever change the state of the markets and prices may require. We see, in fact, changes of this sort frequently produced in agricultural pursuits, by individual sagacity watching over individual interest. And why not trust to the same guidance in favor of manufacturing industry, whenever it promises more profit than any of the agricultural branches, or more than mercantile pursuits, from which we see capital readily transferred to manufacturing establishments likely to yield a

To assume that a central authority can make this decision wherein no personal investment is involved, is to presume that the party who is not responsible and can suffer no personal losses for failure, is in a better position to determine correct usage than the person who has invested funds and is in a position to experience personal losses if his calculations are in error.

We have, in fact, a precise instance of the establishment of something very close to the Georgist system if we examine the land holdings of the patróns of Central and South America. Here, by a close relationship between wealthy landowners and the state, the control of the land and its use is largely in the hands of a few persons. This is the condition we could expect where Georgist theories are generally invoked. The result is that much of the land is held in idleness. Those who rent the land at the fee determined by the owner (the owner and the state working together) do little more than is necessary to obtain a subsistence level of survival. The peons have no hope of ever owning the land. Aspirations are stifled and poverty is widespread.

On the other hand, in Guatemala, the United Fruit Company has recently established a policy of letting some of its holdings be worked for, earned, and ultimately owned by private persons. The results have been little less than astounding. Spurred by ambition and the thought of ultimately owning a piece of land, employees in many cases are redoubling their efforts, saving their earnings, and helping to reduce poverty where they become proprietors of land.<sup>10</sup>

Those who have had experience with renting property will nearly always confirm the lack of attention given to its maintenance by those who do not own it. Let conditions be reversed and the care and effort made to improve the property is nearly proverbial.

A magnificent illustration is actually available in government-approved financing of single-family dwellings. The financing arranged for veterans and others is such that little or no down payment is required and all costs can be managed "like rent." Thus, thousands of veterans and others view their occupancy of F.H.A. housing as little more than a rental arrangement. Their properties

---

greater income?" James Madison, quoted from a letter to Henry Clay, April, 1824, in *The Complete Madison* (New York: Harper and Brothers, 1953), pp. 272-73.

<sup>10</sup>Paul Deutschman, "United Fruit's Experiment in International Partnership," *The Reader's Digest*, October, 1964, condensed from *Latin American Report*, V, No. 6 (1964).

frequently are permitted to "run down" because there is so little invested in them that should occasion arise for a change of location, the "owner" doesn't even attempt to sell his equity. He merely leaves and lets the mortgage holder worry about finding another "owner" (tenant?). As was indicated earlier, the market is no respecter of terminology. The lack of an actual investment in land and its appurtenances creates an attitude of disinterest in the property. It is as though these properties were "rented" although title may be transferred.

It has been widely assumed that prior to various laws governing the conservation of natural resources, private operators moved into forest areas and denuded the territory of trees and undergrowth. Examine the situation more closely and try to find a lumbering firm with a major investment in the land (not merely a lease for the purpose of removing trees) which was careless of the property. It is not the conservation laws which encourage conservation. It is the necessity of protecting land in which a major investment has accrued.

### **The Labor Theory of Ownership**

Perhaps the most fundamental fallacy of the Georgist theory relates to the supposition that the value of anything derives from the element of human labor which is "mixed" with the product. Thus, in the case of land, since human labor cannot "create" land, it is assumed that ownership of land on a private and individual basis is a colossal injustice. And this is to agree with John Locke *et al.* (including Adam Smith, Jeremy Bentham, David Ricardo, and Karl Marx) that ownership rightfully derives from the mixture of human energy with the raw materials nature has provided.

To quote Locke: "Though the earth and all inferior creatures be common to all men, yet every man has a 'property' in his own 'person.' This nobody has any right to but himself. The 'labour' of his body and the 'work' of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state nature placed it in, it hath by this labour something annexed to it that excludes the common right of other men. For this 'labour' being the unquestionable property of the labourer, no man but he can have a right to

what that is once joined to, at least where there is enough, and as good left in common for others.”<sup>11</sup>

The acceptance of this theory of the derivation of ownership is so broad that in most circles, even of staunch foes of government regulation of the economy, the matter is scarcely questioned.

The Henry George theory is a logical extension of this supposition. George, who subscribes to the labor theory of value, also accepts the doctrine of the labor theory of ownership. And it would appear difficult if not impossible to prove George wrong in his labor theory of value without also demonstrating that the labor theory of the derivation of ownership is also at fault.

### **How Property Comes Into Ownership**

Historically, all property, including the property of land, comes into ownership through the establishment of claim. How is a claim established? It has been established in several ways:

- (1) Through conquest.
- (2) By setting up fences or other markers.
- (3) By public notification.
- (4) Through legal exchange.
- (5) Through extra-legal exchange.
- (6) Through inheritance.
- (7) By gift or grant politically made.
- (8) By gift or grant privately made.
- (9) By these various practices in combination.

All claims are made through the desire on the part of an individual, acting singly, or jointly with others within or in combination with an organization, when that desire is strong enough to stimulate the will to possess exclusively. Since a claim on any property is the product of human desire, the desire to possess anything exclusively is possibly a manifestation of the emotion of love.

It will be noted that labor is not listed as a means wherein a claim can be established. It is, of course, true that the possessiveness a man may feel toward a given location or a particular item of property can be enhanced by labor he may have expended in the obtaining or the making of that property. But the desire to possess should not

---

<sup>11</sup>Locke, *Two Treatises of Civil Government* (Everyman's Library ed.; London: J. M. Dent & Sons, Ltd., 1955), p. 130.

be confused with labor. Many a man will labor to produce something. His labor may entail long hours and much devotion. But when the item for which he labored stands ready before him, he may find it wholly unworthy of his esteem and affection. He will, in this case, DISCLAIM it. He may have created it. But he does not own it because he DISOWNS it. Thus, possessive desire may lead to labor and to ownership. But it is the emotional tie the man retains with what he owns that causes him to continue as the owner. His labor is of less duration than this emotion, in most cases.

In the various methods listed above wherein claims can be and have been established through the ages, it can be seen that some of them can and do exist without the benefit of government; others are exclusively the product of government.

If we were to rely on conquest exclusively, then government could seize the land and, instead of deeding it to private persons, could hold it as the universal landlord; thus, both the theory of conquest and of Henry George would be satisfied.

If we view the exploitation of people and property as intrinsically evil, then, despite the fact that history tells us such methods have been used, we must seek ways and means of establishing claim wherein exploitation will not be used. This means that we must avoid (1) conquest, (4) legal exchange, and (7) political grant or gift, the legal trappings with which claims are usually adorned at the present time. But this leaves us many ways to proceed. We can, without exploitation, establish claim through (2) creation of boundaries or markers; (3) public notification; (5) extra-legal transfer; (6) inheritance; (8) private grant or gift; and (9) any or all of these in combination (excluding (1), (4), and (7)).

The most practical devices relate to the establishment of visible or easily identifiable boundaries and public notification. Both of these devices are superior to labor in creating a true condition of ownership. It can be conceded that the labor of the worker is apt to awaken his love and desire for the product of his efforts. But this is merely to intensify his feelings. To demonstrate his ownership it should not be necessary for all his neighbors to watch him in his tasks of production. The worker, once his task is completed, has no way of demonstrating to others that it was HIS labor which resulted in the product. If his ownership is to remain unchallenged, he must be able to show boundaries and to exhibit proof of public notification which will be more enduring than his insistence that it was *his* labor that produced the product.

Since the concern is with actual ownership of property, and with the process by means of which property becomes owned, this discussion is confined to private ownership and to the establishment of *justifiable* claim, which would, at the outset, tend to be either private or multiple.

### **Justifiable Claim**

In examining the human record men have owned almost everything, both jointly with others and individually. It can even be stipulated that anything subject to ownership at all is subject both to individual ownership and multiple ownership. Also, it is clear that often in the human story, men have owned items, both individually and jointly, that were improperly conducted into the area of property.

Since conquest has already been ruled out as a justifiable way of establishing ownership, a rule must be found and expressed which makes this point clear. This can be called the rule of first claimant. When an item to be owned is unclaimed, the first person to establish a claim becomes the justifiable owner. If an item is already owned, the only justifiable way for a second person to obtain ownership is for the first claimant to voluntarily relinquish his claim so that the claim of the second may be established on a voluntary basis. This is the process of exchange. A person who has an established claim to an item of property may be induced to relinquish his claim when something is offered acceptable to the owner in exchange. When the second claimant refuses to make such an offer and instead seeks, legally or otherwise, to establish the primacy of his claim, a crime is committed. This is conquest.

In the history of man's emergence toward true property ownership, he has assumed ownership of slaves; his spouses; his children; every known kind of animal, fish, or fowl; land; all appurtenances to land; crops; tools; inventions; works of art; artifacts; contracts; ideas; concepts; relationships.

It appears at once that man's ownership of slaves, spouses, and children is, in each case, an act of conquest. No man may justifiably own any other human being, although he may have a contractual interest in the services of human beings. To seek to own another human being is to seek to super-impose a claim over the primary claim each individual has over himself. Certain theories hold that a man may seek to become a slave and hence that a condition of

ownership of one human being by another could be justified. Others contend that human rights are unalienable. In any case, such instances would be so rare as to cause us little concern here. What does concern us is the ownership of land, and whether or not the private ownership of land is an act of conquest, as the Georgists claim.

If the theory of first claimant is valid, and history and experience indicate that it is, then if land can be claimed validly by a community, there is no reason that can be marshaled to demonstrate that it may not be justifiably claimed by an individual.

If land is held by a community, it is not at the disposal of a second community. If to remove it from universal access is in error, then the Georgist theory is in error, for George describes such removal, not by individuals but by groups of individuals acting in communities. No principle is ever affected by numbers. If it is wrong for one man to remove a piece of land from universal access, then it is wrong for two men to do so. If it is wrong for two men to do so, then it is wrong for 20, for 200, for 200,000, or 200,000,000 to do so. If this is the principle to be pursued, then we must hasten to establish a world government which will be the world landlord, for no halfway point can be admitted.

Since such a procedure is wholly impractical and absurd, for what "representative" or body of "representatives" could, in the course of a life time, acquire such intimate knowledge of individual pieces of land as to be able to prescribe "best" usage? The proposition is defeated by its own unwieldy character, if on no other grounds.

### **Collective Ownership**

Something should also be said concerning "collective" ownership, which, upon analysis, is not really ownership.

For a property to be owned, the owner must exercise sovereign control; must value what is owned; must be able to establish boundaries of (identify with precision) what he owns.

Where individual ownership occurs, these requirements are immediately present. Where multiple ownership occurs, since more than one party is concerned, some amicable arrangement must be made to establish the point of sovereign control. This can be done in several ways.

When collective ownership is presumed to exist, the property

may still have value, and may have readily ascertainable boundaries. But the sovereignty of control is interrupted by force rather than designated in some amicable manner.

The differences between multiple ownership of a stock company and collective ownership of a stock company would be as follows:

Under multiple ownership:

(1) Each owner of one or more shares of stock is an actual owner.

(2) He exerts sovereign control over the share or shares that he owns and no more.

(3) He values his stock more or less.

(4) The boundaries of his ownership are implicit in the number of shares he owns.

(5) Control of the stock company is vested in (a) a board of directors, hired by the stockholders; (b) a president or chairman of the board, selected by the board or by the stockholders; (c) a professional manager who is hired by the board or the stockholders.

(6) A market place relationship exists between the owners (stockholders) and the person actually charged with sovereign control.

Under collective ownership:

(1) No "owner" knows or can discover how much interest he has in the company.

(2) He exerts no control over what he owns since he cannot find out just what share or what portion of the company is his.

(3) He cannot value his portion of the company, for he cannot find out what it is. He may value the company in an abstract sense, but he cannot value it personally.

(4) There are no boundaries indicating what he owns. He is merely told that he has paid for it (in part) and that he must continue to pay for it, in the event losses occur.

(5) Control of the company is vested in politicians who are subject to reelection or dismissal at the whim of voters. Although the voters may assist in selecting the politician, they cannot, by this process, govern the decisions of the politician. They can only hope, after a period of years, to replace one politician by another. A pro-



fessional manager may be hired by the politicians, but he is not hired by the voters. He, too, is subject to political pressure rather than to market pressure.

(6) No market place relationship can be found between the presumed owners and the property collectively owned. The "owners" turn out to be the taxpayers. They are forced to pay for the collective property. The politicians do not pay for the property, but manage it in essential details. The users of the property are those individuals selected by the politicians.

Note: The foregoing six points in contrast relate to the existing system of collective ownership and do not necessarily relate to the Georgist system. Applying it here, we would find the following situation:

The government, as the universal landlord, represents "all" the people. Thus, politicians would be selected by all citizens. These politicians would then be empowered to make sovereign decisions concerning land which is the exclusive possession of only a few, and for which only a few are paying.

Were this system to be invoked in respect to a stock company, it would follow that while some persons would own the shares of stock, all persons in the community, both those owning stock and those not owning stock, would be empowered to select the manager of the company. Since those owning stock would always be fewer in number than those not owning (in the Georgist system those with land contracts would be fewer in number than those without land contracts), it would develop that the non-users, collectively, would have larger political influence over the ultimate control of the land than the smaller group actually using the land and paying for the use.

This creates a non-market situation which can only be harmful to the best use of the land. Those using the land pay for it. Those not using the land have the major voice in selecting managers. Those managing it neither pay for it, use it, nor have any way of determining factually what the proper use of the land would be.

### **Unequal Distribution of Wealth**

At the core of the Georgist argument is the supposition, shared by all socialists, that the problem of civilization relates to an improper distribution of wealth. It is for this very reason that George favors the removal of land from private ownership since each piece

of land is different and inequalities are bound to arise through private ownership of land.

But here, George is tacitly admitting that land is wealth. If land is the "source of all wealth," a Georgist contention, then wealth derives from land. If wealth derives from land, it must be that land has some relationship to wealth. George assumes that it is man's labor applied to land that provides wealth and creates value. If man's labor occurred (in some fanciful manner) removed from the land, then he might be forgiven for contending that land is not wealth, nor in that case could it be the source of wealth, IF labor created wealth. Wealth does not come out of nothing. It certainly does not emerge from labor removed from land. Wealth emerges from land because wealth must come out of something and not out of nothing. Land is wealth and wealth is land. The private ownership of wealth is implicit in a free economy. And with George, it could be said rightfully that no wealth should be subject to taxation.

George says that the problem of civilization derives from unequal distribution of wealth. But the only point wherein his theory is to be applied relates to the unequal distribution of land. This unequal distribution of land he proposes to clear up by abolishing land ownership except by the state. What has he done, except to attempt to bring about a more equitable distribution of wealth? In other words, George states that land is not wealth, but his entire theory is predicated upon the assumption that land is wealth. His theory speaks louder than his definition. Land is wealth. Unequal distribution of wealth is not the problem, but the stimulus by means of which civilizations rise and flourish.

The bitter realization which will probably be most difficult for Georgists to face is that inequality of wealth is a prerequisite for the existence of wealth.

The problem of civilization relates to the predatory actions of the state as it seeks one way or another to collect taxes, the wealth, or the money others have produced, and takes these taxes by force, overt or covert.

It is implicit that civilization rests in part upon an unequal distribution of land. To attempt to redistribute all wealth equally by destroying the inequalities which arise as a result of human variables, would eliminate wealth. To attempt to collectivize all land would eliminate many of the human variables that arise from the private and unimpeded development of privately owned land.

Either or both of these procedures strike at the heart of the concept of evaluation.

Wealth is anything that is valued by one person (or more), which is subject to ownership, and which represents an end product for human use or enjoyment.

To seek to eliminate the inequalities which admittedly arise from any kind of private ownership of anything, would result in the destruction of value and hence of ownership.

For wealth to be created, accumulations of wealth must be created and maintained. For the creation of wealth to be maximized, these accumulations must be held by the private individuals whose talents and experience combine toward maximum utilization of the wealth they have themselves attracted and preserved. Nor does George refute this contention. He merely proposes to institute the state as the exclusive land capitalist, thus creating a monopoly of capital in the single area of land values and perpetuating total inequality of land ownership.

Wealth relates not only to items of supply in rather general demand, but to the values attributed to these items of supply. And value does not derive from labor, but from each individual's subjective evaluation of everything he desires and does not desire. Value is an individual state of mind. And the value attributed to any item relates to individual desire for that item and not to the labor that has been expended in producing it. Thus, land can be valued enormously, whether a man looks at it, lives on it, or works under it. And he can, if there be a free market, establish a claim over it in a justifiable manner and without conquest.

Since values are invariably relative and as unstable and transitory as any emotion, wealth can never be equally distributed. But through the voluntary actions of millions of men, claiming, disclaiming, and exchanging what they have for something which, at the moment, they desire more, equity can be attained. It is the equity of desire satisfaction obtained without conquest.

Because of these facts respecting the nature of value, the Georgist view that taxes can be imposed equitably on the value of land is internally contradictory. No two persons will ever value any piece of land in precisely the same way. The person least able to understand and to approximate the value in a given case will be the government representative, whose funds are not invested, whose contact with the land is detached, whose decision is arbitrary, and whose standard of measurement (if it can be called a standard) can

at best relate only to comparisons with other parcels. Since the unique character of each piece of land is conceded, land value taxation is by its nature a monstrous injustice.

It is the contention of Henry George, along with many other social reformers, that in a country where capital accumulations are permitted and even encouraged, particularly when such accumulations accrue to land, the rich get richer and the poor, poorer. But this is untrue. In a country where a free market has existed to a large degree, while the rich will get richer, the poor will also find themselves less poor. Today's wage earner in the United States enjoys a higher standard of living than any other wage earner in the world. He does this in a nation wherein more land is privately owned than in any other nation in the world. Today's average worker lives in a modern, two or three-bedroom home. He enjoys central heating, gas or electric cooking, a radio, television. He drives an automobile. Most workers own insurance policies and more than half have bank accounts.

Most take their families on fairly expensive one and two-week paid vacations, dress their families comfortably and in style, and many of them have private investments in land to which they ultimately hope to retire or on which they presently live. Some of them invest in land which they can develop for retirement income in their old age.

It is private ownership of property, beginning with the fundamental ownership of land, that lays the foundation for successful capital enterprise. Capitalism based upon private ownership of land has demonstrated repeatedly that it is the best practical solution not only for the reduction of poverty but for the creation of a climate that encourages progress.

Our present system of land ownership provides for only partial (never complete) land ownership. Thus, the benefits to derive from total ownership of all land by private parties have yet to be realized. To improve our position we should advance as rapidly as possible toward the elimination of all taxation on all land; the elimination of all state regulation and control of land; the elimination of the power of the state to confiscate land for any reason. Then and then only will land tend toward its ultimate best use. Then and then only will men truly find security in land and land ownership. Then and then only will full private capitalism flourish.

# Crisis for America

by Felix Somary

The following address was delivered before the trustees of Harvard University in the Spring of 1956. Originally entitled "Reflections on the Dangers of the Present Economic Situation," it was published by *The Commercial and Financial Chronicle* on July 26, 1956 (New York: William B. Dana Co.) Vol. 184, No. 5554. Its author is a doctor of law and political economy from Zurich, Switzerland.

In the summer of 1955, *Frankfurter Allgemeine Zeitung* raised the question whether a crisis such as that of 1930 could occur again, and seemed to deny this possibility.

At the time, I sent one of the publishers a short private note in which I answered the question in the affirmative. The publication of this letter caused a flood of replies.

I rejected numerous requests to discuss the matter in public, since official sources insistently urged me to remain quiet in order not to shake public confidence.

Three decades ago I had ignored similar warnings.

This time I wanted to proceed more cautiously and follow the advice of the Prince de Ligne, who was considered the wisest man of the eighteenth century—when you see a crisis coming, remain silent.

The change in my attitude did not stem from advancing age or increasing cowardice; nor from having learned the price of frankness; that one's cry of danger first makes enemies of eighty men in a hundred whose peace of mind or interests have been threatened—and then, should one be proven right, of the remaining twenty as well.

But in view of the strained international conditions I remained silent, to the disappointment of many.

Then in December, 1955, the *New York Times* in a prominent place carried a kind of manifesto by Sumner Slichter, in which he said: "The days when this country can experience anything worse than moderate or possibly mild depressions are gone for ever."

I had not read it myself, but it was brought to my notice by

numerous American acquaintances, sometimes with questioning and sometimes with sarcastic comments. A declaration of such far-reaching scope demanded a reply.

Whatever the consequences of warnings of impending crisis, they seem slight to me when compared with the tremendous dangers of false security. I have therefore resolved to reject all counsel of caution, and to discuss, here at the citadel of American science, the question: *Are crises a thing of the past?*

We are not, as you know, dealing with a new problem. At the turn of the century, when I was seventeen years old, our seminar group in Vienna struggled with the same question; many of my colleagues there—Schumpeter, Mises, Lederer—later came to teach in America.

At that time, our thinking was dominated by the French economist Juglar's theory of regular cycles. Do not fear, I shall not bore you with antiquarian rubbish, but permit myself only one brief glance backward, which may perhaps be of interest to you.

At that time, around 1900, one looked upon the crisis of 1873, with its destruction of the stock market and total paralysis of economic life, as something dreadful and unique; and it was generally thought that so much experience had been gained thereby as to exclude the possibility of any repetition of such a catastrophe.

This crisis of 1873 had ended the "Grounderperiode"—the period of expansion initiated by Napoleon III.

In his pamphlet of 1847 he had proclaimed four guiding principles for economic policy: elimination of poverty; the rule of the masses; replacement of the liberal programme by the new social programme, reducing the claims of the state—the new question being: "What does the state owe me?"; this programme to be financed by debts, on the argument that the public debt was not a liability but an asset to the economy.

I believe we have recently heard similar arguments propounded as a new theory! And perhaps Joly's critique may strike us as even more modern—that Napoleon was basing his tyranny on an economic boom resting on three factors: war preparation, large-scale construction, and full employment.

These were the slogans which preceded the greatest crisis of the nineteenth century—echoes of the past with a strangely modern ring!

The slogans of the late twenties of our century also sound as though written today. I quote them verbatim:

"The stock market reflects nothing but technical progress. The

victory of the Republican Party assures another four years of prosperity. Poverty will disappear from the earth."

"All that needs to be done is to extend consumption and satisfy the last consumer. One car for every household would not suffice; the goal should be two. One ought to invest one's savings in stocks and never sell them."

"To provide the inexperienced with opportunities for participation, investment trusts ought to be formed"—and in short no less than 500 appeared. "To offer the middle classes opportunities for speculation, stocks were to be split more frequently."

"To maximize consumption, installment buying should be indefinitely extended."

Shortly after the crash, Frederic Lewis Allen humorously described this boom: "The American envisioned an America set free from poverty and toil. He saw a magical order built on the new science and the new prosperity, airplanes darkening the skies—and smartly dressed men and women, spending, spending, spending the money they had won by being farsighted enough to foresee, way back in 1929, what was going to happen. The everlasting reiterated phrase of the day was: Conditions are fundamentally sound."

And some of you would remember the prediction of the Harvard Economic Society of October '29: "We believe that the slump in stock prices will prove an intermediate movement and not a precursor of a business depression. If recession should threaten serious consequences for business (as is not indicated at present), there is little doubt that the Reserve System would take steps to check the movement."

All this sounds so familiar—and in the past few months I have received unsolicited reassurances from at least fifteen brokers that "conditions are fundamentally sound." And, just as then, industrialists and labour leaders claim the trend as their own personal handiwork.

And precisely as was the case twenty-five years ago, agriculture is lagging behind.

My warnings in 1928, addressed to the Verein für Sozialpolitik in Zurich, were countered by the argument that the cost of living had not risen.

The tension between agricultural and industrial development is growing steadily, on both sides of the Iron Curtain.

To this we must now add differences of tempo between a war and a peace sector; 1930 was a time of international peace, whereas

today the war budgets of Washington and Moscow give the post-war economy its dynamic impetus.

In the war sector the demand is unlimited, depreciation is rapid, weapons are replaced as soon as one or the other side discovers better ones, the products at times being outdated in the interval between order and delivery. Here the inventive spirit receives unlimited subsidies.

More inventions are created and developed within a handful of years than would ordinarily be the case in decades, because progress is not restrained by cost.

Official statistics include these products as "goods" or even "durable goods"—which is a mistake, since these are not assets but liabilities to the national economy.

The inventions succeed one another more rapidly than they can be digested by the civilian economy; they provide unique opportunities for businessmen and their workers, but exert a severely destructive effect on the productive system.

To cite the drastic example of aviation: of the American aviation corporations, one sector works exclusively, another 80 to 95 per cent, for the armed services. The producers are at the top of the boom; the carriers, in contrast, at the bottom.

The hectic pace of rearmament is transmitted to the civilian sector: a few weeks ago, all transatlantic airlines placed vast orders for planes of a model which as yet does not even exist and whose dangers are totally unknown. It is startling to see how casually risks are assumed.

Since already today the transatlantic passenger does not lose a single working hour, leaving Europe in the evening and arriving in America early in the morning, this expensive reduction of his travel time by half is without economic value; but it forces all companies in their quest for speed records, to premature write-offs.

If high military expenditures are indispensable, because they are forced by the opponent, elementary rules of economy would demand that all other expenditures be drastically curtailed.

But precisely the opposite is happening. Governments try to hasten the tempo of development in all major areas. Consider, for instance, the immense sum expended on guarantees for veterans' housing—which do not appear in the budget—long-term credit for cheaply built houses, extended almost to full value and without real tests of credit-worthiness. And this is only one of several instances.



If one for once were to add up all these extra-budgetary guarantees, I would estimate—and I do not think this is an exaggeration—that they would approach the level of the national debt.

Two potential dangers inhere in the artificial promotion of the peace economy through guarantees and subsidies; their consequent development would depend on the situation.

First, America's financial advantage vis-a-vis Russia is narrowing; and, secondly, if it should ever come to limitation of armaments, it would not be easy to compensate for the curtailment of war industries by stimulating peace production.

Even more dangerous to the condition of the market than guarantees and subsidies is the policy of cheap money.

Low interest rates drive up the value of securities and the price of real estate.

In 1955, common shares in New York rose on the average by 25 per cent at loan rates between 3 and 4 per cent. Some singularly impertinent building speculators considered these terms still not sufficiently low; they asserted their "right" to cheap credit.

Whence, then, came this extraordinary expansion of the credit market? Essentially from that part of the national debt from the second world war which had to be taken up on short terms. Today, ten years after the end of the war, none of this debt has been repaid and the attempt to consolidate even 1 per cent thereof has failed.

The debt survives under the euphemistic name "treasury bills," typically ever-renewed notes whose redemption can be thought of, if at all, only by the sharpest reduction in the value of money.

Who, today, still remembers the time, four and a half decades ago, when the Federal Reserve System was created?

The notes at that time were issued by banks of the several states, on the basis of their public (not federal) debt; the government, for good reasons, wished to tie the issuance of money to the requirements of trade.

Now, once again debts, then in such ill repute, have been made the basis of the monetary system; they are a hundred times larger; and they have even found theoretical justification.

As the Dutchman Pinto in the eighteenth, and Napoleon III in the nineteenth centuries, well-known economists of our day regard state debts as an asset to the economy.

To these treasury bills, whose interest rates fluctuate between 1½ and 2½ per cent, and which have the character of interest-bearing

bank notes, we must add a large number of industrial acceptances, for some companies running to a billion dollars.

This form of financing has always been considered especially dangerous, since it shares only the outward form, but not the essence of the commercial note—it is cheap financing without justification.

We have thus to deal with a money market totally different in character from that of earlier times: infinitely extended and based upon debts. It is as though one were to build ever higher skyscrapers on a foundation of swamp.

This comparison is offered with utmost seriousness, and I beg you to believe that I did not formulate it lightly. Hans Freyer, in his theory of the present epoch, came to a curious result: the surface of the earth has altered more within the past thirty years than in the course of the preceding millions of years.

I would not like to say anything so drastic of the current economy; but having presented the analogy of the last crisis, I must point to certain changes which have barely penetrated the consciousness of our contemporaries.

Already in earlier cycles, the various interests in favor of a bullish market formed a sizeable group: among them were the businessmen, the trade unions, the majority of traders and, above all, the debtors.

Here we have a paradox: one would think that the volume of debts grows in a depression and declines when business is good; but in reality precisely the opposite is true, because, as has already been mentioned, the upswing constantly increases the tension between interest rates and anticipated profits.

Stock market debt, construction debt, consumer debt—they create a frighteningly large group interested in the depreciation of money.

Vis-a-vis these interests the state used to protect the value of money; the English century-old tradition of honest money gradually came to be shared by all.

By its side stood the owners of great and the managers of modest fortunes—insurance, savings and pension banks—furthermore, the independent middle classes and farmers.

With the exception of the two last named, the situation is now altered; all others have moved into the camp of the speculators, with the state leading the way.

In contrast with England, the leading power in the world today lacks the tradition of stable money.

Strange as it may sound, here debtors were in the overwhelming majority already in the eighteenth century, and their preponderance today is greater than ever.

And the federal government, still almost free of debt at the turn of the century, now carries a gigantic burden, sharing thereby the interest of all debtors.

Occasionally one hears, here and there, official reassurances to the contrary—unfortunately mere words which contradict reality.

Stable currency has thereby lost its strongest support. Jobbery and inflation have shed their age-old ill repute and become respectable.

And a good proportion of the scientific gentlemen have adapted their theory to the prevailing climate. The tax structure, moreover, has lead even the big capitalist to shift sides.

The federal income tax leaves the owner of an income up to \$100,000 only \$25,000, and only \$8,000 out of each additional \$100,000.

Investment funds for the most part can therefore be drawn only from corporate surplus and from financial institutions; the individual capitalist, however, is dependent on capital gains as a source for investment funds as well as for any increase of income and property. If this source dries up, his income will yield him no more than a small commission for living expenses.

This adds a new element of rigidity to the economy: besides wages, which allegedly may only be raised, but never lowered, we now have capital gains.

They represent almost the last remnant of individual capitalism.

Within the span of barely half a generation, the income tax has already been exploited to its outermost limit.

The state and the individual, employer and employee, are committed to perpetual inflation: parliaments and governments obey them.

The government must prevent crises; it must guarantee economic stability—and beyond that, guarantee full employment; but even this is not enough: it must concern itself with perpetual prosperity. It must do it, it can do it, therefore it shall do it.

These are the slogans of our day. There is but scant difference between East and West as regards faith in the omniscience and omnipotence of the state.

Freed of all pretense, the programme means simply: economic stability at the cost of monetary stability.

And since slumps are taboo, inflation is the fashion of the day.

It is currently proper to accuse the men of 1930 of inadequate skill in handling the monetary system and to claim that with the knowledge we have today they could have avoided the crisis.

A small inflationary infusion, it is held, is all that is required to master any situation.

In the thirties, it is said, they were overly frightened of inflation and did not understand how to administer it.

I have no reason to defend the governments of those days; but the accusation is as unfounded as is, unfortunately, the degree of confidence shown in their successors.

The European continent knew the price of inflation all too well. It had created bolshevism in Russia, and Lenin bragged that communism would not have to wage war, since inflation by itself would finish the task of destruction.

As was still all too fresh in memory, it had destroyed the bourgeoisie of three great continental nations.

To Englishmen and Americans, who would not acknowledge the relevance of other people's experience, inflation could be presented as a panacea; but not to people who had so recently experienced the painful blessings of permanent monetary devaluation. They rejected this nostrum not from ignorance but from all too thorough familiarity.

That this "raging plague," as Mirabeau called it, has now also invaded the country of all our hopes is among the most painful of our experiences.

In America several objections will be raised against this view.

On the one hand there are those who deny the fact of inflation, by pointing to the stability of food prices.

The same thing happened in 1928. Numerous branches of agriculture cannot keep up with the rapid development of all industry, particularly of the war sector.

This is due not only to obvious technical reasons, but rather to what may at first seem like a paradox: the demand for agricultural goods is limited by the purchasing power of the population; the demand for war goods is in principle unlimited.

One is determined by an economic calculus, the other is not.

For the second time in one generation the farmer—on both sides of the Iron Curtain—is being made the victim of prosperity. This contains the seeds of crisis, not of strength.

Capital goods are of infinitely greater importance than consump-

tion goods. And here prices have risen fantastically, within a very short time span.

This, incidentally, holds true for the entire West. The typical phenomena of the "Grunderjahre"—high prices with poor quality of construction—will make themselves felt for some time to come.

On the other side, the fact of inflation is met by the argument that production is growing proportionately. But this calculation includes military equipment in total output—and this, as has already been stated, is not an economic good.

What is important is not really production itself, but the saleability of goods—surely two crucially different things. But even if, for purposes of simplification, we take production increases as the basis, we must still contrast them with security values in order to measure inflation.

In 1955, American production rose by 7 per cent; after military equipment has been subtracted by roughly 5.5 per cent. In the same period the prices of stocks listed on the New York Exchange, exclusive of preferred shares, rose by no less than 24 per cent.

This cannot be explained merely by a transfer of holdings from cash to securities or an exchange of bonds for equity. Here, at the most sensitive juncture, the inflationary effect is unmistakable.

Two other groups admit the existence of inflation, but declare it to be harmless, or even useful. One group says that in the light of America's ruling position, it can afford inflation without any danger; the other group suggests that the government can always invoke measures to control it.

In other countries, inflation means that the international value of their currency will slip—but this is held to be impossible in the case of America.

Vis-a-vis which country could the dollar possibly incur a discount? With Canada this happened only occasionally; the discount was never particularly high, and it has now disappeared. In Switzerland, the only country which could come in question, the export interests would doom any such attempt to failure.

The entire West wants to share in an American inflationary boom. And today gold no longer determines the value of the dollar, but the dollar determines the value of gold.

That is why, this group argues, the American government can calmly intervene with inflationary money at any threat of an economic setback; the boom can be stemmed or the retrenchment avoided by a few simple steps.

The chief weapon is the discount rate which will be effective within a narrow range, somewhere between 1.5 and 2.75 per cent.

How marvellously different is this (so say the proponents of this doctrine) from the "dark ages"—those barbaric times like 1929 or 1907, when the rate for call money rose to 20 per cent or even 100 per cent.

Above all, however, according to this view, the government now knows how to manage the economy—by wage increases, subsidies and guarantees—so that no one need suffer the consequences of inflation.

But if this were true, one would not have to initiate an inflation. Its effect, after all, rests on the more or less complete expropriation of several large groups.

Whether or not the balance-of-payments position is indeed unshakable, only the future will show.

But in the light of America's leading political position, it can never be too strong.

It has generally escaped attention that Switzerland, Holland, and West Germany together, with only 40 per cent of America's population, have as much gold as America (exclusive of foreign holdings).

The fifth group, which can be described as the realists, is the most extensive one.

They frankly admit the existence of inflation, and do not concern themselves with whether it is a blessing or a curse, since they consider it unavoidable.

It is popular and easy, they argue, to initiate an inflation; it is difficult and unpopular to apply the brakes. It had been thought that the Republicans would do it, but the hope was disappointed; both parties will continue to create money by this simple device.

The inflation will run its course, precisely as elsewhere, but in America it will take longer. (Men of seventy like to give it ten, men of sixty, twenty; and men of fifty, thirty years, since they can envision but would not like to see the bitter end.)

The policy of this group is to liquidate cash and bondholdings; to invest capital in ventures and stocks; to borrow extensively with the intent to liquidate these debts in devalued money; in short, to adopt the entire range of practices all too well known in Vienna, London and especially Paris.

To him who foresees perpetual devaluation of money, no rate

is too high. The adherents of this group contribute decisively to the increase in money velocity, because they are afraid of money; as soon as any comes into their hands, they are in frantic haste to invest it; and even more rapidly they invest all borrowed funds.

As is generally known, borrowed money has the highest velocity of circulation.

This group is not generally prone to express its thoughts in public, but it is quite extensive and until now it has met with considerable success. Great fortunes have been made quite rapidly, and the circle of adherents has increased many times.

It is undeniable that the men of this persuasion can argue a strong case: large groups in the country are enjoying the inflation; even in the face of a mighty enemy they would like to celebrate, and it takes considerable courage to wrest them from their illusions back to the grim reality.

One cannot trust the government to show such courage—and we may express the same doubt as regards many governments other than the American.

In Europe, thirty-five years ago, I waged an active battle against several governments in which I advocated immediate and drastic anti-inflationary measures.

Their counter-arguments were hardly convincing, for the real basis of their opposition lay elsewhere: such measures have to be carried through and the responsibility for them must be taken by the government of the day, but the final consequences of the inflation are chalked up on the successor's slate.

Such motivations are particularly strong in election years.

It goes without saying that no government will admit to the actual state of affairs; and generally any attempt to invoke brakes will be met with a comment about the dangers of communism.

Already in the last crisis I characterized this fear as wholly baseless; and since then bolshevism has utterly lost its appeal, having shown itself incapable of solving any problem. Which American, after all, would come out for communism and thereby for sharing American prosperity with the Asian and African masses?

But why, ask the optimists, should one bring on the crisis precisely from fear of crisis? Is not inflation preferable, so long as one knows how to manipulate it so precisely that one need feel only its pleasant effects?

And could not America extend the inflationary state to 1970, as

Professor Baudouin believes, or to the Day of Judgment, as Mr. Slichter predicts?

Such a policy recommends itself by its popularity; whosoever goes against the current will end as a martyr, and nowhere on earth is there less inclination to such a role than in America.

Therefore, why not permit things to go on as they do, since everything seems to be in such good order?

The political situation, it is commonly thought, will not change in any event; it seems likely that for a long time to come, one will continue to prepare for a war that will in fact never be waged.

The situation, therefore, is thought more secure than in any previous period of prosperity. This, in sum, seems to be the public opinion of our day.

But is it, I ask, an advantage to have prosperity determined by political rather than economic elements? Can its development be predicted more easily when it hinges on decisions of a few individuals whom nobody really knows?

The next few years will be determined by the fate of the Russian revolution.

Here no possibility can be excluded; the West must be prepared for any contingency, irrespective of whether it eventually comes to disarmament or to war.

It is assuredly not good when the market must tremble at the thought of disarmament. And nothing can be poorer preparation for war than the speculative climate, with its aversion to money and bonded debt.

Inflation before a war—this, in effect, is to squander the ultimate means of financing a war, in order to win an election.

To start an inflation is easy, to stop it is immensely difficult, particularly for a democracy.

One may quarrel about whether it is a permissible remedy for all but the most drastic emergencies; but it is difficult to believe that it ever has been permitted to rule with as little justification as at present.

Since, however, a healthy currency is no less important for waging war than are modern armaments, the American government cannot afford to let the currency run down; it has to interfere before wide circles are gripped by a loss of confidence. The later this happens, the higher the price that will be exacted for the protection of sound currency—and I fear that even today it would be quite high enough.



Now you will doubtless ask me: Is a crisis unavoidable? Under the given circumstances: Yes!

Not, of course, as the Marxists claim, because it lies in the nature of the capitalist system. It could be avoided, on one indispensable condition:

That the government renounces its fear of the public and finds the courage to express and act upon its convictions. This, in the democracies of our time, seems to me no longer possible.

The arrogance of the employers and the trade union leaders' greed increase with each inflationary wave; both permit themselves to be carried along comfortably by ever more rapid currents, without giving a thought to the end.

The governments are but obedient slaves of the "inflationists"; at each new step they call out, just like the nursemaid to the baby, "Only once more and that's all."

Out of a baseless fear of communism, the serious danger of the situation is being thoughtlessly accelerated, while every attempt to reverse the trend in time is sabotaged.

An impolitic demand for full employment has been elevated to a tenet of economic theory. This is the case today not only in America, but America leads the West.

If our contemporaries will not let themselves be restrained from a jump into the abyss, we should at least presently pinpoint responsibility for the coming catastrophe.

If the public lacks insight, those who should rule lack courage.

The use of inflationary techniques, if at all necessary, should be limited strictly to war production.

The system of cheap money must be totally renounced. The rates for borrowing money should be based on the real rate of interest.

There should be no borrowing for the purchase of securities.

The inflation is veiling a fact: that America is living beyond its means. That the same holds true for Russia is no justification for American economic policy. *Respice finem!*

One often tells me that my diagnosis conflicts with the optimism of almost all professional business cycle experts.

That was also true twenty-eight years ago. Was the crisis predicted by Mitchell, Schumpeter, Spiethoff, Irving Fisher?

Of Keynes, his biographer tells us he did foresee it; but in a conversation with me as late as 1928, Keynes emphatically expressed the contrary conviction.

Be reminded of Anatole France's monk, who is so pleasantly

absorbed in the stories of invasions that he does not notice that his cloister has just been invaded by barbarians.

Crises come precisely when—and because—the mass of men will not believe in them.

# Book Review

**AMERICAN LIBERALISM AND WORLD POLITICS, 1931-1941, by James J. Martin. (New York: The Devin-Adair Company, 1965), 1337 pp., 2 volumes, \$22.50. Reviewed by Herbert C. Roseman.**

"How did we get into this mess?" This question is heard more and more these days as the spilling of American blood in Viet Nam, the ever-present "troubles" in Indonesia, the Congo, Berlin and Cuba occupy our attention. After reading Dr. James J. Martin's mammoth effort of historical scholarship, one can come to only one conclusion, namely, *the liberals did it!* Globaloney, perpetual intervention in the affairs of other nations, the growth of the "American Empire" are the results of "The Liberals' War"—World War II and the Cold War aftermath.

Dr. Martin's monumental work is primarily a study of the development of the "war psychosis" through the spokesmen and writers of the two most influential liberal journals of the time, *The Nation* and *New Republic*. From the pacifism and non-involvement policy of the 1920's and early 1930's the liberals emerged mainly through the influence of the "communist transmission belt" as bellicose, hysterical "war hawks," mere parrots of the Roosevelt foreign policy. The intellectual "flip-flop" of such brilliant men as Lewis Mumford and Frederick Schuman gave impetus to the wholesale desertion of pacifism and non-involvement by the liberals.

To their credit it should be said that some liberals retained their sanity and were "old fashioned" enough to oppose war, men of the caliber of Harry Elmer Barnes, Charles A. Beard, Edwin Borchard, and Clyde R. Miller. But the voices of Frieda Kirchway, Max Lerner, Herbert Agar, Mumford, and Schuman were louder. Sincere liberals like John T. Flynn, Lawrence Dennis, and Charles A. Beard were mercilessly smeared for opposing American involvement and some were driven into semi-obscurity by being labeled "fascist" or "America Firster." In the case of Dennis, the label has stuck to this day.

The interventionist liberals could not escape the picture of Hitler as "demon." The brutality of Stalin they were able to excuse for some reason but not Hitler's brutality. Hitler's excesses against the Jews in the 1933-1939 period were magnified out of all proportion, while the methods of Stalin, if not always defended, were excused. Also, the liberals chose to regard Japan as a "wicked aggressor" and were early admirers of the Chinese communists.

Dr. Martin's book will give no comfort to any party or faction or camp. For the implications of this work should be clear to all those who call themselves libertarians. American involvement in world affairs was a mistake in 1939-1941 and is still an error in 1965, notwithstanding the greater power of Russia and China.

Free trade—yes! Cultural exchange between people—yes! But any other kind of "aid" or intervention is futile. We are looked upon the world over as a meddlesome old woman and rightly so. The attempt to preserve the status quo failed in 1941-1945 and it will fail again. We have enough of a "mess" in our own backyard. Who are we to tell the world whether to have a socialist government or not? For the plain fact is the "Liberals' War" made the world safe for socialism for a long, long time. It doesn't matter what name we give it: social democracy, fascism, "people's democracy," communism. It is the same old bureaucratic hodgepodge of red tape. The true libertarian cannot support the interventionist policy of 1965 any more than he could honestly support that of the 1939-1941 period. Dr. Martin is one of the few libertarians who understands this. In this writer's opinion, the conversion of the so-called "right wing" into a war-mongering "pack" is a tragedy similar to the liberal desertion in the prewar period. For the "flip-flop" in the Cold War period of such people as Charles Callan Tansill and William Henry Chamberlin is almost as bad as that of the liberals. Dr. Martin, in his foreword, promises a sequel and it is hoped that this whole question will be expored thoroughly there.

Some words should be said about the superb writing and organization of these two volumes. Not a train of liberal thought as it relates to foreign policy is left uncovered, and all the nuances, twists, and turns are objectively presented. Dr. Martin has presented a model of research, and in this respect he is the equal of Harry Elmer Barnes, Charles A. Beard, Charles Callan Tansill and Sidney B. Fay. What is more, there is not a dull page in this book, which is something of an accomplishment in these days, when we

are deluged by the extremes of dull, heavy tomes and the "popularized" historical pap.

It is to be hoped that this work will have a wide audience for we ignore it at our peril. The book is not meant to please either liberals or conservatives. But the so-called liberals and conservatives can disregard the implications of this book only at great cost to themselves. So far, both camps have seemed to be willing to pay this terrible price. For make no mistake about this, death or eventual bankruptcy of one sort or another will be the toll exacted.

The choice is between fundamental principles of Caesarism. Who will win? The outlook is not encouraging, for the Caesars among the liberals *and* conservatives seem to be as one.

—Herbert C. Roseman

Editor's Note: *American Liberalism and World Politics, 1931-1941*, has recently been awarded the annual citation of the Conservative Library Association. The text of the telegram sent by the association to Dr. Martin, announcing the award, follows.

JAMES J. MARTIN  
DEEP SPRINGS COLLEGE

Congratulations! The Conservative Library Association is pleased to grant you its President John Tyler Citation for 1964. This citation is made by a distinguished board of librarians. It is given each year to the work which is now outstanding in the literature of conservatism. The citation is named for President John Tyler, who was a strong advocate of states rights. Your book, *American Liberalism and World Politics, 1931-1941*, exemplifies the highest qualities of writing and of scholarship. Its two volumes are a monumental study which shows the result of painstaking labor and a sincere dedication to the preservation of this republic and its institutions. Respectfully, Bradford Harrison, III, President, The Conservative Library Association, Hawthorne, New Jersey.

Robert LeFevre

# On the Other Hand

## The Anatomy of the State

Dr. Rothbard has performed a singular service in the preparation of this enlightening dissertation on government. There are very few points made wherein comment would be more than a mere extension of his argument. Redundancy is not necessary.

There is a single point, however, where on a technical matter a different view might obtain. This is provided by Dr. Rothbard when he mentions, in passing, the method whereby property has become privately owned. Here the author repeats the Lockean fallacy: "... by transforming them [natural resources] (by 'mixing his labor' with them, as Locke puts it), to make them his individual property . . ."

The mixing of labor with natural resources, while it may seem to justify private ownership, is not the actual method whereby a resource becomes privately owned. Ownership is established by claim, which in virtually all instances precedes any "mixing" of labor.

The claim is established by creating a boundary (the use of fences, stakes, blazes on trees, or the use of natural boundaries such as are provided by lakes, rivers, etc.) and then by serving notice to others that the claim exists.

If Dr. Rothbard would respond that the erection or delineation of these boundaries and the notification following are a type of labor, I have no objection. The unfortunate connotation to derive from Locke is that the *products* which emerge from the expropriation of resources come into ownership by virtue of the labor applied in production. In fact, land can be claimed as private land, and thus come into private ownership, even if it is then held out of production for a period of time, depending upon the inclinations and abilities of the claimant.

A derivative of Locke's theory of ownership, which can be called the "labor theory of ownership," is the supposition that unless the

land is employed in some productive capacity it may not rightfully be owned. This takes us at once into the Georgist camp.

Historically, men usually claim SOME land which they do not intend to put to productive use. A strict interpretation of Locke would lead to the conclusion that any land used merely as landscaping, or held in reserve for future development, is not productively utilized and hence is not really owned.

If Dr. Rothbard will concede that landscaping is a kind of "use" even though the "use" is largely aesthetic and of no immediate productive utility, then I will contend that men may rightfully claim land and merely hold it as their private property because they "like the looks of it." If my contention stands, then men may claim property, under the system of "first claimant" (see "A Challenge to the Georgists," *Rampart Journal*, June, 1965 edition), and ownership descends from claim and not from labor, which may or may not be "mixed" with the resources of the land.

Dr. Rothbard's conclusions respecting the primacy of private property are valid, regardless of the technical aspects wherein natural resources become such property. His other data are equally valid and the overall impact of this work should induce thoughtful consideration and much self-searching.

### **Crisis for America**

On January 28, 1965, President Lyndon B. Johnson forecast a fifth consecutive year of rising prosperity with the observation that "recessions can become obsolete." In this, his annual economic message, the President stated: "A time of prosperity with no recession in sight is the time to plan our defenses against future dips in business activity."

It is fascinating that Felix Somary reminds us of a similar statement made by Sumner Slichter a trifle less than ten years ago. Somary's speech, which has received little attention thus far, will find plenty of critics who will contend that some of his foreboding is manifestly incorrect. For example, he expresses dissatisfaction with the preoccupation of the airlines with their shifting to new and vastly improved jet transportation, on the grounds that the speed-up in transatlantic service is scarcely meaningful. Yet, in the past few years, at least some of the airlines have improved their financial positions possibly just because they have better equipment.

Again, it will be claimed that his view of the Russian advance vis-a-vis American production is not warranted. G. Warren Nutter, chairman of the department of economics at the University of Virginia, and accepted in many areas as one of the leading authorities in respect to the relative financial strength of the U.S.A. and the U.S.S.R., is of the opposite view. In May of 1962 in the magazine *U.S. News & World Report*, Nutter's view was summarized: "Russia, in fact, has made almost no progress in catching up with the U.S. since 1913."

Still further, Somary appears to hold that the British pound sterling is stable, whereas recent events on Threadneedle Street have indicated that the sterling area can be infected by American currency surpluses pledged to gold redemption. Indeed, the broad reliance upon the American dollar has so enmeshed all world currencies that the likelihood of a world-wide recession, possibly triggered in Britain or Europe, is even more probable than a major recession in any single country. It is elementary that a recession beginning today in either the dollar or the sterling area could quickly engulf the economies of all major powers including Britain and the United States.

Perhaps Somary could be criticized for holding to a view that is excessively optimistic in the balance of payments area, although he does not appear to glow with hope.

Having set forth some of the criticism which can be anticipated by a publication of this article, it is only fair to state that the burden of the speech rests on another point entirely. Somary is warning us of the maladroitness of preoccupation with currencies based upon debt. Although this warning has persisted in certain conservative quarters for a number of years, those who favor hard money as opposed to "soft" have as yet failed to make any accurate predictions as to the moment in which a runaway inflation will so distort the market that events of prior runaways will repeat.

The same fate overtook the boy in the fable who cried: "Wolf! Wolf!" It is always fashionable to presume that when a catastrophe is predicted, the full effect of the devastation must occur while thought is still directed toward catastrophe. If the calamity cannot be delivered on schedule, then it must follow that the warnings were invalid. But catastrophes are made of diverted attention. It is historically true that every major recession or panic which occurred in this country, including the collapse of the market in 1929 and the depression of the 1930's, came about in the face of political



and economic assurances that conditions were favorable and the future rosy. This fact may assist in accounting for the nearly universal disdain with which Cassandra is greeted, a fact wryly commented upon by Mr. Somary. The long-range view of the Zurich banker is justified. It should not be lightly dismissed.

Finally, another factor which may be important relates to the character of the new debtor class. Until our foreign aid program transferred so many dollars to Europe, the problem of European nations in the dollar area was a constant shortage of dollars. Today, the problem is in reverse. Europe is suffering from a surplus of dollars, which it understandably wishes to redeem in gold. This is paralleled by the fact that the new debtor class in America is not the wage earner group so much as it is in the industrial and business sector. Whereas governments prior to the thirties were prone to intervene on behalf of the workers, who were in debt to nearly everyone, the role is in reverse today. It is the business sector that is operating on borrowed money. And since governments invariably are debtors and tend to align their interests with other debtors, a political shift may be in the making.

Conflicting opinions, positions and conclusions will be presented on the pages of the JOURNAL. Such opinions, positions and conclusions are those of the contributors and do not necessarily represent the school, its board or its editors. The JOURNAL is a platform from which rational statement and sound scholarship will emanate in the field of individualist thought.

Reprints of articles are available in quantity orders. Write for information.

RAMPART JOURNAL      Box 158      Larkspur, Colorado 80118