

F. Dupuis and E. J. Craigie

The Law of Wages
and
Land Monopoly

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HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

4 GREAT SMITH STREET, WESTMINSTER, S.W.1.

INTRODUCTION

The Law of Rent is universal, and so is its corollary the Law of Wages. Briefly stated, wages are determined by what labour can obtain at the margin of production, that is to say, on land which is available free of rent.

This fundamental law is not altered by the fact that those who work for wages are not necessarily working directly on the land.

Mr. Frank Dupuis, historian and writer, has co-operated with Mr. E. J. Craigie, former member of the Legislative Assembly of South Australia, in the production of this paper.

Here the relationship between Wages and Rent is clearly shown and the story told is an invaluable contribution to the economic history of land tenure.

As an appendix there follows "An Experiment in India," a story of our own times, which serves to emphasise again the fundamental relationship between Rent and Wages.

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A. W. MADSEN, Principal.

The Law of Wages and Land Monopoly

A Lesson from Early Land Settlements in Australia

By Frank Dupuis and E. J. Craigie

Looked at from Europe the Commonwealth of Australia appears a unit politically uniform throughout its extent. In fact, it is composed of separate States with different characteristics though combined in one federation. This variety is explained by the circumstances under which colonisation began during the earlier part of the Nineteenth Century.

The small parties of settlers which were planted at isolated spots on the vast perimeter of an unexplored continent grew into communities independent of each other and adopted varying institutions, despite all efforts of the British Government to impose uniformity. These different settlements provide interesting material for the student of social principles although the first two, at Sydney (New South Wales) in 1788, and Derwent River (Tasmania) in 1803, were convict communities living under conditions too artificial to provide examples of general implication. The next two settlements, however, were intended to be steps in regular colonisation. From the first of them, the Swan River scheme (Western Australia) 1829, eventually developed the city of Perth, and from the second, the Gulf St. Vincent settlement, 1883, the city of Adelaide developed. Both set out to transplant the land tenure system of modern Europe—absolute ownership of a piece of the earth—into a vast area of unoccupied territory. Under such simplified conditions the unalterable relationship between the economic factors, land, labour and capital, can be observed much more easily than in long settled communities where its effects are overlaid by complex legislation, material

development and the domination of custom over thought. These two experiments thus constitute a chapter of universal history. They carry a message for every society which uses land, labour and capital; and this means every community in this world of ours whatever their stage of development.

The Swan River Colonists (Western Australia)

Soon after Captain Stirling explored the Swan River in Western Australia in 1827 an association was formed in England for the purpose of settling that district and, of course, profiting the projectors. The British Government gave this body permission to occupy land in the vicinity of the river in proportion to the capital invested and the number of emigrants sent out, the initial grants amounting to 500,000 acres. The first expedition conveyed ample supplies of seeds, implements and livestock with 300 settlers headed by Mr. Peel, the leading member of the association. These pioneers had been drawn from the poorest section of English people and although promised higher wages than they were likely to receive at home were bound by agreement to work for the company which provided their passages. In addition to its land the association is said to have had a capital of £200,000.

The fortunes of the first expedition were analysed by the celebrated colonial theorist, Edward Gibbon Wakefield, in his book *England and America* with its appendix *The Art of Colonisation*, published in 1833. Wakefield was destined to exert considerable influence on the early history of Australia and New Zealand. "At the Swan River," says Wakefield, "the first settlers had hardly landed before the Governor was requested to punish indentured labourers for refusing to work for those who had brought them from England . . . Those who went out as labourers no sooner reached the colony than they were tempted by the superabundance of good land to become landowners."

Mr. Peel and his Capital

The British Government, it seems, had reserved land beyond Peel's concession and was willing to sell it for 1s. 6d. per acre. Mr. Peel, the great capitalist, was soon left without a servant to make his bed or fetch his water from the creek. With some difficulty he secured workmen to place his goods under a tent but there, for want of labour to work for him, they remained until the canvas rotted and the goods decayed. Meanwhile, on remote holdings, widely separated and far from the port, the erstwhile labourers turned landowners imbibed the ambitions of their new status and joined in the demand for convict labour to work their farms. Wakefield had noticed similar results under similar conditions recorded from many parts of the world.

"Every scheme of this sort," he remarks, "that did not establish a kind of slavery has failed the moment it was tried. Without some kind of slavery the capitalist has no security . . . the labourer, as soon as he reaches the colony, laughs at his engagement."

The St. Vincent Gulf Colonists (South Australia)

Following the Swan River scheme the British Government showed hesitation about further concessions.

Under the chairmanship of Mr. W. W. Whitmore, M.P., the South Australian Association (formed in 1834), put forward a plan designed by Wakefield to develop the country in the neighbourhood of St. Vincent's Gulf, which would avoid the errors of the Swan River Scheme. The plan proposed that no free grants of land should be made, but land should be sold at a price of not less than 12s. or more than 20s. per acre. The money so obtained should form a fund to give free passages to qualified labourers and mechanics with their wives and families, the colony to bear all its own charges and to have the principal management of its affairs.

Organised Land Speculation

Eventually, by the South Australia Act of August 15, 1834, all public lands were open for sale at a minimum price of 12s. per acre under the supervision of a Government-appointed Board of Commissioners. No part of the expense of founding or governing the Colony was to fall on the Mother Country. The Board had to invest the sum of £20,000 in British Government Stock, the money raised by borrowing to be repaid by the sale of lands. Not until that was done and not until £35,000 worth of land had been sold could the Board exercise its general powers of administration. With the intention of preventing huge concentrations of land and widely dispersed holdings Wakefield had stipulated in his scheme that the land should be sold in adjacent plots each consisting of 80 acres rural and 1 acre urban land.

The first Board of Commissioners worked for six months in an endeavour to sell the required quantity of land and, not being successful, tendered their resignations. In May, 1835, a new Board was appointed, and these Commissioners, being of the opinion that 12s. an acre was too low, fixed the price of the saleable land at 20s. an acre. In the result, as might have been expected, not only were Wakefield's plans disrupted but the whole scheme was threatened with collapse. At that critical stage, a wealthy and far-sighted merchant, Mr. George Fife Angas, became interested in the possibilities of the situation. He formed a joint-stock company which offered to buy as much land in the territory as would enable the Commissioners to fulfil their

obligations. But he laid down the condition that the price be reduced to 12s. an acre, and other concessions were demanded. The Commissioners reluctantly accepted the offer, and with the price reduced from £1 to 12s. per acre, the area of each "Land Order" was accordingly increased from 81 acres to 135 acres, each including one town acre. By November, 1835, the sales were completed and the Board was enabled to discharge its statutory commitments.

Land Value of Adelaide City

In these transactions, the Angas group had acquired an estate of 13,770 acres. Some conception of how this estate increased in value can be obtained by comparing it with the growth in the value of the land on which the nearby City of Adelaide has since arisen. The whole site of the city was sold in plots in 1837 for a total sum of £3,856. In 1950, it was officially valued at *nineteen and a half million pounds*. Soon after these sales had taken place, acres of town lands that had been bought for 12s. an acre were sold at prices reaching £80 to £100 and in some more favoured positions prices rose to as much as £250 an acre. The boom was short-lived and later the prices dropped to one-fifth of these figures. When Captain (later Sir) George Grey was sent in 1841, to take the place of a Governor hastily recalled, he found the Colony in the depths of the stagnation that followed the boom. In later life, experience and reflection enabled him to trace the connection between trade depression and a speculative rise in land values.

Prosperity—But for Whom?

No reformer, however, could have understood the relation of land monopoly to low wages and the dependent status of labourers better than the South Australian Commissioners as shown in their first Report to the Secretary of State for the Colonies, received in London on July 24, 1836. This document is of prime importance in the history of the land question. "It is essential to the prosperity of a new colony in which there are neither slaves nor convicts," say the Commissioners, "that there should be a constant supply of free labourers willing to be employed for wages. If there be not a constant supply of labour for hire, no extensive farm can be cultivated, no large or continuous work carried on. To secure that constant supply of labour for hire, two things are necessary: that the requisite number of labourers shall be conveyed to the colony and, when so conveyed they should continue as hired labourers, until the arrival of other emigrants to supply their places in the labour market. Hence, in determining the proper price of public lands in the new colony, two points have to be considered: first, the price necessary to convey to the colony

the number of labourers required to cultivate the land; and second, the price necessary to prevent the labourers so conveyed from acquiring property in land before they have worked for wages for a sufficient period. In order to accomplish the latter object it is not improbable that at an early period after the arrival of the Governor it may be desirable to raise the price of public lands to over one pound per acre."

Labour Denied Independence

Here, plainly stated by Commissioners with practical experience and no political motive, is recognition that high land prices by preventing poorer members of the community from working on their own account, provide the richer members with a supply of cheap labour. Capital did not enter into this analysis of wages and employment. The power of the rich arose not from their ability to exchange money for capital or any other commodity, but from their ability to buy the privilege of monopolising the natural element, land. The Commissioners clearly understood the essentials of the labour question. They saw that by a reduction in the price of land many labourers would speedily become free and independent capitalists, with the consequence that big interests would be obliged to pay higher wages if they wished to get labourers to work for them. The spread of "capitalism" was a danger to the kind of world the Commissioners were concerned to preserve! "Should public lands continue to be obtained at this (low) price," the Report continues, "and should wages be such as to enable industrious mechanics to realise a moderate sum in a few months, there would be considerable danger lest the habit which prevails in old countries . . . might induce them to purchase small freeholds and to cease to work for wages in order to become isolated cultivators on their own account." The Commissioners had constantly before their eyes a demonstration of the fact that any industrious man of average ability, given the use of the land, could speedily acquire the necessary capital to work it; for capital—the man-made instrument to increase the power of labour—is made like all other real wealth, by labour applied to land or land products.

The danger of men becoming independent did indeed loom large on the horizon of the Commissioners. And how would they avert it? "We venture to hope," they said, "that your Lordship will approve of our having authorised the Colonial Commissioner to advance the price of public land, should the labourers conveyed to the colony by the Emigration Fund begin to cultivate small farms on their own account before the arrival of other labourers to work for hire in their stead."

High Rents—Low Wages

The Commissioners were fully alive to the fact that it would be difficult to work their system in South Australia if land could be bought much cheaper in nearby colonies. So, under the heading of "Difficulties Encountered, Obstacles to be Removed" they pointed out: "Were the price of land in any district raised sufficiently high to take out the proper supply of labour, while an adjacent district land should be sold at a lower price, or be granted gratuitously, those who obtained their land at a lower price or for nothing, would be in a condition to offer higher wages to the emigrant labourers than those who had expended a portion of their capital by paying a higher price for land. The emigrant labourer would be attracted by the higher price of labour and the lower price of land and thus the capitalists who contributed to the Emigration Fund would be deprived of the supply of labour for which they paid." Having thus demonstrated the link between high rents and low wages, and low rents and high wages, the Commissioners request that "the price of land in every (Australian) colony should be increased."

Deliberate Aim of Colonial Policy

Apart from any likely action taken in other Australian colonies to undercut the price of land, the Commissioners do not appear to have entertained many fears for the success of their undertaking. They did not need to ask the Colonial Secretary to raise the price of land in Great Britain. That had been done already, so thoroughly, indeed, that British "capitalists" not only enjoyed a continual stream of "willing" labourers for their own purposes but could afford to send away thousands to Australia. "Those who would most desire to come in search of high wages," said Wakefield in his book, "are the poorest of the poor in the old country, people who live from hand to mouth, never having any property but their own thews and sinews Nor is there any difficulty in finding poor labourers willing to engage with the colonial capitalists for term of service in the colony."

The Commissioners were not, of course, interested in any general principle of society, they were concerned only in administering a land-selling scheme for the benefit of its projectors; but they were impressed by their experience that control of land enabled them to control almost everything else and yet retain all the features of a free society as they understood it. "Without either slaves or convicts," says the Report, "capitalists of every description will obtain without costs, as many labourers as they wish to employ; and engagements which labourers may make for a term of service will be maintained. The means of securing all this is a *proper price for the land*." If one person

has an instrument whereby he can secure a never-ending stream of others to work for him at low wages it is impossible to see what real difference it makes either to him or the labourers whether the instrument happens to be called slavery or land monopoly. The Commissioners were perfectly right, however, if they reasoned that because England was called a free country, therefore South Australia must be free; for the same land monopoly ruled and rules both.

Wakefield's system was in effect nothing more than an ingenious method of neutralising the advantage which workers might have obtained by moving from where land was monopolised to where it happened for the moment to be free. If the Commissioners deceived themselves on this matter they did no more than the countless millions before and since, who look only on the surface of events in their immediate vicinity, adopt that view of them which their neighbours adopt, and regard such things as abstract principles in public affairs, or the good of mankind in general, as idle and presumptuous speculations. The fact is, however, that even those who distrust any radical change, hoping thereby to maintain existing conditions, are bound to be disappointed.

Stubborn Opposition and the Outcome

The son and heir of Mr. George Fife Angas, who became a millionaire, was no doubt honest in his opinion, recorded in his Will (dated November 23, 1904), that any attempt at radical reform of the land system, particularly by means of land value taxation, could only be an expression of class antagonism, and his executors were instructed to see that no financial support, out of his estate, should go in that direction. Yet, although, or rather because, that reform has not prevailed, class antagonism has grown almost as quickly as the land value of the Angas estate and has expressed itself in the worst kind of class taxation, vindictively confiscating a person's income for no other reason than that he has a higher income than others. And the spectacle we now see of the class struggle, developing into two world groups preparing for war, has not arisen among communities that tax land values, but among communities whose leaders have ignored the principle altogether.

In order to understand the kind of income that a tax on land values would touch, it is interesting to take the following example.

Story of the Thorngate Estate

In 1837, a certain John Thorngate in England bought four Land Orders of the South Australian Association for £324. These Orders entitled him to 320 acres of country sections and four town acres in the new colony. In 1928, a search at the Lands Title Office, Adelaide, revealed that up to that date the Thorngate

family had taken out of South Australia £622,988 being the total they had received for land sold and rents received. The books of the Land Taxation Department recorded that this family was still in possession of land to the assessed value of £250,000. The terms of the leases showed that the lessees had been obliged to erect improvements, maintain them at their own expense and hand them over to the landlord at the expiry of the lease. This total of nearly £1,000,000 was made up of land value only, and it had passed to a family living thousands of miles distant who could not possibly have made the slightest contribution to producing it. If 324 acres yielded £1,000,000 how much public revenue might have been raised by taxing the land value of all South Australia's acres? How much taxation falling on individual labour might have been avoided?

If Mr. Thorngate had in fact come to Australia and settled on the land he owned, he and his heirs would have had no more right to land value, which would have grown in the same way, than they enjoy as absentees; but it would have been more difficult to show that it owed nothing to their individual efforts. If in 1837, all the other inhabitants of Adelaide and district had returned to England and none had taken their place, they would have left Mr. Thorngate nothing to show for the £324 he had spent.

The Moral

In this typical instance are well confirmed the truths stated by Adam Smith in his *Wealth of Nations*. In the conclusion of his chapter on the Rent of Land he says: "Every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of the land, to increase the real wealth of the landlord, his power of purchasing the labour or the produce of the labour of other people . . . The real value of the landlord's share, his real command of the labour of other people, not only rises with the real value of produce, but the *proportion* of his share to the whole produce rises with it . . . Landlords are the only one of the three orders (those who live by rent, wages and 'profit') whose revenue costs them neither labour nor care, but comes to them, as it were of its own accord."

The site value of any land is the expression of its superior advantages over those of the least profitable land in use. Site or land value depends entirely on the presence and activities of the people as a whole—as we have seen in the case of the Thorngate Estate—and to the community it rightly belongs. This is the basic principle of just land tenure; and its corollary is that everything produced by individuals singly or in voluntary collaboration remains entirely their property. By collecting land value by taxation and remitting other taxes the just harmony of land

tenure, taxation and property right is automatically established; and the basic instrument by which one person can at present exploit another is destroyed.

Since the effects of land monopoly were so obvious in early Australia, one might have expected that an aroused public opinion would have demanded immediate redress. But that expectation would have ignored the countervailing influences.

The circumstances were that these emigrants came from a country where the private ownership of land and its resources was accepted as of the nature of things. At home the whole thought and energy of the emigrants had been directed to the immediate struggle to keep alive. Arriving in a country where rumour and imagination dwelt on the making of large fortunes, they would have been different from most other people if they had been especially interested in the purity of social institutions. Even if they suspected that they were being exploited, they could nurse the hope, in these rapidly changing conditions, of exploiting others in their turn.

Statesmanship of Sir George Grey

No doubt there were exceptions, and one, which is on record, had important consequences. When George Grey at 29 was appointed Governor of South Australia, like so many other pro-consuls of note, he entered the Colonial Service through unorthodox channels. As leader of exploring expeditions he had won a reputation for personal courage and ability, and had been selected in an emergency for a post of extreme difficulty which he fulfilled with such success that it proved the prelude to a distinguished career in South Africa and New Zealand as well as Australia; and his talents as an administrator were balanced by outstanding contributions to literature and, eventually, to politics. But, long afterwards, in a moving speech in the New Zealand Parliament, he confessed that neither ambition nor love of adventure had been the principle motive for his going to Australia; it had been the miserable poverty he had witnessed when stationed with his regiment in Ireland and the desire to seek somewhere in some new country if it was not possible to build a society more worthy of human aspirations. No doubt the Wakefield scheme gave him matter for reflection and impressed itself more deeply when, afterwards wherever he served, he found the system of land tenure the root cause of rapacity on the one side and discontent, poverty and rebellion on the other.

From his own observation Sir George Grey came to the conclusion that no individual had the right to own land value, which was public property, as the public produced it; and no government had the right to take from the individual, by taxation or otherwise, any part of the wealth produced by the individual;

moreover, if every owner of land were obliged to pay its annual land value to the community, no man could own more land than he himself could use, and thus no man would be in a position to exploit others as he saw landowners exploiting the landless in so many parts of the world. To collect land value for public purposes, he knew, would check the land grabbing corporations with which he was well acquainted; it would liberate the producers in all lands, whatever their stage of development, and provide a continually increasing revenue in accordance with the material advance of each community.

An Experiment in India

The much travelled and well known author Karl Eskelund, whose many books on foreign countries and their people have countless readers, describes the effort which a band of young American and English Quakers made in the way of assisting some of the Indian population, millions of whom live at starvation level.

The young idealists took up their task in 1946 at the village district of Pifa, which lies in the Ganges delta. They were fully aware that their work would test their patience, for in India you can get no results "at five minutes past twelve." But after having outlined their plans to the peasants, the fishermen and the landowners, which met with general approval, they organised a co-operative enterprise in cultivating the land and in marketing the produce. They set up day schools for the children, evening schools for adults, clinics, etc.

After overcoming the initial difficulties, they saw signs of progress. Inspiration grew. Health conditions improved. All took greater interest in their work and their earnings increased. New ideas took shape—there was advance along the whole line—an advance, slow but sure.

Five years after the experiment began Karl Eskelund visited Pifa and with one of the Quakers as his guide, he went through the village to see how it was faring. The Quaker had lost more than two stones in weight and was as thin and spare as the natives. But what was worse, he had lost heart because the experiment had proved a total failure. The day school still existed, but only one-fourth of the children attended it. The evening school was closed. The clinic was hardly used. Agriculture, fishing and trade were back again to old methods.

The author asked for an explanation of this fiasco. The young Quaker offered quite a number of reasons, none of which he could accept. Finally he got to the root of the matter. This is what he says:—

"In the first year after beginning the experiment, both peasants and fishermen earned more than ever before. What was the result? The large landowners at once raised their rents and the smaller landowners followed suit. The peasants had to pay more for permission to cultivate the land. The fishermen had to find more money to buy permission to cast their nets on the flooded fields. In that way practically the whole of the increased earnings passed into landowners' pockets.

"The people of Pifa were unhappy at this. Nevertheless, in the next year they worked hard. Crops were plentiful; there was a rich catch of fish; good prices were paid for the produce. At once the landowners raised their rents still higher.

"The people then began to lose courage. What was the use if for all their efforts they got no benefit? The landowners waxed fatter. The peasants and fishermen did not become any thinner—that they could not, for otherwise they would die.

"Indians are ignorant but they are not stupid. They can put two and two together. They had found themselves momentarily enriched by the new methods but in the end all the extra money went to the landowners. If one of the new ideas would not work, what faith could they put in any other novelties? Perhaps after all the old methods were the best"

That is the story so far as it goes. And indeed it would be difficult to find an example that more simply and clearly and with less ambiguity, demonstrates the truth of what Henry George has taught. It is that as long as private property right to the rent of land obtains, so long will every advance crystallising in land values be gathered by the incidental owner of land; while he who works, he who produces, must toil the day long without gaining more for his labour than is enough to avoid death from hunger.

The lesson is so good because it reveals the problem in all its simplicity, because it is cleared of all that in civilised society makes it more difficult to see the importance of the land question.

We said there was no more to the story. Nor is there. Yet the author did write something else. He went on to say that the young Quaker would not lay any blame on the landowners. There could be no objection against the landowners trying to gain as much as possible and after all there was nothing unlawful in owning land. The young Quaker admitted the immorality of the circumstances, but that can only be mended by "re-making the law and remoulding the whole system."

The author himself sees clearly that the land question plays a part and proposes the sub-division of land (creation of small-holdings). Yet he is not sure that sub-division will solve the problem. For he writes :—

“Meanwhile there is evidence that you don’t get rid of land ownership in that manner. Land ownership is like the weed that ever shoots up. The Indian peasant has a habit of using every penny he possesses to spend on festive occasions—when a son is born, or when a daughter is married. If he has no cash he goes to the moneylender, who is often the landowner, the only person in the village who has ready money. Of course that is stupid of the peasant, but he has so little in hand. Already there have been occasions where a man who had become owner of his plot got into debt and had to forfeit his land. Thus he became a day labourer again, to toil for the same landlord as before.”

The story itself in all its nakedness reveals the evils of the private ownership of the rent of land. The comments of the Quaker and of the author both go to prove the weakness of dealing with effects. The author is honest enough to acknowledge that smallholding schemes are no remedy, and the Quaker, although unconsciously, tells the truth that things cannot be changed without “remaking the law and remoulding the whole system.” But what is related to that truth, namely, its consequences, he does not face.

For the truth is that we cannot reach a solution of the social problem without “remoulding the whole system,” without recognising the joint property right of the people to natural resources.

This truth applies in our own country and the world over. We can offer Marshall Aid, Atlantic pacts, help to undeveloped countries and what all else these modern organisations for help and co-operation are called. So long as we fail to solve the land question in the one rational way, all this help will be in vain. We will but continue to fertilise the ground for the Communism which *knows* that the land question is the life and death question for all mankind, and which uses that knowledge to bring the people under its yoke.