

How to share
in the common wealth
of Australia.

AN EXPOSITION OF THE
ECONOMIC TEACHINGS OF
HENRY GEORGE, BASED
UPON THE TEXT OF TWO
OF HIS CLASSICS:

progress and poverty

*An inquiry
into the cause
of industrial depressions*

THE CONDITION OF LABOUR

AN OPEN LETTER TO POPE LEO XIII.

Henry George

"We find in 'Progress and Poverty' the analysis of a scientist combined with the sympathies and aspirations of a great lover of mankind. There have been economists of great repute who in their pretension to be scientific have ignored the most significant elements in human nature. There have been others who were emotionally stirred by social ills and who proposed glowing schemes of betterment, but who passed lightly over facts. It is the thorough fusion of insight into actual facts and forces, with the recognition of their bearing upon what makes human life worth living, that constitutes Henry George one of the world's greatest social philosophers".

It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers.

No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker.

*John Dewey,
Professor of Philosophy,
Columbia University*

The theme of PROGRESS & POVERTY is contained in its subtitle - the paradox of increase in want with increase in wealth. Why, with growth of the community, is it that the rich get richer whilst the poor get poorer? Why are there recurrent cycles of boom and bust?

In answering these questions, Henry George evolved his own social philosophy, the beauty of which has, in this past century, won many adherents. What is "Georgeism"? What has it to offer to this fractured world?

As the Community grows, it offers endless scope for specialization in trades and skills such that each member of society, in attending to his own pursuits, unconsciously adds to the situation in which all may be afforded added convenience and bettered conditions of livelihood - in a manner which would not be possible in the absence of this co-operative community. And Henry George highlighted this theme by pointing out how HUMAN ASSOCIATION greatly increases the efficiency of human effort. He paints the picture of the "wide savannah" with sparse settlement that grows into a thriving city where "... the productive powers which density of population attach to land are equivalent to the multiplication of its original fertility by the hundredfold and the thousandfold."

Key ideas thus appear: human association, economy of effort, co-operation, facilitation, community growth, community enrichment.

This line of thought then leads on to the concept of the "natural wages" of the community, ie., that EXTRA outpouring of satisfactions which arises through the natural economies of community existence.

George perceived that in the co-operative phenomena of Society, there was this bonus, this dividend, that came to mankind by way of increased material and spiritual prosperity, and that elevated his way of life above that of the crudities of isolated existence. It was a bonus that arose through the enhanced usefulness of land from location to location, that community growth engendered.

This is a key linkage in George's view of the economic structure of Society. This association of people into a community with its attendant specialization in skills, generates special advantages in the LOCATIONS at which people come together to live and work and interact.

It is through the advantages that it bestows upon the location of land that the community facilitates the livelihood of its individual members.

Conceptually, this increase in social well-being which springs from the advantages in the locations upon which people live and work is termed ECONOMIC RENT. This generation of RENT is a natural

phenomenon. It occurs in Russia. It occurs in China. It MUST occur wherever people associate to their mutual good. It is as natural a phenomenon as apples falling earthward!

Now, in essence, all production is the outcome of labour applied to natural resources (and the service industries are a further development.) And the distribution of production is tri-partite. There is

- (a) the return natural to the act of human exertion
- (b) the return natural to the act of utilizing capital equipment to augment that exertion

(c) the return natural to the phenomenon of human association whereby the acts (a) and (b) are facilitated through the advantages which the Community, by its very existence, bestows upon the locations where people come together.

RENT is essentially a theoretical concept, because there is no way of determining in an "eeny meeny miny mo" fashion just how much of the total production of satisfactions should be dropped into the "natural wages of labour" basket, how much into the "natural return from the utilization of capital" basket, and how much into the "natural return from community facilitation" basket.

Nevertheless, there IS this natural phenomenon at work, this natural process whereby the Community, by its very existence, in facilitating economy of effort, generates its own enrichment, its own contribution to, and earned share of, human satisfactions.

Adam Smith made the "first approximation" to this exposition when he dwelt upon the economies of specialization and trade - the "third hand" that contributed the bonus or "profit of association".

But it was left to Henry George to highlight what Adam Smith left out; and in doing so he drew upon Ricardo and the Physiocrats. He developed the argument to portray that the "profit of association" did not arise merely from economies in the application of labour and capital as such, but that the economies to be effected and the bonus of wealth to be thereby attained was very largely dependent upon the advantages inherent in or bestowed upon the locations at which labour and capital operated. For any particular industry, there was a baseline of land at a location of no particular advantage below which it was uneconomic, under prevailing circumstances, for labour and capital to be applied. This land, then, lay at the economic "margin", and it was the price attainable for production at this margin which determined whether labour and capital would be applied at that location. The locational advantages would be, variously, natural fertility, accessorial services, access to markets.

Then, for a given application of labour and capital - and, indeed, bettered opportunities for such application - at sites yielding greater economies and efficiencies than those operative at the margin, there would be a nett supramarginal return, or Surplus Product - a bonus attributable not to individual effort, but to what the community in general afforded by way of advantages to this site and that.

Furthermore, as the community grew, it would generate more and more efficiencies, and would facilitate more and more sites to greater and greater degree. So the Surplus Product, the "natural wages" of the community as a whole, would grow as the community grew, available to service the needs of the community when subjected to valuable exchange in the market. This surplus product would grow, not only with growth of population, but with every social and scientific advance - in knowledge, skills, administration and culture.

Henry George portrayed this in the famous "Wide Savannah" saga in Progress & Poverty. It was the story of the Social Surplus, of community enrichment. It was the Good News of Abundance.

This is the "saga of the savannah". It sets the seal upon co-operation as the hallmark of civilized human existence. It is the "Good News". It lies at the very heart of the sociological gospel of Henry George.

But how is RENT to be identified? How is it to be evaluated? How, in practical fashion, is it to be shared?

George proceeds to develop the argument that the effectiveness of human association depends upon the ability of people to actually occupy and utilize land. Being, in the very nature of things, earth-dependent, they cannot build their castles in the air! So the dictum of the real estate slogan, "First secure the land", remains as sharply relevant as ever!

The fact is that we live in a competitive society. There is competition for the land whose occupancy will improve conditions and opportunities in livelihood. Thus LOCATIONS acquire a premium in the market, termed site or locational RENTAL. RENTAL is the premium which must be paid for the privilege of exclusive occupancy of sites, the use of which will yield the community-generated bonus of RENT. As a distributive portion of total production, along with the returns to labour and to the utilization of capital, RENT may be thought of as the "wages" of the community. It is the outcome of that efficiency in human association which increases the yield of human satisfactions over and above that which can be gained from the employment of labour and capital in the marginal situation where the location of land offers no especial advantage. It can be appreciated by contemplating the difference in the facilitation of human effort upon a site in the sands of the Simpson Desert as compared with similar sand at Surfers' Paradise! And the corresponding difference in the RENTAL premium of such sites will be equally understood!

Just as the generation of RENT in the course of human activities is an ongoing process, so the RENTAL premium is appropriately described in periodic terms, i.e., a sum to be paid by the week, month or year. Its capitalization figure, in land investment, appears as the lump sum of land PRICE.

But George highlighted a paradox of immense social significance in the fact that the very circumstance whereby the community beneficially increases the utility of sites through its presence, also increases the competition for and premium upon those sites.

Hence, if we take as the theoretical baseline the circumstance where the location of land offers no especial advantage, then the gap between the return to labour and capital from the utilization of a site (a) at "the margin" and (b) at the point of most facilitated utilization (like the Central Business District) will grow with community growth. And it will grow for two reasons:

(a) The more concentrated utilization of the best-situated land will increase the bonus to labour and capital from its use.

(b) Competition for land with increase in population will force resort to the use of land of otherwise inferior utility.

This inferior land then becomes the new locus whereby to mark the baseline return to labour and capital, at the marginal situation. The enforced adequate utilization of land that was formerly submarginal increases its utility: the level of the margin thus rises. Therefore the returns to Labour and Capital at the margin rise. But the best land is even more intensively and efficiently utilized. So RENT increases both from the intensive and extensive utilization of land: it comprises all of that extra productivity, that bonus of satisfactions, which springs from supramarginal advantages in location. It increases absolutely, but also relatively to Wages and Interest - although, with the rise of the margin, these also increase.

This relative increase in economic rent with community growth causes a progressive increase in its correlate, the RENTAL value of LOCATION, with an ever-increasing rental premium upon the choicest sites.

It thus becomes evident that the higher the rental that can be demanded for land, the less is the nett return to labour and capital in wages and interest UNLESS the marginal rate of return itself rises. That natural rise - the fruit of community facilitation - cannot occur if, for any reason, such as speculative investment, better land is with-held from production until the ransom demands of LAND PRICE have been met. Thus, where the economic benefits of social and scientific advances, as reflected in rising land rentals, can be privately appropriated, the community, in the very act of its growth, can strangle its own future: "Held as private domain, this community gain is congealed in LAND PRICE."

It was the particular genius of Henry George, to whom the whole world is thereby indebted, that he gave due recognition to this paradox which he epitomized in his subtitle to PROGRESS AND POVERTY: An enquiry into the cause of industrial depressions and of increase of want with increase in wealth. The rich became richer because they collected the rentals; the poor became poorer because they had to pay them!

And so, whether the paradox could be resolved for the good both of the community as a whole and of the individuals comprising it, depended, in George's view, upon to whom the inevitable land rentals were paid in the course of their increase with community growth: "FIRST SECURE THE LAND" - if you wanted to enjoy the RENT!

If land rentals were socialized, then, with community growth, a fund would be spontaneously generated as a natural social phenomenon, to meet community needs. All would thereby be enriched. None need stand in want.

But if, on the other hand, land rentals could become the property of some men who thereby increased their livelihood at the expense of all other men, then dire poverty would be the fate of many, despite all social and scientific progress. Land rentals would be capitalized into the PRICE that could be demanded for land; and this obstruction, standing at the very portal to production, would inevitably lead to idle land - and hence to idle labour and idle capital: in short to Industrial Depression. Furthermore, the depressed bargaining power of labour and capital under these conditions of land monopoly would confer an unfair advantage upon the collectors of rental, such that a pseudo-rental could eat into the returns that should flow to labour and capital operating at the natural margin. By this means, the rewards to labour and capital would be even further depressed.

It was for these reasons that Henry George formulated the concept of a single, or singular, tax on land values, by which he meant the socialization of site rentals, or the channelling of the communal value of locational advantage into the communal treasury.

This fiscal measure was to serve a twin-channelled purpose:
(a) To provide revenue for the community, adequate to its needs, thereby replacing arbitrary taxation.

and (b) To attain the equalization of land rights necessary and intrinsic to social justice.

Indeed, George hammered the point that the public collection of land rentals was an utterly mandatory fiscal tool. Without it, not only could there NOT be justice in the conduct of human affairs, but in purely economic terms, the economy would run wild with unbridled land speculation and the inevitable generation of Depression. This fiscal measure as a regulator of the economy was as equally important an aspect as was that of justice in revenue-raising. The two went together.

It was thus by this mechanism that the paradox was to be resolved. Without it, the paradox could NOT be resolved!

George pointed out that all production comes from - can only come from - labour and capital applied to land. And so, if the government obtains its revenue from the locational value of the land - from the source, the gateway, to all production - then it is not necessary to impose taxes upon the labour and the capital. George asserted that to tax labour and capital is to discourage them, whereas to socialize the value of landholding is to promote its use, to penalize its withholding, and thereby to open the gateway for labour and capital.

The socialization of land rentals as a mandatory fiscal tool has been almost entirely overlooked by economists and politicians in their general non-comprehension of the role of ECONOMIC RENT in human affairs. But their non-comprehension of George's analysis and remedy, together with vested interest in private equity in the social value of land, has led to recurrent bouts of economic depression and of chronic detraction from the potentials for human livelihood.

But George wrote not only as an economist. He wrote as a social philosopher. He was not only a harbinger of "Good News", but, in the best of Old Testament prophetic traditions, he was a seer, and he uttered warnings that the passage of time has indeed confirmed.

Firstly, he asserted that it was in the very nature of Man to be a "free" spirit, and PROGRESS AND POVERTY climaxes in an Ode to Liberty. When men are free in their associations with each other, including their economic relationships - when they are free in equal freedom - then, and then only, is it possible for co-operation within Society to flourish to the mutual benefit of all. But such hopes could never be realized just so long as private ownership of the resources of the earth held sway. Private ownership of land was really the private appropriation of its rent, or of its ability to yield rent. The great extremes of wealth and poverty arose when the owners of land could deny its productive use to others, or else could glean the socially generated rent to their own advantage.

Thus it was that George dwelt upon the fundamental importance to Society of the concept of Economic Rent. He perceived that trade and co-operation meant social life and civilization, and that trade, along with inventiveness, engendered rent. He championed the view that it is co-operation, harmony and peace which produce all social progress - and this indeed was the Good News. The socialization of rent through the public collection of land rentals was the practical means whereby to materialize that Good News. No longer need economics be the "Dismal Science".

On the other hand, conflict produces only decay, loss, retrogression and ultimate social death. Therein lay his dire warning as to the inevitable consequences if the community asset in Rent was not to be shared in by all. Unless Society is rooted in justice, it cannot stand!

Here, then, is the concept expressed (with some editing) in Henry George's own words, quoted from two of his works, PROGRESS AND POVERTY and THE CONDITION OF LABOUR.

Georgeism:

"Individual liberty - Social sharing"

There are three physical factors in production: natural resources, labour and capital. The term "natural resources" includes all natural opportunities or forces - minerals, soil, rainfall, sunshine, wind. The term "labour" applies to all human exertion. The term "capital" includes all wealth used in the production of more wealth. "Wealth", in turn, is the product of labour and capital applied to natural resources at or upon sites of varying locational advantage.

This further operative factor - the locational advantages of the sites whereupon labour and capital are applied is all-important. Locational advantages are contributed to both by the natural fertility of soil and by the economies natural to human association: people, by their very presence, generate advantages in the locations where they live and work.

In the returns attributable to these three active factors - labour, capital and locational advantage - is the whole of the production of wealth to be distributed. That part which constitutes the reward to human exertion is termed (natural) wages; that part which constitutes the return due to the use of capital aiding labour is termed (natural) interest; that part which is due to the particular advantages in the location of the land utilized is called rent. The material income of any individual may be made up from any one, two, or three of these factors, but they are terms which, by definition, mutually exclude each other.

Because the locational advantages of land yield the bonus of rent to its user, there is market competition for advantaged sites: they acquire a rental value.

In progressive countries, rent increases both absolutely and relatively as a proportion of total wealth production. This is because community organization enables the best sites to be more effectively utilized, and also because population pressure enforces resort to less advantaged sites. Hence the margin of wealth production between the best and least advantaged sites widens: it is this difference which constitutes rent.

The increase in rent which goes on in progressive countries is at once seen to be the key which explains why wages and interest fail to increase proportionally with increase of productive power. For the wealth produced in every community is divided into two parts by what may be called the rent line, which is fixed by the return which labour and capital could obtain from such natural opportunities as are free to them without being required to make any rental payment to the owner of rent-yielding land. From the part of the product below this line, wages and interest are drawn. All that is above goes to the owners of land. Thus, where the value of land is low, there may be a small production of wealth and yet a high rate of wages and interest, as we see in new countries. And where the value of land is high, there may be a very large production of wealth, and yet a low rate of wages and interest, as we see in old countries.

The increase in land rentals explains why the market returns to labour and capital by way of wages and interest do not increase. The cause which gives to the landowner is the cause which denies to the labourer and capitalist. Hence, the rate of wages and interest is everywhere fixed, not so much by the productiveness of labour as by the value of land. Wherever the value of land is relatively low, wages and interest are relatively high; wherever the value of land is relatively high, wages and interest are relatively low. And hence, the reason why the increase of productive power does not increase wages is because it does increase the value of land. Relentless increase in land rentals (or in the indebtedness incurred through the demands of land price) swallows up the whole gain, and pauperism accompanies progress.

To see human beings in the most abject and hopeless condition, you must go, not to the unfenced prairies or bushland, nor to the log cabins of new clearings in the backwoods where man, single-handed, is commencing the struggle with nature and land is yet worth nothing, but to the great cities, where the ownership of a little patch of ground is a fortune.

The general rate of wages is thus fixed by the ease or difficulty with which labour can obtain access to land, ranging from the full earnings of labour where land is free, to the least upon which labourers can live and reproduce where land is fully monopolized.

Does it not follow that those who have no rights to the use of land can live only by selling their labour to those who own the land? Having no power to employ themselves, they must, either as labour-sellers or as land-renters, compete with each other for permission to labour; and this competition with one another must ultimately force wages to their lowest point, the point at which life can just be maintained.

This is not to say that all wages must fall to this point, but that the wages of that necessarily largest stratum of labourers who have only ordinary knowledge, skill and aptitude, must so fall. The wages of special classes, who are fenced off from the pressure of competition by peculiar knowledge, skill, or other causes, may remain above that ordinary level.

Thus, where the ability to read and write is rare, its possession enables a man to obtain higher wages than the ordinary labourer. But as the diffusion of education makes the ability to read and write general, this advantage is lost. So, when a vocation requires special training or skill, or is made difficult of access by artificial restrictions, the checking of competition tends to keep wages in it at a higher level. But as the progress of invention dispenses with peculiar skill, or

artificial restrictions are broken down, these higher wages sink to the ordinary level. And so, it is only just so long as they are special that such qualities as industry, skill, prudence and thrift can enable the ordinary labourer to maintain a condition above that which gives a mere living. Where they become general, the law of competition must eventually reduce the earnings or savings of such qualities to the general level.

Land being necessary to life and labour, where private property in land has divided society into a landowning class and a landless class, there is no possible invention or improvement, whether it be industrial, social, or moral, which, so long as it does not affect the ownership of land, can prevent poverty or relieve the general conditions of mere labourers.

For, whether the effect of any invention or improvement be to increase what labour can produce or to decrease what is required to support the labourer, it can, so soon as it becomes general, result only in increasing the income of the owners of land, without benefitting the mere labourers.

How true this is we may see in the facts of today. In our own time, invention and discovery have enormously increased the productive power of labour, and at the same time greatly reduced the cost of many things necessary to the support of the labourer.

Have not the benefits of these improvements mainly gone to the owners of land - have they not enormously increased land values? I say mainly, for some of the benefit has gone to the cost of monstrous standing armies and warlike preparations; to the payment of interest on great public debts; and, largely disguised as interest on fictitious capital, to the owners of monopolies other than land; and in enforced taxation.

But, were standing armies and all their incidents to be abolished, were all monopolies other than that of land to be done away with, were Governments to become models of economy and decimated taxation, were the profits of speculators, middlemen, of all sorts of exchangers saved - the result would not differ from that which has followed the increase in productive power. Is it not true that if there were to be proposed today the complete disbandment of all the armies of Europe and the United States, the greatest fears would be aroused for the consequences of throwing on to the labour market so many unemployed workers?

Furthermore, if the value of land that, with increase of population and social advance attaches to land, is allowed to go to individuals who have secured ownership of the land, it prompts to a forestalling of and speculation in land wherever there is any prospect of advancing population or of coming improvement - thus producing an artificial scarcity of the natural element of life and labour, and a strangulation of production that shows itself in recurring spasms of industrial depression as disastrous to the world as destructive wars.

The explanation of this and similar paradoxes that in our time perplex on every side may easily be seen.

The discoveries of science, the gains of invention, have given to us in this wonderful century more than has been given to men in any time before, and, in a degree so rapidly accelerating as to suggest geometrical progression, are placing in our hands new material powers.

The effect of all inventions and improvements that increase productive power, that save waste and economize effort, is to lessen the labour required for a given result, and thus to save labour, so that we speak of them as labour-saving inventions or improvements.

Now, in a natural state of society, where the rights to the use of the earth are acknowledged, labour-saving improvements might go to the very utmost that can be imagined without lessening the demand for men, since in such natural conditions the demand for men lies in their own enjoyment of life and in the strong human instincts for betterment.

But in that unnatural state of society where the masses of men are disinherited of all but the power to labour when opportunity to labour is given them by others, there the demand for them becomes simply the demand for their services by those who hold this opportunity - and man himself becomes a commodity. Hence, although the natural effect of labour-saving improvements is to increase wages, yet in the unnatural condition which private ownership of land begets, the effect, even of such moral improvements as the disbandment of armies, is, by lessening the commercial demand, to lower wages.

If labour-saving inventions and improvements could be carried to the very abolition of the necessity for labour, what would be the result? Would it not be that landowners could get all the wealth that the land was capable of producing, and would have no need at all for labourers, who must then starve or live as pensioners on the bounty of the landowners?

Indeed, as we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole production of wealth. For, if labour-saving inventions went on until perfection was attained, and the necessity for labour in the production of wealth was entirely done away with, then everything that the earth could yield could be obtained without labour; and no matter how small population might be, if anybody but the landowners continued to exist, it would be at the whim or by the mercy of the landowners - they would be maintained either for the amusement of the landowners, or, as paupers, by their bounty. This point, of the absolute perfection of labour-saving inventions, may seem very remote, if not impossible of attainment; but it is a point towards which the march of invention is every day more strongly tending.

In the improvements which advance rent - and hence the rentals which land will fetch - are not only to be included the improvements which directly increase productive power, but also such improvements in government, manners, and morals as indirectly increase it. Considered as material forces, the effect of all these is to increase productive power, and like improvements in the productive arts, their benefit is ultimately monopolized by the possessors of the land. And if the corrupt governments of great States were to be made models of purity and economy, the effect would simply be to increase the value of land, not to raise either wages or interest.

Yet here is a natural law by which as society advances, the one thing that increases in value is land - a natural law by virtue of which all growth of population, all advance of the arts, all general improvements of whatever kind, add to a fund that both the commands of justice and the dictates of expediency prompt us to take for the common uses of society.

Now, since increase in the land rental fund available for the common uses of society is increase in the gain that goes equally to each member of society, is it not clear that this law - by which land values increase with social advance while the values of the products of labour do not increase - tends, with the advance of civilization, to make the share that goes equally to each member of society more and more important as compared with what goes to him from his individual earnings, and thus to make the advance of civilization lessen relatively the differences that in a ruder social state must exist between the strong and the weak, the fortunate and the unfortunate.

So we have no fear of capital, regarding it as the natural handmaiden of labour; we look upon interest in itself as natural and just; we would set no limit to accumulation, and we see no evil in competition, but deem it to be the agency whereby the fullest co-operation is to be secured.

We would, then, simply take for the community what belongs to the community - the value of land that attaches to land through the growth of the community; leave sacredly to the individual all that belongs to the individual; and, treating necessary monopolies as functions of the State, abolish all prohibitions and restrictions save those required for the preservation of public health, safety, morals and convenience.

Georgism:

Individual Liberty; Social Sharing

Sheet A:

The "good news" of the Abundant Society

Sheet B:

The "good news" corrupted.

Sheet C:

The "good news" restored

A

It is a well-provisioned ship, this on which we sail through space. If the bread and beef above decks seem to grow scarce we but open a hatch and there is a new supply, of which before we never dreamed....

"Here, let us imagine, is an unbounded savannah, stretching off in unbroken sameness of grass and flower, tree, and rill, till the traveller tires of the monotony. Along comes the waggon of the first immigrant. Where to settle he cannot tell — every acre seems as good as every other acre.... Tired out with the search for one place that is better than another, he stops — somewhere, anywhere — and starts to make himself a home.... It is an easy matter for him to get enough to eat; but beyond this his labor will only suffice to satisfy the simplest of wants in the rudest way. Soon there comes another immigrant.... He settles by the side of the first comer, whose condition is at once greatly improved, and to whom many things are now possible that were before impossible, for two men may help each other to do things that one man could never do.

Another immigrant comes, and, guided by the same attraction, settles where there are already two. Another and another, until around our first comer there are a score of neighbours. Labor has now an effectiveness which, in the solitary state, it could not approach.... A blacksmith and a wheelwright soon set up shops, and our settler can have his tools repaired for a small part of the labor they formerly cost him. A store is opened, and he can get what he wants as he wants it; a post office, soon added, gives him regular communication with the rest of the world. Then comes a cobbler, a carpenter, a harness maker, a doctor, and a little church soon arises. Satisfaction becomes possible that in the solitary state were impossible.... Population still keeps on increasing, giving greater and greater utility to the land, and more and more wealth to the owner. The town has grown into a city — a St. Louis, a Chicago or a San Francisco — and still it grows. Production is here carried on upon a great scale, with the best machinery and the most favorable facilities; the division of labor becomes extremely minute, wonderfully multiplying efficiency; exchanges are of such volume and rapidity that they are made with a minimum of friction and loss.... Hither run all roads, hither set all currents, through all the vast regions about.... Here are museums and art galleries, collections of philosophical apparatus, and all things rare and valuable, the best of their kind.

So enormous are the advantages which this land now offers for the application of labor, that instead of one man with a span of horses scratching over acres, you may count in places thousands of workers to the acre, working tier on tier, on floors raised one above the other, five, six, seven and eight stories from the ground, while underneath the surface of the earth engines are throbbing with pulsations that exert the forces of thousands of horses.... The productive powers which density of population has attached to this land are equivalent to the multiplication of its original fertility by the hundred fold and the thousand fold. And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly.

The effect of increasing population upon the distribution of wealth is to increase rent (and consequently to diminish the proportion of the produce which goes to capital and labor), in two ways: First, by lowering the margin of cultivation. Second, by bringing out in land special capabilities otherwise latent, and by attaching special capabilities to particular lands."

"Here is a natural law by which, as society advances, the one thing that increases in value is land — a natural law by virtue of which all growth of population, all advance of the arts, all general improvements of whatever kind, add to a fund that both the commands of justice and the dictates of expediency prompt us to take for the common uses of society. Now, since increase in the fund available for the common uses of society is increase in the gain that goes equally to each member of society, is it not clear that the law by which land values increase with social advance, while the value of the products of labour do not increase, tends, with the advance of civilization, to make the share that goes equally to each member of society more and more important, as compared with what goes to him from his individual earnings, and thus to make the advance of civilization lessen relatively the differences that, in a ruder social state, must exist between the strong and the weak, the fortunate and the unfortunate?"

— Henry George

Progress & Poverty

The Condition of Labour

B

It is a well-provisioned ship, this on which we sail through space. If the bread and beef above decks seem to grow scarce we but open a hatch and there is a new supply, of which before we never dreamed. . . .

And very great command over the services of others comes to those who as the hatches are opened are permitted to say, "This is mine!" One settler, or whoever has succeeded to his right to the land, is now a millionaire. Like another Rip Van Winkle, he may have lain down and slept; still he is rich — not from anything he has done, but from the increase of population. There are lots from which for every foot of frontage the owner may draw more than the average mechanic can earn; there are lots that will sell for more than would suffice to pave them with gold coin.

"The wages of special classes, who are fenced off from the pressure of competition by peculiar knowledge, skill, or causes, may remain above the ordinary level. Thus, where the ability to read and write is rare, its possession enables a man to obtain higher wages than the ordinary labourer. *But as the diffusion of education makes the ability to read and write general, this advantage is lost.* So when a vocation requires special training or skill, or is made difficult of access by artificial restrictions, the checking of competitions tends to keep wages in it at a higher level. But as the progress of invention dispenses with peculiar skill, or artificial restrictions are broken down, these higher wages sink to the ordinary level. And so, it is only just so long as they are *special* that such qualities as industry, prudence and thrift, can enable the ordinary labourer to maintain a condition above that which gives a mere living. Where they become general, the law of competition must reduce the earnings or savings of such qualities to the general level — which, *land being monopolized and labour helpless*, can be only that at which the next lowest point is the cessation of life."

Henry George
The Condition of Labour

"We (in America) are not merely getting these surplus tenants of English, Scottish and Irish landlords — we are getting the landlords, too. Simultaneously with this emigration is going on a movement which is making the landlords and capitalists of Great Britain owners of vast tract of American soil. There is even now (1884) scarcely a large land-owning family in Great Britain that does not own even larger American estates, and American land is becoming with them a more and more favourite investment. These American estates of "their graces" and "my lords" are not as yet as valuable as their home estates, but the natural increase in our population, augmented by emigration, will soon make them so.

Every "surplus" Irishman, Englishman or Scotsman sent over here assists directly in sending up the value of land and the rent of land. The stimulation of emigration from the Old Country to this is a bright idea on the part of these landlords of two continents. They get rid of people whom, at home, in hard times, they might have to support in some sort of fashion, and lessen, as they think, the forces of disaffection, while at the same time they augment the value of their American estates."

Henry George,
Social Problems.

"Why can the West not solve the social problem? *Because it has not solved the land problem.* With all progress of civilization, land values increase . . . the poor have no fields to till and they have to depend on industrial work to make a living."

"The first effect of the recent Western economic invasion of China has been upon land. Many people have taken land as something to gamble with, and have gone into land speculation, or "land squabbling", as the common saying puts it. Much land which would not be worth a great deal until ten or twenty years later, and which would not naturally have been highly valued, has been raised in price ahead of time through the wire pulling of speculators. This makes the rise in land values all the more uneven."

"Western nations have not yet found any satisfactory methods to deal with these evil practices arising out of the land question. If we want to solve the land question we must do it now; if we wait until industry and commerce are fully developed, we will have no way of solving it.

Sun Yat Sen

C

"The land question has felt the first and most serious effects of the modern Western impact. Take, for example, land in Canton since the building of wide streets: what a difference there is between land values on the Bund now and twenty years ago! Land on the Shanghai Bund is about ten thousand times as valuable now as it was eighty years ago. Formerly, land ten feet-square cost about a dollar; now the same amount costs ten thousand dollars. Land on the Shanghai Bund is now worth hundreds of thousands of dollars a *mow*; land on the Canton Bund is worth over a hundred thousand a *mow*. *Chinese land has only to come under Western economic influence to transform its owners into millionaires like the capitalists of the West.* (My italics.) But this marked effect of economic development upon land values is not true only in China; all other countries have experienced the same thing. At first they did not notice the fact or pay much attention to it. Not until the disturbances in the economic order became acute did they give their attention, and then it was not easy to remedy the situation, "to turn back with the accumulated burden." The Kuomintang must, as a matter of foresight and of precaution against future difficulties, find a solution of this problem of fluctuation in land values." Sun Yat Sen then quoted the case of a drunkard in Australia who unwittingly bought land at an auction for \$300, which eventually returned him millions although he himself did nothing. "To whom did these millions belong? In my opinion they belonged to everybody. For it was because the people in the community chose this section as an industrial and commercial centre and made improvements upon it, that this tract of land increased in value and gradually reached a high price. In the same way it is because we made Shanghai an industrial and commercial centre of central China that the land values in this city have increased by the thousandfold; and it is because we made Canton an industrial and commercial centre of southern China that the land values in this city have also increased by the thousandfold. Both Shanghai and Canton have only a little over a million people each; if the population of either city should suddenly move out of the city limits or some natural or artificial calamity should wipe out the population, do you think that land would still bring the same high price? *This proves that rise in land values should be credited to all the people and their efforts; the landowner himself has nothing to do with the rise and fall.* So foreign scholars speak of the profits which the landowner gets out of the increased price of land as *unearned increment*, a very different thing from the profits which industrial and commercial manufacturers get by dint of hard mental and physical labour, by buying cheap and selling dear, by all sorts of business schemes and methods. We have already felt that the profits which the industrial and commercial leaders make by monopolies over materials are not just profits. But these men at least work hard; the landowner, however, simply holds what he has, does not use a bit of mental effort, and reaps huge profits. Yet, what is it that makes the value of his land rise? The improvements which people make around his land and the competition which they carry on for possession of his land. When the price of land rises, every single commodity in the community also rises in price. So we may truly say that the money which the people in the community earn through their business is indirectly and imperceptibly robbed from them by the landowner."

"When modern, enlightened cities levy land taxes, the burdens upon the common people are lightened and many other advantages follow. If Canton city should now collect land taxes according to land values, the government would have a large and steady income, and there would be a definite source of funds for administration. The whole place could be put in good order. All miscellaneous taxes could be remitted. The water and electric light systems used by the people could be provided without charge by the government and would not have to be a burden upon individuals. Funds for road repair and for upkeep of the police system could also be appropriated out of the land-tax receipts; extra road and police taxes would not have to be levied upon the people. But at present the rising land values in Canton all go to the landowners themselves — they do not belong to the community. The government has no regular income, and so to meet expenses it has to levy all sorts of miscellaneous taxes upon the common people. The burden of miscellaneous levies upon the common people is too heavy; they are always having to pay out taxes and so are terribly poor. And the number of poor people in China is enormous. The reasons for the heavy burdens upon the poor are the unjust system of taxation practised by the government, the unequal distribution of land power and the failure to solve the land problem. *If we can put the land-tax completely into effect, the land problem will be solved and the common people will not have to endure so much suffering.*"

Sun Yat Sen

SAN MIN CHU I

① The announcement of further rises in the precipitated forecasts of consequent wage rises.

It gives cause to again query the whole basis upon which wage rises are decreed through the Arbitration Commission.

The cardinal truth crying out for acceptance is that eating comes from working and NOT from appetite. That is to say, WAGES are a distributive portion of PRODUCTION, just as are INTEREST (the return due to the utilization of capital equipment), and RENT (the surplus product stemming from the factor of locational advantage.)

The point is that wages, interest and rent stem from achieved output. They do not necessarily correlate with input - whose efficiency is variable; nor do they stem from perceived needs, (of which the C.P.I. is the assumed precursor) for needs do not by any means necessarily equate with achievements. Therefore the arbitrary "cost of living" index which relates to minimum needs to survive, is no guarantee of adequate production to then be naturally apportioned to wages, interest and rent.

Increased production is therefore the sine qua non for any possibility of increased apportionment of revenue to the totality of wages, interest and rent. Increased costs to labour - as in the C.P.I. - or increased needs or expectations are, in this context, irrelevant. They are as mere "appetite" is to "effective effort".