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A Synopsis of

PROGRESS AND POVERTY

by Henry George

This synopsis was extracted by Alfred J. Katzenberger, Jr., of the Public Revenue Education Council in St. Louis, from Dr. James Busey's condensation of the 565-page original.

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"People do not argue with the teachings of George, they simply do not know it. And it is impossible to do otherwise with his teaching, for he who becomes acquainted with it cannot but agree . . ."

— Leo Tolstoy

"No man, no graduate of a higher education 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

*"No one should be allowed to speak above a whisper or write more than ten words on the general subject (economics) unless he has read and digested **Progress and Poverty**."*

— John Kieran

The Riddle:

During the 19th century the U.S. witnessed a huge increase in wealth-producing power. People naturally expected labor-saving inventions to lessen toil and improve working conditions for all; that the enormous increase in wealth producing power would wipe out poverty forever.

Instead, however, squalor, misery, vice and crime increased and are still increasing everywhere as our villages, towns and cities grow and as new technologies bring advantages to improve methods of production and exchange.

The association of poverty with progress is the great enigma of our times. It is the source of our industrial, social and political difficulties. Our statesmen, philanthropists and educators grapple with it in vain. This riddle, if not answered, will eventually topple our entire civilization. To solve the riddle, we must research the immutable laws governing the science of economics.

Land, Labor, Capital:

Land, labor and capital are the three factors of production. The term land includes all natural resources, such as earth, all its locations, minerals, oil and waterfalls; the term labor, all human exertion; and the term capital, all wealth (such as tools, machinery, investments and goods in process of exchange) used to produce more wealth. The return to each factor is distributed as follows: landowners get the part called rent, laborers (whether by brain or by brawn, or both) the part called wages and capital the part called interest. These terms mutually exclude each other. Any person may be derive income from any one, two or all three of these sources; but

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to understand how the returns to each are exchanged we must keep them separate.

David Ricardo (1772-1823), and English economist, discovered that the rent, or cost of land, is determined by the excess of its produce over that which the same application of labor can secure from the least productive land in use. This is shown by the fact that land in active manufacturing and commerical areas is much more valuable than land (locations) in remote areas.

The increase of rent (the return to the location owner) in the U.S. explains why wages and interest do not increase with the increase of productive power. Wealth produced in the U.S. is divided into two parts by the rent line which is fixed by the return which labor and capital can obtain from natural resources free to them without the payment of rent. From that part of the produce below this rent line wages and interest must be paid. All production above the rent line goes to the owners of land. Thus, where the value of land is low, there may be low production of wealth, and yet a high rate of wages and interest. Where the value of land is high, there may be enormous production of wealth, but yet a low rate of wages and interest.

The increase of rent explains why wages and interest do not increase. The cause which enriches the landholder is the cause which tends to impoverish the laborer and capitalist (investor). Hence, the rate of wages and interest is everywhere fixed, not so much by the productivity of labor 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. Hence, the increase of productive power does not result in increase wages, but rather results in increases in the value of land. Rent (which goes to the non-producing landowers) swallows up the whole gain, and poverty accompanies progress.

Human beings in the most abject, most helpless and hopeless condition, are in the great cities of the U.S. There you will find the ownership of a small location is worth a fortune, while actual wealth producers get only part of what they produce (landowners getting the rest) and willing workers can find no jobs and no land on which to apply their labor.

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Effect of Material Progress Upon the Distribution of Wealth:

The term wealth means anything of value produced by human effort. Thus, land (the earth and its locations) is not weatlth, even though some locations are enormously valuable, because humans did not produce the earth.

Wealth in all its form is the product of labor applied to land or the products of land. The earth is not a product of labor, thus while the earth is the source of all wealth, it is not, of itself, "wealth." Thus any increase in the power of labor, along with unsatisfied demands for wealth, generates increased demand for land, from which, alone, more wealth can and must be produced.

There are absolutely no limits to the progress of invention. Nor can we assign any limits to the increase of land rent, short of the whole produced. For, if labor-saving inventions proliferated until perfection was attained, and the need for labor in wealth production was entirely done away with, everything the earth could yield could be obtained without labor. And no matter how small the population might be, if anybody but the landowners continued to exist, it would be at the whim or by the mercy of landowners' bounty. This point, of the absolute perfection of laborsaving inventions, may seem far fetched, but it is the point to which the march of invention is directed every day.

The improvements which increase land rent include the improvements which directly increase productive power. Improvements in government, manners and morals indirectly increase land rent. Considered as material forces, the effect of all these is to increase productive arts. Their benefits are ultimately monopolized by the possessor of the land. If the corrupt governments of the great cities of the U.S. were made models of integrity and economic efficiency, the effect would simply be to increase the value of land, not to raise either wages or interest.

The Problem Solved:

The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give a bare living. With any increase in productive power, rents tend to even greater increase, thus producing a constant tendency to lowering wages. Thus, the laborer has no incentive to produce more, or more efficiently, as all his or her increased production ultimately winds up in the landowners' pockets.

The simple theory outlined here explains this conjunction of poverty with wealth and of low wages with high productive power. It explains why interest and wages are higher in developing communities, though the average, as well as the total, production in well developed communities is greater. It explains why improvements which increase the reward of neither. It explains what is commonly called the conflict between labor and capital, while demonstrating there is actually harmony of interest between labor and capital.

Is it not a notorious fact, known to the most ignorant, that developing communities, where the total wealth is small, but where land is cheap, are always better communities for laborers than rich communities, where land is expensive? Wherever one finds land values relatively low, will one not find wages relatively high? Wherever land value is high, will one not find wages low? As land increases in value, poverty deepens and pauperism appears. Where land is cheap, you will find no beggars, and the inequalities in condition are very slight. In the great cities, where land is so valuable that it is measured and sold by the square foot, you will find the extremes of poverty and of luxury. And this disparity in condition between the two extremes of the social scale may always be measured by the price of land. Land in and near the great cities is valuable, yet you will see such great squalor, destitution and misery that you will stand aghast.

For land is the habitation of people, the storehouse upon which they must draw for all their needs. Material progress cannot rid us of our dependence upon land; it can but add to the power of producing wealth from land; and hence, when land is monoplized, it might go on to infinity without increasing wages or improving the condition of those who have but their labor. It can but add to the value of land and

the power which its possession gives. Everywhere, in all times, among all peoples, the possession of land is the base of aristocracy, the foundation of great fortunes, the source of power.

The Remedy:

The equal right of all men and women to the use of land is as clear as their equal right to breathe the air. It is a right proclaimed by the fact of their existence. For we cannot suppose that some men and women have a right to be in this world and others no right.

Any one human being who appropriates to himself or herself the individual right to the land of any community or country, could expel therefrom all the rest of its inhabitants. If you extend this right to the whole surface of the globe, where would non-landowning human beings have the right to live?

This supposition is occurring on a growing scale, realized in actual fact. The comparative handful of proprietors who own large surfaces of the U.S. are doing only what federal, state and local laws give them full power to do (and what many of them have done already) exclude millions of American people from their natural birthright, the land. And such exclusions are as repugnant to natural right as the spectacle of the vast body of the American people being compelled to pay such enormous sums to the few land-owners of their number for the privilege of being permitted to live upon and use the land which they so fondly call their own; which is endeared to them by memories so tender and so glorious, and for which they are held in duty bound, if need be, to spill their blood and lay down their lives.

Place one hundred men and women on an island from which there is no escape, and whether you make one of them the absolute owner of the other ninety-nine, or the absolute owner of the soil of the island, will make no difference either to the chosen one or to the other ninety-nine.

It was not nobility that gave land, but the possession of land that gave nobility.

What is being proposed here is a simple yet sovereign remedy, which will raise wages, increase earnings of capital and give remunerative employment to whoever wishes it. The proposal is to appropriate land rent for public revenue, rather than rob producers of their rightful earnings by punitive taxation.

Now, as the taking of rent, or land value, must necessarily be increased as we abolish other "taxes," we may put the proposition in practical form by proposing to abolish all taxation and derive all public revenue from a legitimate charge upon land location values.

"Taxation," which lessens the reward of the producer, necessarily lessens the incentive to production. Thus taxation which diminishes the earnings of the laborer or the returns to the capitalist tends to make the one less industrious and intelligent, the other less disposed to save and invest. "Taxation" which falls upon the processes of production interposes an artificial abstacle to the creation of wealth.

If manufactures are taxed the effect is to lessen improvements: tax commerce and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken as public revenue, and the only effect will be to stimulate industry, to open new opportunities to capital and to increase the production of wealth.

The charge on land location values may be assessed and collected with a definiteness that partakes of the immovable and inconcealable character of the location itself. Were all charges for public revenue placed upon location values, irrespective of improvements, the generating of public revenue would be so simple and clear, and public attention would be so directed to it, that valuation of the charge on any location 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.

The charge upon location values falls only upon those who receive from society a valuable benefit and falls on 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. When all location rent is taken via legitimate charges for value received for the needs of the community, no citizen will have an advantage over any other citizen save as is given by industry, skill and intelligence; and each will obtain what is fairly earned. Then, and not until then, will labor get its full reward, and capital its natural return.

Effects of the Remedy:

The advantage which would be gained by substituting for the many taxes by which the public revenues are now raised, a single just charge levied upon the value of locations, will appear more and more important the more it is considered. With removal of all the burdens which now oppress industry and hamper exchange, the production of wealth would go on with a rapidity now undreamed of.

Consider the effect upon the production of wealth. Abolishing all taxation which now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring. The present method of taxation operates to penalize energy and industry and skill and thrift like a fine upon those qualities. If a person builds a ship, we make the person pay for temerity, as though an injury had been done to the state; if a railroad is opened, down comes the tax collector upon it, as though it were a public nuisance; if a manufactory is erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if any one accumulates it or brings it among us, we penalize him or her for it as though we were giving the person a privilege. We punish with a tax those who cover barren fields with ripening grain; we fine those who put up machinery and clean up a dump.

To abolish these taxes would lift the whole enormous burden of penalties from productive industry.

To change the taxation from production to a charge on the value or rent of locations would give new stimulus to the production of wealth; it would also open new opportunities. For under this system no one would care to hold a location unless to use it, and locations now withheld from use would everywhere be thrown open to improvement. Millions of acres that are today being used inefficiently would return to their natural, pristine state.

The selling price of locations would fall; speculation in locations would receive its death blow; the monopolization of valuable locations would no longer pay.

And it must be remembered that this would apply, not merely to agricultural land, but to all locations ... everywhere. Everywhere that locations had attained value, the generating of public revenue from those values, instead of operating, as now, as a fine upon improvement, would operate to motivate improvement. Whoever planted an orchard or sowed a field or built a house or built a manufactory, no matter how costly, would have no more to pay in location value charges than if such locations were kept vacant. The monopolist of agricultural locations would be charged as much as though those locations were covered with houses and barns, with crops and with stock. The owner of a vacant city lot would have to pay as high a charge for the privilege of keeping other people off of it until the owner wanted to use it as the neighbor who has a fine house upon his lot.

It would cost as much to keep a row of tumble-down shanties upon valuable locations as if those locations were covered with grand hotels or a pile of great warehouses filled with costly goods.

Consider the effect of such a change upon the labor market. Competition would no longer be one-sided, as now. Instead of laborers competing with each other for employment, and in their competition cutting down wages to the point of bare subsistence, employers would everywhere be competing for laborers, and wages would rise to the fair earnings of labor. The employers of labor would not have merely to bid against other employers, all feeling the stimulus of greater trade and increased profits, but against the ability of laborers to become their own employers upon the natural opportunities freely opened to them by the location value charge which prevents monopolization.

It is manifest, of course, that the change proposed here will greatly benefit all those who live by wages, whether of brain or of brawn. And it is likewise manifest that it will increase the incomes of those whose incomes are drawn from the earnings of capital, or from investments other than in locations.

Farmers, not those who never touch farm equipment, but the working farmers who are such a large class in the U.S. will benefit by the proposed change. Paradoxical as it may appear to these farmers

until they understand the full bearings of the proposition, of all classes above that of the laborer such farmers have most to gain by deriving all public revenue from just charges on location values. The fact is that taxation, as now levied, falls on them with peculiar punitive severity. They are taxed on all their improvements, houses, barns, fences, crops and stock. Farmers pay personal income taxes and sales taxes. The personal property which they have cannot be as readily concealed or undervalued as can the more valuable kinds which are concentrated in the cities. They are not only taxed on personal property and improvements, which the owner of unused locations escape, but their land is generally taxed at a higher rate than land held on speculation, simply because it is improved. But further than this all taxes imposed on commodities fall on the farmer without mitigation. The farmer would be a gainer by the substitution of a single charge upon the value of his or her location instead of all these taxes. The charge on location values would fall with greatest weight, not upon the agricultural districts, where location values are comparatively small, but upon the towns and cities where location values are high; whereas sales taxes and taxes upon personal income, personal property and improvements fall as heavily in the country as in the city. The result of a charge on location values would be that speculative values of locations would be kept down, and that cultivated and improved farms would have no payments to make to support government directly until the country around them had been well settled. In fact, paradoxical as it may at first seem to them, the effect of putting all charges for public revenue upon the value of locations would be to relieve the harder working farmers of all taxation.

Wealth would not only be enormously increased; it would be equally distributed. Not to mean that each individual would get the same amount of wealth. That would not be equal distribution, so long as different individuals have different powers and different desires. But wealth would be distributed by the degree in which the industry, skill, knowledge or prudence of each contributed to the common stock. The non producer would no longer roll in luxury while the producer got but the barest necessities of animal existence.

All fear of great fortunes might be dismissed, for <u>when every person gets what each fairly earns, no one can get more than fairly earned.</u> How many men and women are there who fairly earn a million dollars a year?

The Law of Human Progress:

Civilization is cooperation. Union and liberty are factors of civilization. What has destroyed every previous civilization has been the tendency to the unequal distribution of wealth and power. This same tendency, operating with increasing force, is observable in our civilization today. As corruption becomes chronic; as public spirit is lost; as traditions of honor, virtue and patriotism are weakened; as law is brought into comtempt and reforms become hopeless; then in the festering mass will be generated volcanic forces, which shatter and rend when seeming accident give them vent. Strong, unscrupulous men and women, rising up, upon occasion will become the exponents of blind popular desires or fierce popular passions and dash aside forms that have lost their vitality. The sword will again be mightier than the pen, and in carnivals of destructive brute force and wild frenzy will alternate with the lethargy of a declining civilization.

Whence shall come the new barbarians? Go through the squalid quarters of great cities, and you may see, even now, their gathering hordes. How shall learning perish? Men and women will cease to read, and books will kindle fires.

In the decline of civilization, communities do not go down by the same paths that they came up. For instance, the decline of civilization as manifested in government would not take us back from republicanism to constitutional monarchy, and thence to the feudal system; it would take us to emperorship and anarchy.

Where Liberty rises, there virtue grows, wealth increases, knowledge expands, invention multiplies human powers and in strength and spirit the freer nation rises among her neighbors. Where Liberty sinks, there virtues fades, wealth diminishes, knowledge is forgotten, invention ceases and empires once mighty in arms and arts become helpless prey to freer barbarians.

Only in broken gleams and partial light has the sun of Liberty yet beamed among men and women, but all progress hath she called forth. Shall we not trust Liberty?

In our time as in times before, insidious forces that produce inequality are destroying Liberty. On the horizon the clouds begin to lower. Liberty calls to us again. It is not enough that men and women should vote; it is not enough that they should be theoretically equal before the law. They must have liberty to avail themselves of the opportunities and means of life; they must stand on equal terms with reference to the bounty of nature. This is the universal law. This is the lesson of the centuries. Unless its foundations be laid in justice the social structure of the United States or any other country cannot stand.

For more information on how the ideas of Progress and Poverty can be applied in today's world, contact:

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About the Author

Henry George was born in Philadelphia in 1839. Appalled by the shocking poverty he saw around him in the middle of one of the world's wealthiest cities, he pondered where mankind had gone wrong and what could be done about it. Natural resources, he discovered, are the key to understanding our economy, and the failure of others to see this has led to increasing poverty and environmental degradation. In 1879, Henry George finished writing Progress and Poverty. During the 19th century, the circulation of Progress and Poverty was second only to that of the Bible. To this day, no other book on economics has been as widely distributed.

The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends -- those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth.

-- Henry George