

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

Progress and Poverty

THE CONDITION OF LABOUR

AN OPEN LETTER TO POPE LEO XIII.

"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 pretention 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.

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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 land owners - 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.

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. Satisfactions become 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.