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A NEW DIGEST OF HENRY GEORGE'S "PROGRESS and POVERTY"

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I.—WAGES, CAPITAL AND WEALTH-DISTRIBUTION

The past century has been marked by a prodigious increase in wealth-producing power. It was naturally expected that labour-saving inventions would make real poverty a thing of the past. Disappointment, however, after disappointment has followed. Discovery upon discovery, invention after invention, have neither lessened the toil of those who most need respite nor brought plenty to the poor. The association of poverty with progress is the great enigma of our time. I propose to attempt to solve by the methods of political economy the great problem; to seek the law which associates poverty with progress; and increases want with advancing wealth.

The inquiry is—why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living? The answer of current political economy is that wages are fixed by the ratio between the number of labourers and the amount of capital devoted to the employment of labour, and constantly tend to the lowest amount on which labourers will consent to live and reproduce; because the increase in the number of labourers tends naturally to follow and overtake any increase in capital. This argument is inconsistent with the general fact that wages and interest do not rise inversely, but conjointly. My proposition is that wages, instead of being drawn from capital, are drawn from the product of the labour for which they are paid.

The three agents or factors in production are land, labour and capital, and that part of the produce which goes to the second of these factors is wages. Land embraces all natural materials, forces and opportunities, and therefore nothing that is freely supplied by nature can be properly

classed as capital. Labour includes all human exertion, and hence human powers, whether natural or acquired, can never be properly classed as capital.

We exclude from the category of capital everything which must be included either as land or labour, and therefore capital consists of those things which are neither land nor labour, but which have resulted from the union of these two original factors of production. Nothing can be capital which is not wealth, only such things can be wealth the production of which increases, and the destruction of which decreases, the aggregate of wealth. Increase in land values does not represent any increase in the common wealth, for what land-owners gain by higher prices, the tenants or purchasers will lose.

All wealth is not capital. Capital is only that part of wealth which is devoted to the aid of production. It is wealth in the course of exchange, for production includes not merely the making of things, but the bringing of them to the consumer. Wherever we analyse the facts we find that without production wages would not, and could not, be. As the rendering of labour precedes the payment of wages, and as the rendering of labour in production implies the creation of value, the employer receives value before he pays out value, he but exchanges capital of one form for capital of another form. Hence the payment of wages in production never involves the advance of capital or even temporarily lessens capital.

Nor is it true that the maintenance of labour is drawn from capital, and that therefore population regulates itself by the funds which are to employ it, for that would involve the idea that labour cannot be exerted until the products of labour are saved, thus putting the product before the producer, which is absurd. Capital, therefore, does not limit industry, the only limit to industry being the access to natural material. Capital may limit the form of industry, and the productiveness of industry, by limiting the use of tools and the division of labour. The functions of capital are to assist labour in production with tools, seeds, etc., and with the wealth required to carry on exchanges.

All remedies, whether proposed by professors of political economy or working men, which look to the alleviation of poverty either by the increase of capital, or the restriction of the number of labourers, or the efficiency of their work, must be condemned.

The argument that wages are determined by the ratio between capital and labour finds its strongest support in the Malthusian doctrine, and on both is based the theory that past a certain point the application of capital and labour yields a diminishing return. The Malthusian doctrine is that the tendency to increase in the number of labourers must always tend to reduce wages to the minimum on which labourers can reproduce.

When subjected to the test of straightforward analysis, this theory is untenable.

There are on every hand the most striking and conclusive evidences that the production and consumption of wealth have increased with even greater rapidity than the increase of population, and that if any class obtains less than its due share it is solely because of the greater inequality of distribution. The denser the population the more minute becomes the subdivision of labour, the greater the economies of production and distribution, and hence, the reverse of the Malthusian doctrine is true.

II.—RENT AND WAGES

To discover the cause which, as population increases and the productive arts advance, deepens the poverty of the lowest class, we must find the law which determines what part of the produce is distributed to labour as wages, what part to capital as interest, and what to landowners as rent.

Rent is the price of monopoly arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase.

The law of wages is that they depend upon the margin of production, or upon the produce which labour can obtain at the highest point of natural productiveness open to it without the payment of rent.

This law of wages accords with and explains universal facts, and shows that where land is free, and labour is unassisted by capital, the whole produce will go to labour as wages. Where land is free, and labour is assisted by capital, wages will consist of the whole produce, less that part necessary to induce the storing up of labour as capital. Where land is subject to ownership and rent arises, wages will be fixed by what labour can secure from the highest natural opportunities open to it without the payment of rent. Where natural opportunities are all monopolized,

wages must be forced by the competition among labourers to the minimum at which labourers will consent to reproduce. Nothing can be clearer than the proposition that the failure of wages to increase with increasing productive power is due to the increase of rent.

The value of land depending wholly upon the power which its ownership gives of appropriating wealth created by labour, the increase of land values is always at the expense of the value of labour. And, hence, that the increase of productive power does not increase wages is because it does increase the value of land. It is the universal fact that where the value of land is highest civilization exhibits the greatest luxury with the most piteous destitution.

The changes which constitute or contribute to material progress are three: increase in population, improvement in production and exchange, and improvement in knowledge, government and morals.

The effect of increase of population upon the distribution of wealth is to increase rent, and consequently to diminish the proportion of the produce which goes to capital and labour in two ways: First, by lowering the margin of cultivation; and second, and more important, by bringing out in land special capabilities otherwise latent, and by attaching special capabilities to particular land.

The effect of inventions and improvements in the productive arts, including division of labour between individuals, is to save labour—that is, to enable the same result to be secured with less labour, or a greater result with the same labour, and hence to the production of wealth.

Without any increase in population, the progress of invention constantly tends to give a larger and larger proportion of the produce to the owners of land, and a smaller proportion to labour and capital; and, therefore, to decrease wages and interest. And, as we can assign no limit to the progress of invention, neither can we assign any limits to the increase of rent short of the whole produce.

Another cause of the influence of material progress upon the distribution of wealth is the confident expectation of the future enhancement of land values which arises in all progressive countries from the steady increase of rent. This leads to speculation, or the holding of land for a higher price than it would otherwise bring. It is a force which tends to

increase rent in a greater ratio than progress increases production, and tends to reduce wages, not merely relatively but absolutely.

III.—THE COMMON RIGHT TO LAND

The fact that the speculative advance in land values cuts down the earnings of labour and capital, and checks production, leads irresistibly to the conclusion that this is the main cause of those periodical industrial depressions to which every civilized country seems increasingly liable.

Robbed of all the benefits of the increase of productive power, labour is exposed to certain effects of advancing civilization which, without the advantages that naturally accompany them, are positive evils, and of themselves tend to reduce the free labourer to the helpless and degraded condition of the slave. As land is necessary to the exertion of labour in the production of wealth, to command the land is to command all the fruits of labour save enough to enable labour to exist.

But there is also an active, energetic power—a power that in every country, be its political form what it may, writes laws and moulds thought—the power of a vast and dominant pecuniary interest. The great cause in the inequality of the distribution of wealth is the inequality in the ownership of land. The ownership of land is the great fundamental fact which ultimately determines the social and political, and consequently, the intellectual and moral condition of a people. The tendencies and measures at present relied on or advocated as calculated to relieve poverty and distress among the masses are insufficient. The true remedy is to substitute for individual the common ownership of land.

As man belongs to himself, so his labour when put in concrete form belongs to him. As nature gives only to labour, the exertion of labour in production is the only title to exclusive possession. When non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labour is to that extent denied.

The equal right of all men 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. The right of individual proprietorship of land is the denial of the natural rights of other individuals—it is a wrong which must show itself in the inequitable division of wealth. Again, the ownership of land

will always give the ownership of men, to a degree measured by the necessity, real or artificial, for the use of land. And when that necessity is absolute, when starvation is the alternative to the use of land, then does the ownership of men involved in the ownership of land become absolute.

Private ownership of land is the nether millstone. Material progress is the upper millstone. Between them, with an increasing pressure, the working classes are ground. Historically, as ethically, private property in land is robbery. It has everywhere had its birth in war and conquest, and in the selfish use which the cunning have made of superstition and law.

IV.—THE REMEDY FOR SOCIAL ILLS

Private property in land is inconsistent with the best use of land. What is necessary for that is security for improvements. Where land is treated as public property it will be used and improved as soon as there is need for its use or improvement, but, being treated as private property, the individual owner is permitted to prevent others from using, or improving, what he cannot, or will not, use or improve himself. I do not propose to purchase or to confiscate private property in land. The first would be needless, the second unjust. It is only necessary to confiscate rent.

The sovereign remedy which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals and taste and intelligence, purify government, and carry civilization to yet nobler heights, is to appropriate rent by taxation, and to abolish all taxation save that upon land values.

The great class of taxes from which revenue may be derived without interference with production are those upon monopolies, temporary or onerous. But all other monopolies are trivial in extent as compared with the monopoly of land. Taxes on the value of land not only do not check production, but tend to increase it by destroying speculative rent.

The whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth. A tax on land values does not add to prices, and is thus paid directly by the persons on whom it falls. Land is not a thing of human production, and taxes upon rent cannot check supply. On the contrary, by compelling those who

hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land.

A tax on land values, while the least arbitrary of taxes, possesses in the highest degree the element of certainty. It may be assessed and collected with a definiteness that partakes of the immovable and unconcealable character of the land itself. It is the most just and equal of all taxes, because it falls only on those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. The division of land now held on speculation would much increase the number of landowners.

A single tax on the value of land would so equalize the distribution of wealth as to raise even the poorest above that abject poverty in which public considerations have no weight, while it would at the same time cut down those overgrown fortunes which raise their possessors above concern in government.

V.—EFFECTS OF THE REMEDY

The effects of the remedy would be to lift the whole enormous weight of taxation from productive industry. It would open new opportunities, for no one would care to hold land unless to use it, and land now withheld from use would everywhere be thrown open to improvement. The selling price of not merely agricultural, but all land, would fall. The bonus that wherever labour is most productive must now be paid before labour can be exerted would disappear. Competition in the labour market would no longer be one-sided. Rent, instead of causing inequality, would promote equality. Labour and capital would receive the whole produce, minus that portion taken by the state in the taxation of land values, which, being applied to public purposes, would be equally distributed in public benefits. The equalization in the distribution of wealth would react upon production, everywhere preventing waste, everywhere increasing power.

Simplicity in the legislative and executive functions of government would become possible. It would at the same time and in the same degree become possible for it to realize the dream of socialism, not through governmental repression, but because government would become the administration of a great co-operative society, merely the agency by which the common property was administered for the common benefit.

Give labour a free field and its full earnings, take for the benefit of the whole community that fund which the growth of the community creates, and want, and the fear of want, would be gone.

If the conclusions at which we have arrived are correct, they will fall under a larger generalization. However man may have originated, man, as man, no matter how low in the scale of humanity, has never yet been found destitute of the power of improvement. Everywhere and at all times he has made some use of this power. The varying degrees in which the faculty is used cannot be ascribed to differences in original capacity. These are evidently connected with social development. A survey of history shows diversities in improvement, halts and retrogression; and the law which will explain all these is that men tend to progress as they come together, and by co-operation with each other increase the mental power that may be devoted to improvement.

But just as conflict is provoked, or association develops inequality of condition and power, this tendency to progression is lessened, checked and finally reversed. As society develops there arise tendencies which check development. The process of integration, of the specialization of functions and powers, is accompanied by a constant liability to inequality, and to lodge collective power and wealth in the hands of a few, which tends to produce greater inequality, since aggression grows on what it feeds.

The reform I have proposed accords with all that is politically, socially, or morally desirable. It has the qualities of a true reform, for it will make all other reforms easier.

Behind the problems of social life lies the problem of individual life. Properly understood, the laws which govern the production and distribution of wealth show that the want and injustice of the present social state are not necessary, but that, on the contrary, a social state is possible in which poverty is unknown, and all the better qualities and higher powers of human nature would have opportunity for full development.

"Progress and Poverty," by Henry George.

Cloth bound, 406 pages. 1s. net.

Published by the Henry George Foundation, 94, Petty France, London, S.W.1. Full list of Books and Pamphlets on application. Copies of this pamphlet at 1d. each or 6d. per dozen, post free.