

## CHAPTER 7

### DISTRIBUTION

59. So let us now return to the economy, of which the distribution of wealth and services is the core.

Economic Distribution, the all-important "second half" of economics, is at first a little difficult to grasp, not because of any inherent difficulty in the subject, but only because the orthodox teachings and popular superstitions relating to the subject are so rampantly wrong and confused. These erroneous ideas, further, are also encouraged and reinforced by the social forces of privilege which in defence of their privileges work on public apathy and ignorance and obscure true social principles. They divert attention from economic science in many ways. The only cure for this is knowledge. The privileged interests and groups, which so largely rule our present society, originated in our early history of conquest and subjugation. The student of economics, the most important of the sciences, must therefore have a free and enquiring mind, open to illumination, critical to the extent that all sciences require, and not unduly deferential to authority.

60. Colloquially, 'distribution' has various meanings, chiefly transport, taxation, and exchange. But in economics it means none of these, but only the economic *division* of wealth by natural law between the different classes of producers (labourers) during the process of production.

Nature gives to non-producers no reward out of production, i.e. they receive no share in distribution. If non-labourers receive any share in the proceeds of labour without contributing any labour it must mean less for those who do labour, and it must be due to some form of legal privilege, i.e. unfair political treatment. Thus in economics the concept of distribution is quite different from the colloquial meaning, and time and mental concentration are required to separate true economic distribution from the false political distribution.

61. Economic distribution is effected by natural economic law, not by human will or by government, i.e. by nature alone, and simultaneously with production. It is the product of the economic nature of man. All men compete for the best and most economic opportunities, especially the best sites for producing; the great differences in the advantages of different sites are the essential element in distribution. On the best sites there is more production with the same labour per person than on inferior sites. The excess production is termed rent; the total excess on any site is measured by comparison with that on the least favourable site

in use, which is termed the margin. On land outside the margin there is no production. At the margin there is no rent, i.e. no excess, and the whole production is taken by the labourers as wages.

Within the margin the excess over wages, i.e. the rent, is everywhere taken by those who own the land, leaving to the labourers the same amount of wages everywhere as on the margin. All this is explained later by Tables, which should be carefully studied (pars. 85-88).

62. Logically, wages and rent in distribution correspond to labour and land in production. Using correct, though metaphorical, terminology: (a) individual labourers get their share (wages), and (b) the rest, or surplus, or excess, is rent, the wages of the whole community of labourers. The fact that the rent (or most of it) is now, by misgovernment, appropriated by the land-holders as their private (unearned) incomes instead of by the community who produce it is irrelevant to economics, and is relevant only to political perversion. Wages are the share of the individual labourer, and rent is the share of the community. Rent is a surplus because on the more favourable sites additional wealth and services are produced without any additional labour, i.e. with the same labour as produces wages only on the margin. How favourable the best sites are can be seen by the enormous prices now paid for them in the market and pocketed by the owners instead of by the community through its government.
63. Ethics decrees, and therefore politics is ethically bound to decree, that the whole of the product of labour should be taken in the market by labour as its own. If this is done the law of economic distribution will determine how much will go to wages and how much to rent. Mere ownership produces nothing, and so mere ownership in distribution will take nothing. (Necessary management is, of course, labour).
64. Unfortunately there is ambiguity in the meaning of the term 'wages' (as can be seen above). We need one term which will indicate the return to individual labour, and 'wages' already indicates that meaning correctly. But we need another word which will indicate that rent is also the wages of the community. But as there is no such term in economics, and we cannot invent one except by a miracle, we must for the present continue to use the present words, remembering that rent is the surplus product of co-operative labour on superior sites.
65. Distribution is both the most important and the least commonly understood part of economics. In some respects it is difficult, but only because

the terms are technical and do not always bear their colloquial meanings. And in economics even the technical terms are comparatively simple.

So the challenge to the teacher, writer, and student of economics is to clarify the meanings, especially of rent which provides the key to the understanding of all economic phenomena and also to the solution of the world's great social problems which are all ethical and political.

Rent is one of the two natural channels of distribution. To understand it completely is to understand economics. Most writers on economics confine their attention to different aspects of production, such as trade, money, growth, or the G.N.P., become switched over into politics and endlessly discuss the misconceived idea of 'correcting mal-distribution'. They therefore misunderstand economic distribution. Yet it is only by overcoming the confusions and understanding economic distribution - a process of nature, not of politics - that economic and politics become mentally separated and good government becomes possible. This is a great challenge indeed.

Among the many illuminating explanations of rent is Chapter II of Book IV of Henry George's "The Science of Political Economy" and the reader should not delay reading and mastering the Chapter.

## CHAPTER 8

### MORE ON DISTRIBUTION

66. To recapitulate: 'distribution' means 'division among'. Wealth is *produced* by labour (which includes capital and exchange), and is *simultaneously distributed* (i.e. divided, not by labour or by human will but by natural economic law) into rent and wages. Both rent and wages are explained later.

The three most prevalent misconceptions of distribution are:

- (a) that it means the transportation of wealth, by rail, van, shops, etc.. In reality all these three processes are labour, and form part of production (from land through to customer);
- (b) that it means the taking of wealth by taxation from the producers and the rich and giving it to 'the poor'. (This is popularly known as 'redistribution'); and
- (c) that it can be effected and affected by human law, i.e. by legislation.