

At the margin there is no rent, and the whole product is wages. This is explained later by diagrams, at pars. 85-88.

We may sum up the progress so far made in our discoveries about distribution as follows:

(a) Distribution is the most important and impressive part of economics.

(b) Economic distribution is instantly effected by natural economic law as the natural consequence and purpose of production.

(c) The scientific understanding of it is very much superior to and more revealing than the concept held in popular circles or in "orthodox" educated circles.

## CHAPTER 9

### CAPITAL AND INTEREST

72. Interest is not a basic category in distribution. All the increased goods and services attributable to the use of capital are primarily wages, entirely due to labour which both produces and uses the capital. On whether or not interest is a third category in distribution Henry George went partially astray in "Progress and Poverty" (pp. 173-8 and 195-203) by treating interest separately from wages. But he corrected himself on page 203. This instructive passage should be carefully studied, remembering that the point is not basic in economics, although some have believed it to be so.

Capital is not a basic factor in production, the basic factors being land and labour, but it is a major part of *the economy*. And capital must not be confused with monopoly or privilege, as most people, following Marx, do. Monopoly and privilege enable non-producers to receive a share of production without contributing to it, and to masquerade as 'capitalists'.

Capital and labour can never be in any way opposed to or in conflict with each other. True capital is the product and tool of labour, and of labour alone; it enormously increases production and wages. Without labour capital cannot exist. Labour always employs capital, and *capital*

*never employs labour.* Capital is always economic and benefits all (except when wasted).

Mental confusions about capital, widely held by both Marxists and non-Marxists in politics and education, have spread great havoc throughout the industrial world. Capital has been most irrationally supposed to oppress and exploit labour. In reality the opposition is between (1) those who (with the sanction of government) claim rent as their private unearned incomes and base their claims on their alleged "ownership" of the earth, and governments which convey privileges and extract taxes, and (2) the producers who are thus robbed and exploited. Without the popular misunderstanding of this great antithesis modern exploitation could not occur.

Ethically all men are equally entitled to the earth, its resources, its sites and its rent, and all are entitled to equal freedom and justice.

### Ownership

73. Ownership is not labour, is not a factor in production or distribution, and receives no reward from nature. It is quite different from security of tenure, which government is under obligation to ensure for everybody. When government causes mere ownership, whether true property or not, to receive a share in "distribution", there is misgovernment and the robbery of labour. For instance, the owners of slaves, whose "ownership" is a political privilege conferred and maintained by political and military force, appropriate as much of their slaves' production as they can. The appropriation takes place after the economic production and distribution have been completed, and is similar to taxation in this respect.

Legitimate ownership (derived only from labour or exchange or gift) extends only to the products of labour. The ownership of land or of men is a basic violation of human rights. No progress can be made towards restoring and establishing human rights until so false a concept is banished, and true ownership established by just laws.

74. To recapitulate: in economic distribution the whole of everything produced goes to labour, either as individual wages or as rent (community wages).

Production = Land and Labour. Labour includes capital.  
Distribution = Wages and rent.

### How Distribution Is Effected

75. In economics there are no persons who distribute. Distribution is effected by natural law (not by human law or enactment) in the market, through price. The price you pay in the market for goods and services is distributed as: (a) the wages of every labourer (physical and mental) who has contributed to the supply of any item in any way in any place, and (b) the rent of every site used economically in any part or step of the production. This natural process of distribution becomes obvious if serious attention is given to the subject. This book endeavours to unfold it, but it is much better and more fully expounded in Book III of "Progress and Poverty". The producers are not conscious of the process, though they are aware of the results, just as we are not conscious of the processes of our bodies and minds when we are healthy, but we can become conscious of them by thought and investigation. Producers are conscious of production but not of distribution. In misguided efforts to control and improve distribution (an impossibility) much effort and expense are wasted and the community is thrown into turmoil and conflict. Governments try vainly to "correct" and neutralise the effects of their own misgovernment, whereas nature distributes successfully with no effort or error by anybody.

One spectacular feature of the economy is the impressive way in which, without conscious action by anybody, the massive accumulation of all the capital needed to finance the great network of production and exchange takes place. For instance, in the lengthy period of building the Sydney Harbour Bridge large amount of capital were necessary for the purchase of materials and the employment of large numbers of workers. This was all provided by the free market.

76. It is fortunate that economic distribution cannot be made, altered or improved by man. One can imagine, by observing the chaos resulting to-day from the efforts of our politicians and planners, what would happen if man could play God in this sphere of the natural order. The urge to do something to improve the present results of misgovernment (which are mistaken for economic distribution) is natural and commendable, but the only way to success is through the science of economics and the principles of ethics. Every ignorant attempt to improve on nature must be disastrous.

Misgovernment is to blame for "mal-distribution". Governments are instituted to protect all individuals from wrong-doers. This process is called *justice*, which is the primary duty and function of government. Social injustice consists of the perversion of government into granting privilege which enables some to rob and oppress the majority. The

crowning twin evils of privilege are slavery and land-"ownership", but all other social evils are lesser instances of these two. For instance, "Protection" (a denial of the individual's right to trade freely) is a lesser form of slavery. This subject, including the remedy, is dealt with later in this book.

77. One frequently misunderstood point in economics should be clarified here. A landholder may use his own land for production, being thus both a labourer and a land-holder. If the land is at the margin all he receives is wages, but if it is above the margin he receives both rent and wages. He generally assumes that the superior return is his wages, but if he lets his land to a tenant rent will become clearly visible. Whether the labourer is a tenant or is himself the land-holder, in each case the wages belong to the labourer and the rent belongs to the community.

## CHAPTER 10

### ECONOMIC RENT

78. Rent is nature's masterpiece, the most spectacular, beautiful and beneficial of all the wise features of the economy. It has been well said that there is more wisdom in a leaf than in all human philosophers. And rent is the most striking phenomenon of the social wisdom of nature. Even when it is prevented by misgovernment, i.e. injustice, from fulfilling its social roles it is always available as the public revenue, and the greater the needs of the community the greater is the amount of rent available. In a small community the public needs are small and the amount of rent is small, but as the community and its need grow the rent grows in proportion. It is always sufficient to meet all the normal requirements of government, and the failure of a government to take it for public revenue produces dire evils, which can be summarised as poverty, unearned fortunes and taxation, and social turmoil. As it is a *Surplus* it is not a burden on anybody; those who will most benefit from substituting rent for taxes are the poor who will be re-inherited into a free and normal society. But all classes, including the present rich who unjustly take the rent as their private incomes, will benefit immeasurably by the restoration of a just and honest community.
79. Even under feudalism the rent of the land allotted to the Church for the relief of the poor and for education (frank-al-moign) was sufficient to prevent the kind of poverty and destitution which we see everywhere to-day, and which appeared in England as the result of the seizure and