

misappropriation of the church lands under Henry VIII and Edward VI, and which continued to increase from the time of the Enclosures. The Industrial Revolution and the ever-increasing technology of the 19th and 20th centuries have still further increased the appalling gaps and contrasts between the world's massive wealth and the wide-spread poverty and destitution of the dispossessed masses. The disinheritor has produced and increased not only poverty but all the world's social problems, notably an enormous increase of non-productive workers and the fantastic expenditures on war and armaments. If the same expenditure were devoted to providing food for the hungry nobody could be hungry. Longfellow's famous tirade against armaments strikes a deep note of truth:

"Were half the power that fills the world with terror,
Were half the wealth bestowed on camps and courts
Given to redeem the human mind from error
There were no need for armaments and forts."

("The Arsenal at Springfield".)

The Welfare State has diminished poverty in some countries, but has not changed the contrasts of super-affluence and poverty in most of the world. Nothing but the removal of the basic social wrong by *liberating* mankind will achieve this. Therefore, it is essential that rent be understood.

CHAPTER 11

THE ECONOMIC LAW OF RENT

80. The general law or principle of rent is simple, and is correctly though inadequately understood by most economists. It is generally (but inaccurately) ascribed to David Ricardo (1772-1823) as follows: "The rent of land is determined by the excess of its produce over that which the same application (of labour and capital) can secure from the least productive land in use (i.e. land at the margin of production)".

Ricardo himself imperfectly understood the law (for which as a pioneer he can be forgiven). For instance, he thought that it applied, at least primarily, to agricultural land, which is still quite a common error. Still "Ricardo's Law", as stated above, expresses the basic principle of rent, and is said in P. & P., p. 168 to be "a self-evident proposition". And on p. 214 of the same book Henry George says that it "carries with it its own proof and becomes self-evident by mere statement".

"Ricardo's Law" may be better, though not perfectly, stated as follows:
"Rent is the *excess* amount of wealth, produced by all the producers on a site, attributable to the superiority of the site, over what can be produced by the same number of producers at the margin with the same labour and capital.

A brief definition of rent: *The surplus production arising from the use of favourable sites especially in trade (production).*

81. In Political Economy the Law of Rent was commonly called the Pons Asinorum, by analogy from Euclid in which the Fifth Proposition was called the Bridge of Asses because if the student did not master it he could make no further progress in geometry and fell over the bridge of failure into the river. It is a very good analogy. As Bernard Shaw said, not to understand rent precludes any progress in economics.
82. No two sites are exactly the same economically, either in area, fertility or any other respect. All sites carry different numbers of producers and different amounts or types of capital. Comparisons between sites are unreliable, but the law of rent in all cases itself sorts out and equalises the differences through the operation of price in the market.
83. The total production at the margin is wages. On all sites within or above the margin, rent takes the excess. Therefore wages are on all sites equalised at the level of the margin. The Law of Rent therefore establishes the Law of Wages:

Wages are the total wealth produced on any site *above the level of the margin*. Rent is the excess or surplus on any site within or above the margin.

The significance of this is of supreme importance in economics.

Warning: It must not be inferred that rent is a deduction from wages. It is a surplus, resulting from the superiority of sites.

84. The following passage will help to clarify the whole subject: "This is the law of rent: As individuals come together in communities, and society grows, integrating more and more its individual members, and making general interests and general conditions of more and more relative importance, there arises, over and above the value which individuals can create for themselves, a value which is created by the community as a whole, and, which attaching to land, becomes tangible, definite and capable of computation and appropriation. As society grows, so grows

this value, which springs from and represents in tangible form what society as a whole contributes to production, as distinguished from what is contributed by individual exertion. By virtue of natural law in those aspects which it is the purpose of the science we call political economy to discover - as it is the purpose of the sciences which we call chemistry and astronomy to discover other aspects of natural law - all social advance necessarily contributes to the increase of this common value; to the growth of this common fund.

"Here is a provision made by natural law for the increasing needs of social growth: here is an adaptation of nature by virtue of which the natural progress of society is a progress towards equality, not towards inequality; a centripetal force tending to unity, growing out of and ever balancing a centrifugal force tending to diversity. Here is a fund belonging to society as a whole from which, without the degradation of alms, private or public, provision can be made for the weak, the helpless, the aged; from which provision can be made for the common wants of all as a matter of common right to each, and by the utilization of which society, as it advances, may pass, by natural methods and easy stages, from a rude association for purposes of defence and police, into a co-operative association, in which combined power guided by combined intelligence can give to each more than his own exertion multiplied many-fold could produce."¹

George Bernard Shaw says: "In economics we have the law of rent and the law of value, both of them as well established as the axioms of our mathematicians and astronomers; yet out of 600-odd members of parliament I know of only one who shows any sign of having ever heard of the law of rent; and he is not in the Cabinet."²

Notes to Chapter 11:

1. "Social Problems" (1883) by Henry George, Chapter XIX.
2. "Everybody's Political What's What" (1944) by G.B. Shaw at 365-6.

CHAPTER 12

THE MARGIN, with diagrams

85. The margin is that area of production at the 'edge', i.e. the point at which the land is the least productive in use. Beyond the edge there is no production; it may be an area of desert or swamp or mountain (before