

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

oil or minerals are discovered), or it may be quite good land to which settlement has not yet extended.

Within, or above, the margin the productive land (or site) is of superior social quality in one respect or another, and yields a greater product for the same labour than does the land at the margin. It rises in quantity from the edge to the centres of population. At the centres the land is no longer mere land and has become 'sites'. Taking the productive world as a whole the great cities are the main centres. Great areas of all countries are within the margin in varying degrees. In Table 1 (par. 86) the margin is Column A and in Table 2 the margin is Column 2.

At the margin wages take the whole of production, because there is no 'inferior' land in use and consequently no rent. Above the margin the whole production is divided between wages and rent, as shown.

An understanding of the margin and of its functions under natural economic law is basic. It has been ignored in many quarters, and in other quarters it has been misunderstood as justifying the "iron law of wages" and the erroneous belief that it is impossible to raise wages.

The three Tables show how, as population grows, the wealth becomes distributed (divided) into wages and rent. At all stages of the development wages remain (substantially and relatively) the same, determined by reference to the margin, while the rent strikingly rises (substantially and relatively) from stage to stage, again determined by the margin.

The logical deductions from this are:

1. As the community develops, the PROPORTION of wages to rent falls dramatically, although the actual amount of wages does not fall at any stage while the margin remains unchanged.
2. Community-progress of every kind is reflected in the increase of rent. The "superior quality" of the land within the margin is attributable almost entirely to its 'social' advantages, i.e. to the advantages conferred by the presence and activities of the people in contact with the site, e.g. a railway, road, shops. This means that all social progress increases rent and is economically absorbed into the rent.
3. If the margin is forced further out from the centre wages will decrease as a proportion, and if the margin contracts towards the centre wages will increase as a proportion.

4. Thus, the effect of any substantial area of land being unused is that the margin must be further out from the centre and as a consequence wages throughout the community will be lower and the margin-land socially inferior and rents as a *proportion* higher. Conversely, if the margin contracts, wages will *proportionately* rise, and rent will *proportionately* fall. (see tables over page)

89. Different stages of production of any article are carried out on different sites and by innumerable workers in different parts of the world, all contributing by way of exchange, including Pacific Islanders (fertilisers), Japanese (computers), Americans (tractors and machinery). As the number of workers per site increases from the centre to the margin the production increases more than proportionately, because 100 co-operating workers produce far more than 100 times as much as one. The sites at the population-centres yield the greatest proportion of rent, because rent is principally a product of population (association). Many different factors contribute to rent, such as skills, morality, culture, most of which fall under the heading of population or exchange. Rent is surplus production on superior sites.
90. Land and labour are always the only two basically necessary factors or agents of production. All other alleged factors turn out upon analysis to be either other names for land or labour or no factors at all. Exchange and management, for instance, are both labour.

The Meaning of Rent

91. In economics, the meaning of rent is in one respect narrower than its popular meaning: it applies only to land, and excludes buildings, improvements and labour. It is quite different from what is paid by a hirer of machinery or other goods.
92. In another respect it is wider, and includes not only rent produced on land used by a tenant but also rent produced on land used by the owner; i.e. where the owner and the producer are the same person or partners. An owner who works his own land receives the rent, though he is not always aware of that. Rent is not a payment to anybody, but the *surplus product* (due to the greater fertility or social superiority of the site) over what is produced at the margin.
93. For a full treatment of rent, see "Progress and Poverty" Books III and IV. A study of the tables will reveal that *rent equalises wages*.

TABLE 1
ILLUSTRATING PROGRESSIVE ECONOMIC DISTRIBUTION
INTO RENT AND WAGES FROM MARGIN TO CENTRE

SITE	A outback, beyond margin	B At margin	C Out back country (with more social advantages, e.g. a road)	D Village (with more social advantages)	E Town	F City (Centre)	G Metropolis
Workers on Site	None	1	1	4	10	100	300
Net Production on site (units)	Nil	1000	2000	10000	40000	1,000,000	4,000,000
Wages per person	Nil	1000	1000	1000	1000	1000	1000
Rent per Site	Nil	Nil	1000	6000	30,000	900,000	3,7000.00

The figures in each diagram are arbitrary, and illustrative only - not statistics. Applicable to 20th Century. For a complete explanation of this table and the Law of Rent see "Progress and Poverty", Books III and IV. In 1788 the present metropolis (Sydney) was a wilderness. The primitive production was not economic in the modern sense. Rent was nil

TABLE 2. SHOWING AUSTRALIAN RENT AND WAGES BY HISTORICAL AND CHRONOLOGICAL STAGES

1	2	3	4	5
First settlement	1789-1800 Sydney	1800-1850 N.S.W	1850-1900 N.S.W	1900-1950 N.S.W
Port Jackson 788:	Unlimited land free No Rent	Production has now spread on to several grades of land (including commercial and industrial	(towns, country)	Further great expansion Very Great development
Production (other than Convict or military)	Production per acre per person	Grade 1 Production P.a.p.p. 20	Production per	Grade 1 Villages Production per
Nil	(say) 10(units)	Wages 10 Rent 10	Lot per person 200	lot per person 800
Therefore no economic distribution between rent and wages.	Wages 10 Rent Nil	Grade 2 Production p.a.p.p. 30 Wages 10 Rent 20	Grade 2 Production p.a.p.p. raised by trade and technology 40 Rent 160	Wages(greatly raised) Grade 2 Towns Wages 80 Rent 720
		Grade 3: Production p.a.p.p. 60 Wages 10 Rent 50	Production per person 400 Wages 40 Rent 360	Grade 2 Cities Production 4000 Wages 80 Rent 3200

Illustrations, chiefly of rent, and of the effects of material progress on the distribution of wealth. See "Progress and Poverty", Books IV and V.

TABLE 3
SIMPLIFIED DIAGRAM showing: The operation of the Law of Rent.
Rent as the SURPLUS product, absorbing all the gains of social progress

SITE A. (margin)	SITE B. (village)	SITE C. (town)	SITE D. (city)	SITE E. (metropolis such as New York)
Producers 1.	Producers 30.	Producers 300.	Producers 5000.	Producers 3000000
Production 100.	Production 10000.	Production 20000.	Production 10000000.	Production 10 billion
Wages 100	Wages 3000 (100 each)	Wages 30000 (100 each)	Wages 50000 (100 each)	Wages 300 Million (100 each)
Rent Nil	Rent 7000	Rent 170000	Rent 95000000	Rent 9 billion 700 million (a factual understatement)

NOTE: ~ Production means all forms of goods and services.

The figure 100 as the individual wages on all sites represents the bare living wage prevalent in the community.

The figures are given to indicate the relative proportions of Rent to Wages on any site. It is, of course, impossible to estimate the true figures, even approximately.

It is essential that the significance of the margin be grasped. It is the base on which the figures of every site depend.

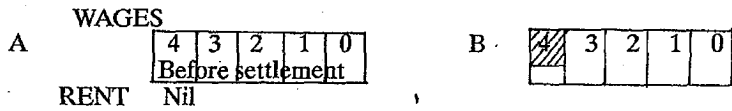
CHARTS DEMONSTRATING THE LAW
OF RENT AND THE LAW OF WAGES

In a new country or area where land is free and settler are arriving, land is of varying degrees of productivity and of favourable situation. As men seek to satisfy their needs with the least expenditure of energy, they will naturally seek to occupy the best land first. To establish an index we will show on the chart the best land as 4. The next best land 3,2 and 1 in order. Land that will yield nothing is 0.

Of course, lands of varying degrees of productivity are never thus sharply marked off from one another, but are irregular and shade into one and another by degrees like the colours in the solar spectrum. The charts are for illustration only.

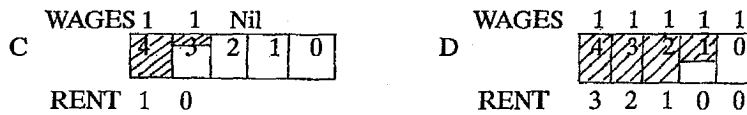
CHARTS

A new and unoccupied country.
How Rent and Wages originate.



Represents different grades of land, and what they yield to the application of labour.

Darkened area represents the first settlers. They settle on the best land, and keep all they produce.



When the best land is all in use, the later settlers are forced to poorer lands and rent commences. What No. 4 land yields above No. 3 is rent. The rent is 1; wages are 3..

All productive land becomes settled and wages become 1. Rent absorbs the rest of the produce. These first four diagrams show the working of the law of rent and wages in a primitive society.

Note: These charts are not intended to indicate that the varying qualities of land depend only on fertility, minerals, or qualities of the soil. The population of the area, i.e. the degree of co-operation, is far more important.

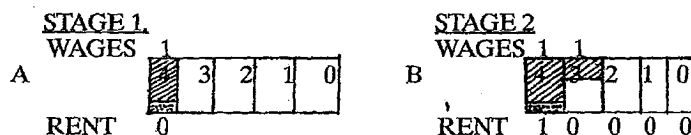
SPECULATION IN LAND.

88. Charts A B C and D assumed that the margin was extended only as it became necessary by having in use all superior land. What actually happens is this: The first comers, knowing that others will follow, take far more land than they themselves can use.

With only a small part of the 4 land actually in use, the remainder is all held on speculation, thus forcing new-comers to extend the margin long before the increase in productive power would make it necessary. Labour and capital must accept a smaller proportional return.

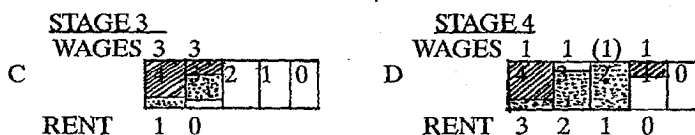
The process goes on and on. Following the fundamental law that men seek to gratify their desires with the least exertion, land is speculated in whenever it appears possible to make a profit.

The following chart shows what speculation in land actually does:

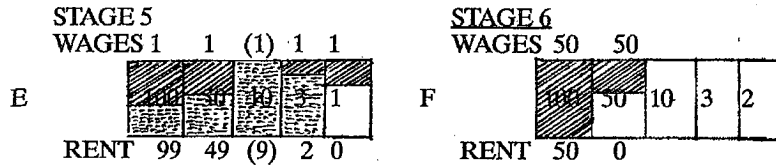


The first settlers take more land than they can use.

Thus the next settlers are forced to poorer land much sooner than they would be under normal conditions.



These next settlers appropriate in turn more than they can use. And so the following settlers are forced out still further.



STAGE 5

Society as it actually exists today. Due to improvements, the productivity of land is greatly increased, but land owners get the benefit. Wages on the best land are the same as wages on the poorest land in use.

STAGE 6

What would happen if speculation in land were abolished. The margin of cultivation would be higher. Wages would then be correspondingly high. How speculation in land can be eliminated will be shown later

NOTE: The shaded area represents the land that is used, and the dotted area represents the land that is held out of use for speculation.

The basically important feature of society which a close examination of the diagrams and charts reveals is that all improvement in and all progress of society results in proportional increases of rents, and in a proportional decrease of wages. This fact is permanent and inescapable.

(Rent is different from speculative rent. See par. 206)

GOOD NEWS TO THE POOR (LUKE 4:11)
NATURE'S SOCIAL LIVING WAGE FOR THOSE UNABLE
TO SUPPORT THEMSELVES

94. An understanding of economic production and distribution (Chapters 7 and 8) reveals how the free economy yields the maximum possible individual wages and the maximum possible community wages (rent). Another equally important aspect of economics is that it reveals that the rent is the natural social fund for providing adequately for that section of the community who through age, illness, misfortune or any other cause are now unable to support themselves and so are entirely or partly outside the economy, and who in good conscience must be provided for by others. Society, and particularly the christian church which has been foremost in some fields of relief and service, recognises this obligation and tries hard to persuade governments to increase pensions and other benefits. Unfortunately, few of them recognise that charity, relief and alleviation are no substitute for justice, so that in spite of massive and ever-growing provision for the poor in our Commonwealth and State Budgets, and innumerable and ever growing public and private charitable organisations, poverty is an ever-increasing problem. The huge provision for the massive numbers of unemployed, most of whom are forced by misgovernment into unemployment while still able and willing to work, is a striking phenomenon in this area. (See Part III on Unemployment). Great numbers of children are deprived of parents and homes, through unemployment and poverty. The destructive and amazing Australian Family Law Act is another cause of victimised children and abandoned wives and homes. Just as the normal wage-earner will willingly, as far as his earnings extend, provide for all members of his family, old and young, sick and well, so the normal civilised community (like a good parent) will provide out of the rent for those in need.

At present the rent is misappropriated by authority of government, and diverted into the unearned incomes of land-holders, so that public revenue must be raised from taxation. This is unnatural, and causes great friction and loss. But when rent is taken for the public revenue, which it naturally is, the taxation will be unnecessary and a great fund will be available for the relief of the needy as well as for the expenses of government. In addition, the enormous economies which will be effected by abolishing taxation will raise wages and rent to a now unheard-of level so that for a normal family the support of the young and the old will be no problem. Nature obviously intended that every normal man should be capable of raising and supporting a family.

So the good news for the poor is that nature has provided an ample fund for their benefit. All we have to do is to take it and use it. Our vast expenditure on unemployment is, like taxation, a bottomless pit, and does great social harm. Charity is no substitute for justice. Though necessary at present, a great deal of it will be made unnecessary by the sovereign remedy (par. 189). A notable book on this subject is W. Cobbett's "Legacy to Labourers" (1835).

The True National Dividend

95. Rent, in short, is the true National dividend. Our less affluent relatives and friends can look forward to a brighter and natural retirement when nature's fund is restored to them.

Economics, as such, is not concerned with the Government's decisions as to what uses the rent will be put. That forms an area of ethics, or politics, facing government. But it is clearly unethical and irresponsible to use the rent for any purpose other than the benefit of the community. And, of course, it would also be uneconomic and irrational to do so.

To recapitulate, the world situation is:

(a) all progress and all improvements in the community relatively increase the share of rent in the distribution of earth, and relatively decrease the share of wages. This is good and for the benefit of all so long as the rent is taken for the community.

(b) But by unjust law, i.e. misgovernment, the bulk of the rent is now misappropriated, with the following results:

(i) The community has lost its natural revenue.

(ii) The people have been disinherited.

(iii) Unemployment and poverty have appeared, increased and become permanent.

(iv) The private fortunes of the few have astronomically increased and have taken control of the politics of the "free" world.

(v) A massive rebellion against this poverty and disinheritance has appeared, in the form of communism and the class-struggle, throwing world-politics into chaos in all countries.

A necessary digression into politics has been made, but politics will be more fully explained in later sections of this book. We now return to economics.