Chapter 20

Technology and the Distribution of Wealth

I INTEND TO SHOW that improved methods of production and exchange will also increase rent, regardless of population. When this is established, we will have explained why material progress lowers wages and produces poverty. No theory of pressure against the means of subsistence is needed, and Malthus's theory—and all doctrines related to it—will be completely disproved.

Inventions and increased productivity save labor. The same results are produced with less labor—or greater results are produced with the same labor. If all material desires were satisfied, labor-saving improvements would simply reduce the amount of labor expended. But such a society cannot be found anywhere. A person is not an ox, lying down to chew its cud when it has had its fill. A person is more like a leech—constantly asking for more.

Demand does not increase only when population does. It grows—in each individual—with the power of obtaining the things desired, and with every opportunity for additional gratification. This being the case, the effect of labor-saving improvements will be to increase the production of wealth.

Now, to produce wealth, two things are required: labor and land. Therefore, the effect of labor-saving improvements will be to extend the demand for land.

So the primary effect of labor-saving improvements is to increase the power of labor. But the secondary effect is to extend the margin of production. And the end result is to increase rent.

This shows that effects attributed to population are really due to technological progress. It also explains the otherwise perplexing fact that laborsaving machinery fails to benefit workers.

Yet, to fully grasp this, it is necessary to keep one thing in mind—the interchangeability of wealth. I mention this again, because it is so persistently forgotten. The possession or production of any form of wealth is—in effect—the possession or production of any other form of wealth for which it can be exchanged. If you keep this clearly in mind, you will see that all improvements tend to increase rent. Not only improvements applied directly to land—but all improvements that in any way save labor.

It is only because of the division of labor that any individual applies effort exclusively to the production of only one form of wealth. An increase in the power of producing one thing adds to the power of obtaining others.

I cannot think of any form of wealth that would not show an increased demand because of labor saved in the production of other forms. Coffins are cited as examples where demand is not likely to increase. But this is true only in quantity. Increased power of supply leads to a demand for fancier coffins.

In economic reasoning it is frequently—but erroneously—assumed that the demand for food is limited. It is fixed only in having a definite minimum; less than a certain amount will not keep a human being alive. But beyond this, the food a human being can use may be increased almost infinitely.

Adam Smith and Ricardo have said the desire for food is limited by the capacity of the human stomach. Clearly, this is true only in the sense that when a person's belly is filled, hunger is satisfied. But demands for food have no such limit. The stomach of a king can digest no more than the stomach of a peasant. Yet a small plot of ground supports the peasant, while thousands of acres supply the demands of the king. Besides his own wasteful use of the finest quality food, he requires immense supplies for his servants, horses, and dogs.

And so every improvement or invention that gives labor the power to produce more wealth, no matter what it may be, causes an increased demand for land and its products. Progress thus tends to force down the margin of production, the same as the demand of a larger population would. This being the case, every labor-saving invention has a tendency to increase rent. This is true whether it is a tractor, a telegraph, or a sewing machine. There will be a greater production of wealth—but landowners will get the whole benefit.

I do not mean to say that the change in the margin would always correspond exactly with the increase in production. Nor do I mean the process would have clearly defined steps. In any particular case, the margin may either lag behind or exceed the increase in productivity. Nor is it precisely true that all labor set free will seek employment. Some will pass from the ranks of the productive to the unproductive, and become idlers. Observation shows that this segment tends to increase with the progress of society.

All I wish to make clear is that even without any increase in population, the progress of invention constantly tends to give a greater proportion of the production to landowners. Therefore, a smaller and smaller share goes to labor and capital. Since we can assign no limits to the progress of invention, neither can we offer any limits to the increase of rent—short of the entire output. If wealth could be obtained without labor, there would be no use for either labor or capital. Nor would there be any possible way either could demand any share of the wealth produced. If anybody but landowners continued to exist, it would be at their whim or mercy—perhaps maintained for their amusement, or as paupers by their charity.

This scenario may seem very remote, if not impossible to attain. Yet it is a point towards which the march of invention is tending every day. In the great machine-worked wheat fields of Dakota, one may ride for miles and miles through waving grain without seeing a single dwelling. The tractor and reaping machine are creating, in the modern world, Roman latifundia*—the great estates of ancient Italy created by the influx of slaves from foreign wars. To many a poor person forced out of a home, it may seem as though these labor-saving inventions are a curse.

Of course, in the preceding, I have spoken about inventions and improvements when they are generally diffused. Sometimes an invention or improvement is used by so few that they derive a special advantage from it. It is hardly necessary to say that, to the extent it is a special advantage, it does not affect the general distribution of

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* Latifundia were large estates created when the wealthy displaced smaller farmers. These once-independent farmers were then forced to join the poor masses in Rome, or sell their lives for food in the army.

wealth. The special profits arising from these situations are often mistaken for the profits of capital—but they are really the returns of monopoly.*

Improvements that directly expand productive power are not the only ones that increase rent. Advances in government, manners, and morals that indirectly increase productivity are also included. Considered as material forces, the effect of all these is to increase productive power. Like improvements in the productive arts, their benefit is ultimately monopolized by landowners.

A notable instance of this is England's abolition of laws protecting certain trades. The resulting free trade has enormously increased the wealth of Great Britain—but it has not reduced poverty. It has simply increased rent. And if the corrupt governments of our great American cities were made into models of purity and thrift, it would not raise wages or interest. It would simply increase the value of land.

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* As explained in Chapter 13.