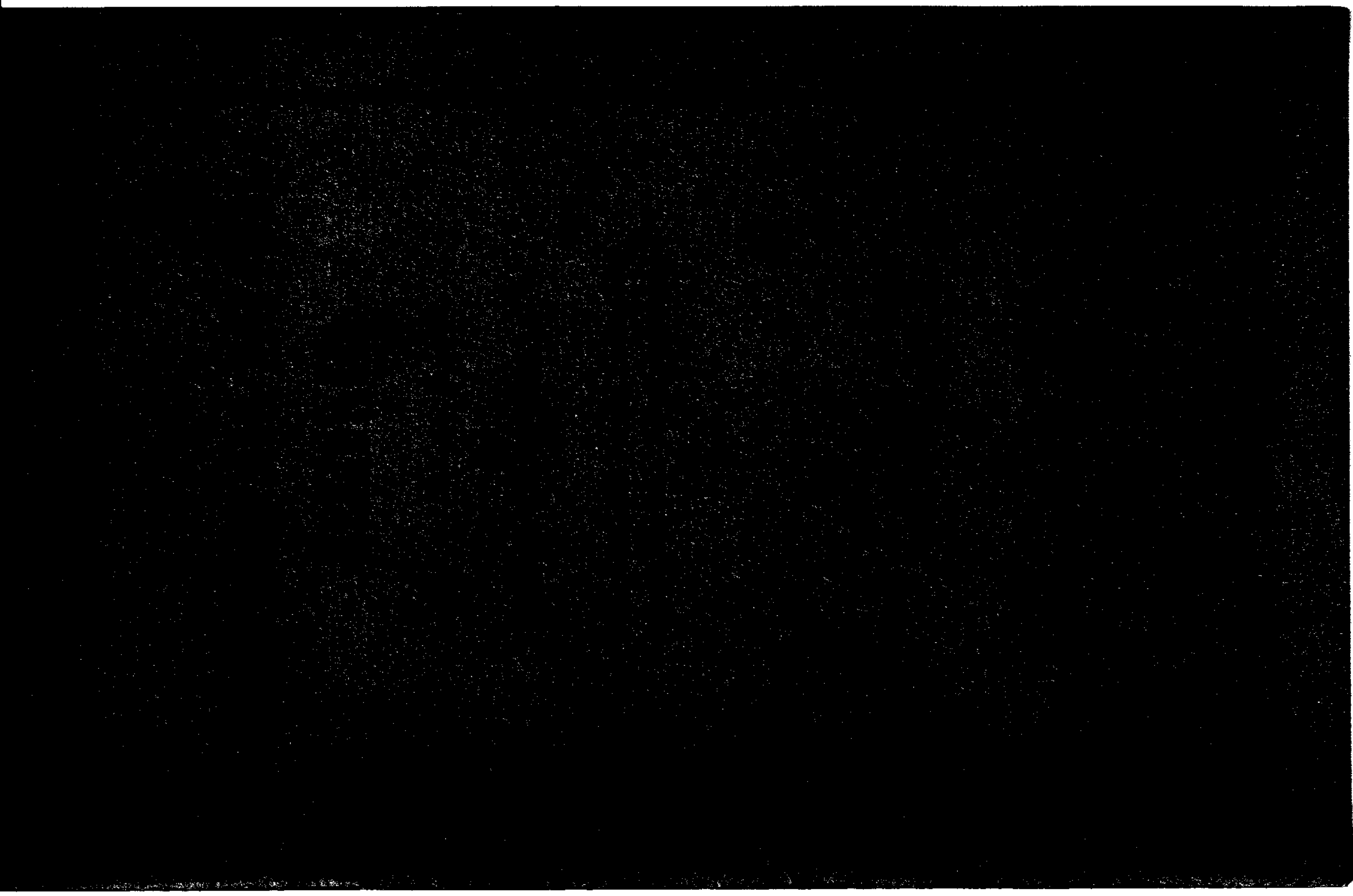

PROGRESS and POVERTY REVIEWED

And Its Fallacies Exposed

By:

SPENCER HEATH, LL.B., LL. M.

The Science of Society Foundation
Roadsend Gardens, Elkridge, Maryland
U. S. A.

Published and distributed in the interest of
Public Enlightenment

For additional copies address:
THE FREEMAN
240 Madison Avenue, New York 16, N. Y.
Enclose ten cents for handling and postage.

85

FOREWORD

With respect to property in land, the American Indian and the Red Russian — each in his own way — are peculiar. The one, when allowed to have private property in his lands, rises at once out of his governmental wardship and out of his own red tribalism. The other, when forced to give up his ownership of land, sinks into the iron wardship of his own Red Communism. Only by adopting private property in land do tribal nomads rise to the settled community mode of life. And when civilized people are being enslaved, the "socialization" of their lands is the final act of government that completes their doom.

Notwithstanding that property in land is crucial and decisive as between society and savagery, freedom and slavery, still that institution is inveterately attacked by the social reformers and self-selected saviours of mankind. Perhaps no other institution of society so universally practiced has been so long and so earnestly denounced and yet so little defended or understood.

Henry George's masterpiece of denunciation still meets with such general acquiescence in its basic misconceptions that until now it has remained practically exempt from reasoned attack or thoroughgoing critical review. The present review is uniquely double-edged: It does not stop with detection of false premises and the mere exposure of fallacies; it goes on to disclose what functions property in land, in all places and times, normally performs. Its keen detections are to be admired, but its positive and more lasting value lies in its making obvious the basic social function inherent in the institution it defends and, to a degree at least, explains.

John Chamberlain.

Dedicated to the Light that gives Understanding; the Knowledge that is Power.

PROGRESS and POVERTY REVIEWED

And Its Fallacies Exposed

First published in 1879 by its author, Henry George, this book still holds many converts in nearly all parts of the world. Written out of a condition of sadness tinged with anger and bordering on despair, it is an ingenious, highly rationalized and elaborated emotional reaction against the institution of property in land. Its long continued though strictly limited popularity and the burning bigotry of so many of its professed adherents still attest to its passionate urge.

In his opening chapter the author says:

> I propose in this inquiry to take nothing for granted, but to bring even accepted theories to the test of first principles . . . I propose to beg no question, to shrink from no conclusion, but to follow truth wherever it may lead. Upon us is the responsibility of seeking the law, ... But what that law may prove to be is not our affair.

Yet in the first paragraph of his preface he has confessed:

> The views herein set forth were in the main briefly stated in a pamphlet entitled "Our Land and Labor Policy," published in San Francisco in 1871. I then intended, as soon as I could, to present them more fully, but the opportunity did not for a long time occur. In the meanwhile I became even more firmly convinced of their truth, and saw more completely and clearly their relations; and I also saw how many false ideas and erroneous habits of thought stood in the way of their recognition, and how necessary it was to go over the whole ground.

And on page 407 (Fiftieth Anniversary Edition) he acknowledges, in parenthetical candor, that he has been for some years endeavoring to popularize these same views and conclusions. The full passage is as follows:

> Experience has taught me (for I have been for some years endeavoring to popularize this proposition) that whenever the idea of concentrating all taxation upon land values finds lodgment sufficient to induce consideration, it invariably makes way, but there are few of the classes most to be benefitted by it, who at first sight, or even for a long time afterward, see its full significance and power.

Here again he unwittingly confesses that his endeavor has been to "popularize" his long-standing views and "to present them more fully" rather than to make any such unprejudiced and impartial investigation as in his "introductory" he so high-mindedly proposed.

Turning to this earlier work of eight years before,* we find that it is essentially a briefer statement of the views and conclusions that his later and principal work was written to popularize and support. There is, however, a striking, even though characteristic incongruity. In *Progress and Poverty* he condemns private property in land (pp. 328, 333, 403) and proposes its practical abolition, whereas in this earlier work he wrote firmly in support of it as, for example:

> For while it is true that the land of the country is a free gift of the Creator to all the people of that country, to the enjoyment of which each has a natural right, it is also true that the recognition of private ownership in land is necessary to its proper use — is, in fact, a condition of civilization.

This and much more to the same effect, contrary to his main thesis; just as he later hotly opposed any forthright nationalization of land, yet urged with fanatical zeal a policy of taxation that could have no other practical effect. Government was to seize the *value*, the "kernel," of ownership but not touch the then worthless "shell." Throughout both books runs the contradictory notion that land ownership, is a "monopoly" (p. 412) that enslaves all non-owners and should therefore be abolished, but that private property in land could somehow be retained in form after being abolished in fact. Notwithstanding the high pretentions to being an impartial investigation, the later book, in its main thesis, is merely an elaboration of the long cherished idea that the author by his own statement had been "for some years endeavoring to popularize." Nevertheless, the work is done with such evident sincerity, such engaging rhetorical skill, emotional fervor and poetic effect it has bemused and confused perhaps millions of hearts and minds.

The preface affords an excellent outline. The author assumes at the outset that progress increases poverty and wages decline whenever populations increase. His "inquiry" is founded on this bald assumption. He does not dream of questioning it; he only undertakes to substantiate the admittedly preconceived theory that he based on it. But instead of presenting first his own theory which "for some years" he has been endeavoring to popularize, he first gives attention to three other widely "accepted theories" springing from similar assumptions: the Wages Fund Theory, the Malthusian Theory of Population, and the Ricardian Theory of Rent. The first two but by no means the third of these theories he brings smartly to "the test of first principles."

* *Our Land and Labor Policy*, Works of Henry George, Memorial Ed. p.88.

As to the Wages Fund Theory, he contends that no such fund, as an accumulation of capital, exists but that productive laborers are maintained exclusively out of the same wealth or values that they currently produce. It does not occur to him to show that the accumulation out of which wages are paid is elastic — that it expands as production proceeds and numbers increase. He tries to make it appear that such a fund does not even exist. The critic, in his zeal, overreaches; he denies the sound fact instead of exposing the false assumption of rigidity that the Wages Fund theorists had applied to it.

Against the theory of Malthus that, despite the increasing productivity achieved by technological advances and the specializations of capital ownership and executive skills, the means necessary to sustain a population must always increase less rapidly than the population itself, the author in sixty admirable pages sets out a masterly and magnificent refutation. As to *that* theory, nothing is taken for granted. But from here forward he questions no more. He defers discussion of Ricardo's theory of rent for a dozen pages and then, as we shall see, he embraces this one of the "accepted theories" without examination and as inexorably ordained.

In the interval there is a whole chapter on "The Laws of Distribution." In this he refers exclusively to "wealth," which he defines as consisting solely of the "produce" resulting from labor applied to land. We are told that the *cause* that "confines the great body of producers to the least share of the product upon which they will consent to live" cannot be anything that limits the production of wealth (taxation completely disregarded) but that it "must be sought in the laws which govern distribution." (p. 154)

Notwithstanding his rigid definition of wealth as the produce of labor applied to land, he here (p. 156) allows that production "includes the increase of value gained by transporting or *exchanging* things." But he makes a strange assumption, wholly unfounded, that subsequent to production, which he says includes the increase of value gained by exchanging things — due to distributing them — a further kind of distribution (wholly imaginary) ensues — a mal-distribution that robs labor and capital, the "laws" of which he, while ignoring taxation, undertakes to discover and expound.

Our author treats production as consisting only of material things — the result of nothing but labor applied to land. When he speaks of production as including "*the increase of value gained* by transporting or exchanging things" he fails to distinguish between the moving of things and the exchanging of them. He attributes value to both; but by this confusion of a physical process with a social process, of physical services with exchange services, he avoids any open recognition that values are created by the mere negotiation of contracts, and that mere exchangers — distributors — such as land owners, who do not apply any labor to land in the physical sense, also contribute "value" and are therefore entitled to share in the "total produce." By linking exchange or distributive services with transportation services, which are physical, he makes it seem that exchanging also must involve some application of physical labor and thus be admitted to recompense. But the distributive services performed by land owners he does not so link. Their exchanging he does not associate with any physical process. Hence the exchange values — land values, rent — that the owners of land receive for distributing the use of it he must attribute to other causes and forbid the owners any recompense because in this they do nothing physically to the land.

Physical services, labor applied to land or its products, do not include exchange services. Both are productive; the one physically, the other socially. The one only changes *things* as to their place or condition; the other *produces,* draws forth; the values (recompenses) brought forth by exchanging — being the things or services received in exchange. Distribution by exchange is a strictly *social,* not at all a physical process. It rests on no physical or political law, only on the *social law* of equivalence in exchange, under a tacit general covenant of non-violence and consent of all persons with respect to their holding and administering of things — the social covenant of property; ownership, proprietorship. It makes no change in the properties, the lands or goods involved, only in the *ownership,* the *social* jurisdiction over them, the generally acknowledged authority either to use (or consume) them, or to make further distribution of them by contract and exchange.*

By far the greater part of the services that distribute ownership or use are performed at places often remote from the properties themselves and by the acts or authority of owners whose exchange services induce a large part of, or, if the properties are simply lands, then *all* the value received in exchange for them or for the use of them. For where lands or resources alone are concerned, in their natural or unimproved state, their whole value (as a realized fact, not mere anticipation) is the recompense actually received for the services of holding and distributing them by the *social* process, as against the coercive or political. Even in the sale of manufactured goods with no land involved, the mere distribution of their ownership often commands more value — brings forth greater recompense — than do all the merely physical services previously applied to or incorporated in them.

* Many years later, in his last and unfinished work, *The Science of Political Economy,* in Chapter XI, our author discovers that "exchanging is production" and that it is more; that it is the highest mode of production, and on page 340 he states that "production and distribution are, in fact, not separate things." He then finds both production and distribution in the phenomenon of exchange. He sets out these new conceptions chiefly in Chapter XI, which he left incomplete, with this announcement: "And in addition to the laws already explained, there is another law or condition of nature related to men, which is taken advantage of to the enormous increase of productive power in exchange" (p. 316). At this point on the unfinished manuscript he left the notation, "Leave six pages," showing his intention to elaborate extensively this, his apparently new-found theme.

Our author is only vaguely aware of what great values in both lands and goods are produced by the services of distribution alone, apart from any physical production. He imputes to the rent of land, which is a voluntary recompense for distributive services, the anti-social character of taxation, which latter is not given in recompense of any exchange services or in exchange for any other services. It does not recompense either production or exchange, but it does penalize and thus inhibit both. By thus mistaking the nature of rent — imputing to it the same evil effects that elsewhere (pp. 190, 428) he ascribes to taxation (although in his basic argument on pages 155 to 172 he treats taxation expressly as having no effect upon distribution) — he exempts taxation and lays upon land ownership instead all responsibility for the "mal-distribution of wealth" (so great a part being accumulated in productive capital) which at the outset he unthinkingly assumed and deplored. To the normal functioning of those established proprietary officers and agents of society — duly authorized of record to exercise a non-coercive (contractual) jurisdiction over its lands and resources and to receive its automatic recompense therefor — he imputes all the injurious effects upon labor and capital that, though now disregarding it, he later (p. 428) attributes to the enforcement of tax levies by a destructive power.* And he perpetrates this self-delusion by holding that, with respect to land owners alone, none but physical services, the fruits of labor applied to land, can contribute to "total produce." In other context, as on pages 48 and 155 and in later writings, he saw, though somewhat confusedly, that exchange services are "included" with physical services in the creating of exchange values. But wherever the services of land owners are concerned he is firm in his dictum that *all* values are physical — come from labor applied to land. Exchange, in general, when he associates it or confuses it with physical production, he admits creates values. But not so with land-owners. In the exchange services performed by them, their social distribution of sites and resources, no physical production is involved; hence he is unable to see that they are entitled to any share in the distribution of physical things and that the rent they receive as land value is but recompense for their non-coercive distributive or exchange services or, in his language, the increase of value gained by exchanging.

So, having no conception of the essential, the vitally necessary public service performed by the contractual holding and distribution

* See *Private Property in Land Explained,* a pamphlet distributed gratis by the present writer.

of land, our author makes the value or recompense normally received for it appear as loot taken by his prime villain, "land monopoly," whom he charges with draining off all the increase from labor and capital that comes with progress of the arts. He does not conceive of distribution in terms of exchange, as recompense for contribution. He ignores in his argument all contribution of services other than the "produce" of labor and capital applied to land. And this material product he holds to be distributed in some manner that gives, not taxation, strangely, but what he conceives as "land monopoly" a first lien and strangle-hold on all production. He rules out all creation of values by the services performed in its distribution by free contract and exchange, which is the sole alternative to either a violent and disorderly or an arbitrary and tyrannical distribution of land. Yet this service of administration by exchange — by covenant and contract instead of by force, either anarchical or governmental — is the true reality of what, on negative premises, he mistakenly calls "land monopoly." Here he drapes in obscurity the rapacities of political administration so he can heap calumny upon the non-political proprietary institution upon which all free society depends for its most basic common service, and which it automatically rewards for all the non-coercive distribution and other administration over the sites and resources of its communities that thus alone it can obtain.

Ignoring all those values that are created, apart from physical production or processes, in consequence of the services performed by exchanging things — by distributing the use of or the ownership and jurisdiction over them — he assumes that distribution is a mere dividing up of what he calls the "whole produce"— the products of labor and capital applied to land. Of this, in his view, there can be but three bags full; one for the master, "land monopoly;" one for the dame, capital; and one for the little boy, labor, that lives in the lane (on the land). But to hold that this material produce is all, and to make this crude division seem all inclusive and complete, he must not only rule out all the proprietary services of distribution by exchange, but must dismiss also (for his present purpose at least) the wolf of taxation and war that ever-increasingly makes off with the wool. For only so can he foist a savage guise and mien upon the master of the lands. Accordingly, at the bottom of page 155 taxation is blandly disposed of as follows:

> It is, further, a matter of fact that in every community which has passed the most primitive stage *some portion of the produce* is taken in taxation and consumed by government. But it is not necessary, in seeking the laws of distribution, to take this into consideration. We may consider taxation either as not existing or as by so much reducing the produce. And so, too, of what is taken from the produce by certain forms of

> monopoly, which exercise powers analogous to taxation. *After we have discovered the laws of distribution we can then see what bearing, if any, taxation has upon them.* (Emphasis supplied)

Here surely is the grand *tour de force* in logical analysis. We are to discover the laws of distribution, leaving out of our analysis all that portion which goes to one of the distributees. We are to take into account only three parts of the "whole produce". Then, but not until then, we shall see what effect, *if any*, the distribution of the fourth part has upon the other three. Further on our author tells us, as on page 428, that "the ingenuity of statesmen has been exercised in devising schemes of taxation which drain the wages of labor and the earnings of capital as the vampire bat is said to suck the life blood of its victims." Yet in his determining of distribution to labor and capital he has on page 155 so far dismissed taxation that on page 162 he writes:

> The term land includes all natural opportunities or forces; the term labor, all human exertion; and the term capital, all wealth used to produce more wealth. In returns to these three factors is the *whole produce* distributed. (Emphasis supplied)

So, under what he calls the "whole produce," our author not only excludes from open recognition all those values created by the services performed in distributing the ownership of things by contract and exchange, but he actually excludes all that "portion of produce" that is "taken in taxation and consumed by government"— that same portion which he later says "drains the wages of labor and the earnings of capital as the vampire bat is said to suck the life blood of its victims" (p. 428). With his vampire of taxation completely blacked out, the stage is cleared to bring out the old demon of 1871. And how mightily it has grown! No longer a mere monopoly practiced by forestallers and speculators in idle lands but grown now to the proportions of an historic and a universal curse — the entire institution of private property in land.

But even an accepted author could not have conjured up such a demoniac chimera without some show at least of authoritative support. He must find some "accepted dictum of the current political economy" that, even though unsound in itself, could be further tortured into a witless witness of the diabolism of private property in land.

And such does our vaunted investigator of natural laws find ready made in the Ricardian "law of rent," so called. In his crucial chapter on "Rent and the Law of Rent" he lays all his searchings by. With no hint of even the least critical examination he announces his own entire acceptance of this "accepted dictum" of his professional predecessors. But he is not content with this raw dictum as it comes to his hand. To suit his purposes it must be expanded to a wider range. Ricardo cannot be witness of his own so-called "law." It must be taken out of Ricardo's hands and be made to seem to apply not only to agricultural lands, to which it was specifically limited by Ricardo, but to bring the whole realm of production by labor and capital under its seemingly "inexorable sway." He not only bows without question to the authority of Ricardo's own "law" but by a facile confusion assumes to make him sponsor its unqualified extension into every field of production, even including "manufacturing and exchange."

We quote him at length, beginning on page 168.

> Fortunately, as to the law of rent there is no necessity for discussion. Authority here coincides with common sense, and the accepted dictum of the current political economy has the self-evident character of a geometric axiom. The accepted law of rent, which John Stuart Mill denominates the *pons asinorum* of political economy, is sometimes styled Ricardo's law of rent, from the fact that, although not the first to announce it, he first brought it prominently into notice. It is:
>
> *The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.*
>
> This law, which of course applies to land used for *other purposes than agriculture* (Emphasis supplied in this sentence only), and to all natural agencies, such as mines, fisheries, etc., has been exhaustively explained and illustrated by all the leading economists since Ricardo. But its mere statement has all the force of a self-evident proposition, for it is clear that the effect of competition is to make the lowest reward for which capital and labor will engage in production the highest they can claim; and hence to enable the owner of productive land to appropriate in rent all the return above that required to recompense labor and capital at the ordinary rate, that is to say, what they can obtain upon the least valuable land in use, or at the least productive point, where, of course, no rent is paid.
>
> Perhaps it will conduce to a fuller understanding of the law of rent to put it in this form: The ownership of a natural agent of production will give the power of appropriating so much of the wealth produced by the exertion of labor and capital upon it as exceeds the return which the same application of labor and capital could secure in the least productive occupation in which they freely engage.

The law of rent is, in fact, but a deduction from the law of competition and amounts simply to the assertion that as wages and interest tend to a common level, all that part of the general production of wealth which exceeds what the labor and capital employed could have secured for themselves, if applied

to the poorest natural agent in use, will go to land owners in the shape of rent. It rests, in the last analysis, upon the fundamental principle, which is to political economy what the attraction of gravitation is to physics — that men will seek to gratify their desires with the least exertion. (Rests upon this *how*?!! But see pages 467 and 468 for a higher view.)

> This, then, is the law of rent. Although many standard treatises follow too much the example of Ricardo, who seems to view it merely in its relation to agriculture, and in several places speaks of manufactures as yielding no rent, when, in truth, manufacturing and *exchange* (this emphasis supplied) yield the highest rents, as is evidenced by the greater value of land in manufacturing and commercial cities, thus hiding the full importance of the law, yet, ever since the time of Ricardo, the law itself has been clearly apprehended and fully recognized. But not so its corollaries. Plain as they are, the accepted doctrine of wages (. . . . .) has hitherto prevented their recognition. Yet, is it not as plain as the simplest geometrical demonstration, that the corollary of the law of rent is the law of wages; or the law of wages and interest taken together, where the division is into rent, wages, and interest? Stated reversely, the law of rent is necessarily the law of wages and interest taken together, for it is the assertion, that no matter what be the production that results from the application of labor and capital, these two factors will receive in wages and interest only such part of the produce as they could have produced on land free to them without the payment of rent — that is, the least productive land or point in use. For, if, of the produce, all over the amount which labor and capital could secure from land for which no rent is paid must go to land owners as rent, then all that can be claimed by labor and capital as wages and interest is the amount they could have secured from land yielding no rent.
>
> Or, to put it in algebraic form:
>
> As Produce = Rent + Wages + Interest,
>
> Therefore, Produce — Rent = Wages + Interest.
>
> Thus wages and interest do not depend upon the produce of labor and capital, but upon what is left after rent is taken out; or, upon the produce which they could obtain without paying rent — that is, from the poorest land in use. And hence, no matter what be the increase in productive power, if the increase in rent keeps pace with it, neither wages nor interest can increase.

Here is, indeed, a remarkable conclusion from such long and pretentious argument. It is just as "algebraic" and mathematical as, and not a whit more so than, to say:

As SIX = TWO + TWO + TWO,

Therefore, SIX — TWO = TWO + TWO

Or, if the three parts into which the "whole produce" is supposed to be divided be taken as unequal, then,

As SIX = THREE + TWO + ONE,

Therefore, SIX — THREE = TWO + ONE.

Our author (and his much misguided followers) make this barren statement of a mere arithmetical truism the sole support of his entire economic arch, the keystone of his supposedly logical process; and he depends upon it not only for his supposed law of rent, but also for his correlative "law of wages" on which he relies throughout his work. And this palpable irrelevancy is the "algebraic" formulation of this author who on page 94 of the same book impugns even the dignity of an earlier author who employed "one of those high sounding formulas" as though it concluded an argument, and who, in a footnote to the following page, says:

> Yet notwithstanding what Mill says, it is clear that Malthus himself laid great stress upon his geometrical and arithmetical ratios, and it is also probable that it is to these ratios that Malthus is largely indebted for his fame, as they supplied one of those *high sounding formulas* that with many people carry far more weight than the clearest reasoning. (Emphasis supplied)

What apter commentary could be made upon our author's own "high sounding" algebraic pretensions? He takes "produce" as a total and says it is made up of only three parts.* He remarks that there is a fourth part but insists that, for the purpose of ascertaining what

* The only production that has any direct or immediate social signifiicance is that which its producers *socialize* by pooling it in the general exchange system and thus contribute to their own through the common collective welfare. This contribution (nominally of labor and capital) consists only of *services* — the services of labor and those of administration or exchange, services that effect desirable changes in corporeal things that previously were land, and services not so incorporated, especially those services of *exchange* whereby the use or the social jurisdiction (ownership) over material things is distributed by *contract* with the consent of all and coercion of none. This voluntary distribution of ownership or the use of material things is no part of nor directly related to physical processes. Its direct antecedent is not production but *contribution,* whether of services or of goods. All persons who engage in the contractual or exchange distribution of property and/or services are thereby both contributors and, through being recompensed, distributees. This voluntary contribution and distribution is fatefully inhibited, its operations distorted and its equities deranged by ex-propriations of governments coercively out of the markets (taxation) without contributing any equivalent thereto. The general markets can distribute only such of the services and properties of society as governments permit to enter into and remain under the social jurisdiction of the voluntary exchange system, and this only subject to the distortions and perversions inherent in their coercive jurisdiction.

part of the produce falls to labor and capital, this fourth part need not be taken into account (bottom of p. 155); and this in the face of his own words at the end of page 190 where he writes of "taxes levied on the produce of labor and capital, leaving so much less for wages and so much less for real interest." But for his main purpose of calumniating the social institution of property in land he asks that we disregard this deduction by taxation and thus so far abandon reality as to regard the whole produce as flowing only three ways.

Yet if we follow his fantasy as to division of the parts, even so he gives no account of the proportions in which they are divided the one from another nor illustration of any law affecting it. He demonstrates nothing more than that deduction of any one of them determines the sum of the other two. His logic postulates that the total is the sum of the three; from this he deduces that if one be taken from the total, that one will determine the sum of the other two. And by some pretended or imaginary necessity he takes only rent from the total instead of taking first the other two or either of them, although it is obvious that his barren formula would with equal logic apply in no less than six different ways.

The false implication is that although wages and interest are not fixed either of them by the other but by the free process of the market, the part distributed as rent is not so fixed. He is thoroughly confused. On one page alone (p. 167) first he denounces rent as "the price of monopoly;" then he proceeds to acknowledge that the land "is in the hands of too many different persons to permit the price which can be obtained for its use to be fixed by mere caprice or desire." He then tells us that this law of "*free competition* among *all* the parties" which "determines what rent or price can be got by the owner, is styled the law of rent"— surely a very different law from his "inexorable" law of rent under which, as he argues for a whole chapter (pp. 347 to 357), laborers are ultimately enslaved. Despite all this free competition among all the parties, he still contends that rent is determined by some fateful strangle-hold that he supposes land owners to have and labor and capital to be unable to resist. Yet again, as he continues (pp. 168 and 170), he lays this "monopoly" to the "law of competition." The very obvious fact is that the competition of the market between land owners seeking land users presses rent down precisely as competition between owners of labor and that between owners of capital determines what portion of produce they respectively shall have. And the market likewise makes no exception in favor of land owners. More than a century has passed since they had any power to tax or seize.

In all his confusion of free competition with monopoly and slavery our special pleader blithely glides over the conspicuous circumstance that in almost every community taxation, by its direct and its indirect effects that hinder production and exchange, destroys the effective demand for land and keeps land poorly used or out of use to the same or greater degree that it destroys demand for labor and capital, all three of which alike it thus largely disemploys. And he completely ignores the fact that since early nineteenth century none but kings and their successor sovereignties have had any taxing or other cooercive power, and that land owners since that time have had no power of forcible or cooercive appropriation at all. It is true that historically (except in Anglo-Saxon England) landlords were tax lords; but this has occurred only when land owners exercised political power or a military sway over their populations and thus subjected them to compulsory tribute or taxation — precisely the kind of distribution that on page 155 our author says does not, in his inquiry, need to be taken into account at all.

We have now examined the logical foundations of a work that on its title page purports to be "an inquiry into the cause of industrial depressions and increase of want with increase of wealth." We have found a series of glaring fallacies. It is not any inquiry at all. It is instead only a complicated, involved and contradictory rationalization of the author's long-held but equivocal prejudgment against property in land.

His first and primary fallacy is implicit in the very title of his book, *Progress and Poverty,* and in the sub-title, with its further glib and thoughtless assumption of "increase of want with increase of wealth." Dreaming no question of this thoughtless assumption, he makes himself the intellectual prisoner of this premise and of all his sub-premises and deductions under it. Like many others Henry George could not always distinguish between a quantity and a ratio. If any increase of the general wealth should raise the subsistence of one group and not raise the subsistence of another, then the ratio between their respective conditions would indeed be increased; but there would be no increase of poverty accompanying this increase of wealth. The increased affluence of one group, coming from this increased wealth, could not increase the poverty of those in the unfavored group. On the contrary, in any system of voluntary exchange their poverty would diminish as the general wealth and subsistence increased. It is simple sense and arithmetic that addition exclusively to one group does not of itself involve deduction from any other group. Poverty is increased by levies and restrictions on trade and by destruction of wealth as in war; not by the creation and increase of it. But our author's "inquiry" into the cause of poverty is not aimed at any agency of destruction or war. It is aimed, as it turns out, only at the contractual and peace-practising, the now social and no longer political institution of property in land.

His second fallacy is that laborers live currently on their own immediate services and production instead of on the accumulated products and services (the saved capital) of themselves and others. He opposes the Wage Fund Theory for no apparent purpose beyond clearing the field for his own. But in so doing he overreached himself. Instead of showing that the wages fund is not fixed in amount or in any way segregated to wages but is fluid and unlimited, except as savings are limited, he made bold to assert that capital is not saved before it is invested in wages and that productive labor does not subsist on any such accumulations at all. He assails not the error of the theory but its truth — and fails.

His third fallacy is that the causes of the obvious insufficiency of wealth actually produced, and hence of the seemingly apparent maldistribution of this insufficiency, can be validly ascertained without taking into account that great portion which is taken coercively and increasingly by government and put to such uses as still further inhibit production and deepen the disparities of an inhibited distribution. Because of this he has the logical temerity to toss taxation out of the window in order to "discover" his "general laws of distribution" of the whole production in terms of the particular wealth that remains.

The fourth fallacy lies in the author's naive acceptance and his gratuitous extension of Ricardo's theory of rent. According to Ricardo, the differences in rent at different locations are wholly due to differences in the "natural and indestructible properties of the soil" when given the same application (per unit of area presumably) of labor and capital. His statement is conditional upon this equality of application.

But there is in actuality no such thing as equal applications of labor and capital on sites that are very unequally productive or otherwise unequally advantageous. In the system of exchange that distinguishes society from a tribe a diminishing proportion of labor and capital is applied directly to land — engaged in the transformation of mere land (the natural elements) into wealth. Yet this smaller proportion is highly discriminate in its application. The most advantageous and fertile farm sites are most improved, best stocked and most worked; and even the crudest agriculturist discriminates between his best and his poorer fields. But labor and capital are far more extensively and intensively applied in the further transformation of things that have ceased to be land and have become raw materials or capital goods of some kind. Upon the lands occupied by these secondary (post-extractive) industries there is not an equal but an enormously greater concentration of labor and of capital improvements and facilities, both private and public, than upon agricultural lands. And the most intense concentration of labor and capital improvements on land is found in the great marts of trade and finance, where the services performed are exclusively those of exchange, not incorporated in any 'produce" at all, yet create and command the highest of values. For in such places the mere distribution of sites, or of the use of them, has the highest social utility and receives, accordingly, its highest recompense. Than that "an equal application of labor and capital" is made to "the best and to the poorest land in use" there could be no wilder dream; yet our author holds (p. 161) that rent is gauged by what such fantastic equal application *"could"* produce — by a universal measure that in fact never exists.

The fifth fallacy is to suppose that because of property in land all civilized men, except land owners, are doomed to depend on such meager bounty of nature as, or no greater than, that which can be afforded from the poorest land in use. In every civilized community they live not on a mere division of "produce" alone but on the satisfactions they obtain through interchange of services and, no less, through the exchange administration of property by its owners for the use and benefit of others under free contract. And the only limitation upon this creative process of service by exchanging is to be found not in any vice inherent in ownership or in the contractual process of itself, but in the employment of duress and coercion, not to say force and violence, by government, or under that authority, to "regulate" and limit it, and thus "protect" the influential and give special privileges to organized voting groups whose leaders thrive and covet power. Property in land *practices* exchange; it does not limit it.

The sixth fallacy, freely indulged in by Henry George in his crusade against property in land, is a misapplication of the general rule of law that no possessor can have better title than his predecessor in title. It is the notion that land titles must be invalid because in many cases they trace back to a holder who had no title, who took or held the land only by force. This was thundered by Herbert Spencer in early editions of his *Social Statics* and never clearly refuted, although later withdrawn. It all amounts to a contention that the present holding of land by a contractual process and without violence is an injustice because at some past time the land was not thus but otherwise held and transferred. If this abandonment of violence between persons with respect to possession of and dispossession from the land and the adoption of a social or contractual method of holding and transferring it is to be condemned, then such condemnation of a departure from force becomes an argument in favor of force and a plea to resume it. And such indeed is the logic of those who oppose property in land. For, to abolish private ownership, whether by taxation or other coercion, would be a reversion to force; and the land would then fall under *political* administration, without ownership, and therefore without free contractual but only arbitrary and coercive authority over persons with respect to it. There are not any civilized relationships, even the highest, that do not have force and violence,

robbery or piracy, somewhere in their antecedents. What distinguishes contractual relationships and gives them their high social utility is that they supersede their violent and antisocial predecessors and thereby abolish them. The rule of law that a vendor can convey no better title than the one he has safeguards against any reversion, except by taxation, to the seizing and holding of property by force. It recognizes not force, but ownership and title, as the contractual relationship and authority under which land is acquired, held and conveyed by consent, thus abolishing force. In upholding title, the law does not sanction force; it prevents and forbids it.

The seventh is not strictly a fallacy but an irrelevancy — a truth so irrelevant to the consequences ascribed to it as to become an absurdity. It is true that if "whole produce" be divided mechanically into three parts, any part first chosen will determine the sum of the two remaining; but it is not significant. It is also true, as so stoutly maintained, that the rent of land is the difference between the annual value of land where rent is paid and the value of so-called marginal land where no rent is paid. As a mere verbalism this is true, but this, too, is meaningless to its context; for it is only a cloudy way of saying that rent is the difference between the rent that *is* paid in one place and the rent that is *not* paid in another place — the difference, in fact, between *some* rent and *no* rent, a "truth" that surely none can deny.

And if Ricardo was unsound in supposing that there ever could be any "same application" of labor and capital on the best and on the poorest even of agricultural lands, what shall be said of trying to extend this same false notion to *all* lands?—as though a farmer's or a frontiersman's poorest acre could have as much capital and labor applied on it as the multi-millions applied on a metropolitan or a mining or a manufacturing site. The idea of rent as a differential can only be chimerical at the best — unless very narrowly applied.

Ricardo assumes that as populations increase rent drives them to subsist on the produce of less and less productive lands (see p. 227), thus linking his agricultural theory of rent with the declining-subsistence theory of Malthus, against which George gives some sixty pages of powerful argument and disproof. Yet notwithstanding his dependence on Ricardo for his weird theory that the rent of land swallows up all the fruits of social progress, he still credits land owners with perceiving that his Ricardian theory is "but a special application" of the Malthusian which he has disproved; and thus he makes clear on page 231 the illegitimacy of this "accepted dictum" of Ricardo that on pages 168 and 170 he so opportunely embraced, saying:

> Thus the two theories (of Malthus and Ricardo) as I have before explained, are made to harmonize and blend, the law of rent becoming but a special application of the more

general law propounded by Malthus, and the advance of rent with increasing population a demonstration of its resistless operation.

But he waives aside this obvious identity of principle between Malthus whom he rejects and Ricardo whom he accepts. He scorns the theory of Malthus that poverty is due to natural laws, for this would shift all responsibility from "monopoly of land" (p. 412). Yet he holds that Ricardo's application of the same principle has "the self-evident character of a geometric axiom" (p. 168), for under this "special application of the more general law propounded by Malthus" (p. 231) he can make it appear that the responsibility for human misery rests, primarily at least, on the institution of private property in land — that all the fruits of human progress are drawn away "to land owners in the shape of rent" (p. 170). Malthus, as Malthus, is anathema; but Malthus per Ricardo is his main reliance to support this stubborn preconception. Yet he is none the less compelled to take the widest liberties with Ricardo's "law". First, he embraces it; then he identifies it with Malthus; then he abandons its basic *proviso* of "equal application" and attributes the productivity of land not to its natural and indestructible powers as did Ricardo but to the increase of population itself (page 234, 235). Leaning on Ricardo for authority, yet he adheres only to the part of Ricardo's doctrine that on page 97 he says "buttressed" Malthus whom he condemns — the part of Ricardo that exemplifies Malthus being the only part that affords any support for his condemnation of private property in land.

Moreover, throughout his writings he holds that land, and, by naive implication, *land value*, is a fixed quantity and for that reason capable of being monopolized, but that capital, a product of land, "can always be increased or decreased." (See, for example, pages 195 and 412). From this he argues that capital, being unlimited, cannot be monopolized but that land, which on page 167 he concedes "is in the hands of too many different owners to permit the price to be obtained for its use to be fixed by mere caprice or desire," is such a "monopoly" that neither wages nor interest can increase. And all this is because, as he says on page 353 and elsewhere persistently, "Whatever be the increase of productive power, rent steadily tends to swallow up the gain, and more than the gain."

As living things are drawn to cooperate with their own, so productive properties of similar kind tend to combine. Individual and divided ownership happily becomes transformed into voting share interests — into undivided ownerships — in large united properties and organizations. Thus society evolves.

When the now separate site owners of great communities transform their separate ownerships into corresponding undivided interests in the whole, in order profitably to supply community services and advantages

to the inhabitants of their united properties, as they unconsciously tend to and eventually will do; and as these community organizations, in sound pursuit of earnings and profits, take action to diminish the political burdens oppressing the enterprises of capital and labor within the respective communities, — then the new rents, incomes and values arising from the consequent upsurge of production and exchange will be the firm basis for such solvency and security, both private and public, and such profit and prosperity for all as was never yet conceived.*

Just as the taxation of industry, by hindering production and exchange, keeps land idle or but little used and so destroys rent, so will its gradual abolition release production and exchange and thereby create new rents and vast new values. With land *users* having competent protection from ruinous taxation as a public service to them, the well recompensed organization of land owners will surely extend its services or forego all further values and gains. For the land owning interest unitedly to apply the necessary influence and a modicum of funds for the protection of all its land users and occupiers — all productive enterprises — will be at once a public service and a business investment of the very highest prudence and most certain profit. To maintain such and many other needful community services out of the income and values thus created will be only the normal and proper cost of carrying on public services as the rightly profitable public business — the *Free Enterprise* — of the community owners. It will be voluntary and profitable to all concerned and in no sense taxation at all. It would be preposterous for the organized community owners, being immensely recompensed for supplying and attending to them, to let their public services run down.

Mass services, like mass production, can flow only out of the centralized *contractual* administration of consolidated properties under proprietary and not political or profligate administration. And such consolidations of wealth need never be feared; for the more productive, profitable and permanent the accumulation of such amassed wealth or united properties, and the more they promote the prosperity of the population they serve, the more do they attract the investment of savings and the more widely dispersed becomes their ownership and thus their profits and their ultimate control.

Private services or goods, personal to particular individuals, are moveable; they need not be attached to a particular place. But services of common participation, community services, are different; they appertain to the community in general. Community owners, when not united, cannot *produce* services or goods that are common to all. They can

* For a comprehensive analysis of the social organization and an extension of this forecast more in detail see the present writer's forthcoming volume under the title, *Citadel, Market and Altar.*

only *distribute* them. Separately, they can only distribute to their lessees the advantages inherent in or supplied to their respective properties, and of these only what remains *net* above the arbitrary taxes and fees and other detriments imposed by government and by its corporate public agencies. For their *social* distribution of this net residue they receive in recompense their present non-political voluntary revenue called "ground rent."

But a *united* proprietary authority will be able to do more. It will not only distribute existing public benefits (above political detriments) as unorganized proprietors do now. It will in addition *supply* as well as distribute generalized services without end. With motives wholly economic its results will be *social.* For it will in truth *social-ize,* de-governmentalize, the so-called services of political government; and in this higher form of public service it will progressively exempt the community occupants, their properties and productive enterprises from the blight of taxation and the age-old corruptions of archaic political administration. Its primary business will be to procure the cessation of unnecessary taxation by supplying essential community services *as a business,* without raiding or rulership, and ultimately to make all taxation obsolete and the common services abundant and magnificent. With production so liberated, the multiplied wages and profits of private enterprise will afford to capital and labor no longer a precarious existence but high abundance and security, with increasing savings and surpluses for investment even by those least profited and lowest paid. And here the proprietary organization of community owners will find further resources with which to develop and expand; for their affluence will attract voluntary investments from all classes, eventually in such numbers that popular majorities will be in ultimate ownership and control of the public business and policies, thus realizing at last the democratic ideal, giving services to all, with none but the anti-social and the unruly coerced or restrained.

Such is the pattern in which, as community organization evolves, free enterprise through consolidated proprietorship must grow. It must extend itself beyond the field of individual services to which it has thus far been so much confined and into the field of community protection and other public and common services. In this pattern government is transformed from common rulership into community services — and this with the diminishing of taxation and other dis-services as the true services and profits increase. The pattern for it is implicit in all the free processes of society. Its rational and rapid development awaits only the further discovery of their beneficence and beauty. Public services, when authentic and real, will *create* values, not destroy them. The achievement of democratic ideals, the salvation of mankind from poverty and war depends upon public *services,* not public coercion; upon organized proprietorship, not organized ex-propriation.

But, to return to Henry George, if all taxation could ever be transferred to the owners of land as he urged, then, whatever the *intention,* contractually determined rent would be degraded into arbitrary taxation. He would force land owners to surrender to government even their present distributive power, and the land *users* would thus sink into helpless servitude to a bureaucracy of arbitrary and irresponsible politicians prescribing their occupancies, seizing their properties and dictating their lives.

Henry George wrote, in its negative aspect, a sound prescription for the emancipation of mankind: *"To abolish all taxation,"* with reliance on the rent of land alone to finance all public services. But he urged not abolishment, but the transfer and imposition of all taxation upon land owners. He would thus destroy property in land and thereby abolish not taxation but the very rent that he proposed for use in lieu of it. He could not adhere to his own prescription, for he lacked the vision to see, and so could not disclose, how property in land has inherently both the interest and the unawakened power to abolish taxation purposefully for the creation of rent and how the new rent created will automatically and without corecion flow into and support this and further public services.

As a poet, Liberty was his muse, a fair Utopia his dream, freedom the magic passport. But his moral resentment and indignation, his faith in crude force, not his insight or inspiration, prevailed. His clouded vision conceived that men could be made free through some great evil being denounced and forcibly destroyed instead of by the non-coercive mode of public service being discovered and profitably performed. Sensing only the political power of seizure with which it had been formerly invested but to which it was not any longer allied, he denounced the modern institution of property in land. He had no perception hence no appreciation of the social function performed by property in land — that of distributing all natural advantages and dispensing public betterments, by free contract and without coercion, that it now silently and almost unknowingly performs; — so much the less its vaster unawakened powers profitably to serve. And so to destroy instead of develop this autonomous free institution he proposed the age-old instrument to that evil end. He would enthrone Liberty, yet he invoked force, that main staff of tyranny, object of all conquest and prime instrument of war — taxation — to which he was in principle strongly opposed. His fair "Philosophy of Freedom" was dishonored and debased in his false and irrelevant plea for force to destroy instead of the wisdom to understand that basic and, for the future, most potent and most healing institution of civilized mankind — Property in Land.