CHAPTER 2

A Guide to Progress and Poverty

Henry George sent the manuscript of *Progress and Poverty* to D. Appleton and Company, Publishers, in New York City. They rejected it because they thought that sales of the book would not justify its publication. Other publishers in England and the United States also turned it down, including Harper and Scribner's.

George had the plates for the book made by a former partner who owned a printing shop. With this major expense covered by others, D. Appleton offered to publish the book. They thought so little of its financial prospects that they omitted applying for foreign copyrights. The book sold over two million copies in the United States, and it was translated and published in thirteen foreign languages.

The subtitle of *Progess and Poverty* shows the main direction of George's thoughts. It is "An inquiry into the cause of industrial depressions and of increase of want with increase of wealth... The remedy."

In the introductory chapter George pointed to the prodigious increase in man's wealth-producing capacity. Steam and electricity, improved processes and laborsaving machinery, the division of labor and large-scale production, the development of trade—all tremendously increased the productivity of labor. This increase aroused hopes for the elimination of poverty. But disappointment followed disappointment, the burden of toil was not reduced for those who most need it, and the poor remained poor. Society continued to be afflicted with depressions, unemployment, idle capital, financial difficulties among businessmen, and hard times for the workers. There is distress where large standing armies are maintained, and distress where they are not; distress where protective tariffs stupidly and wastefully hamper trade, and distress where trade is nearly free; there is distress under both autocratic and democratic governments; there is distress in countries with paper money and also in countries where gold and silver are the basis of the currency.

Seeking the common cause underlying all these problems under the most diverse conditions, George realized that the enormous increase of productive power does not overcome poverty or lighten the burdens of those compelled to toil. It simply widens the gulf between the rich and the poor. Material progress actually produces poverty. Squalor and misery, and the vices and crimes that spring from them, everywhere increase as the village grows into the city. It is in the older and richer sections of the United States that pauperism and distress among the working classes are becoming most painfully apparent. "This association of poverty with progress is the great enigma of our times." This was the paradox that George proposed to solve.

Book I. *Wages and Capital*

"Why," asked George, "in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?" He attacked the answer that political economists from Adam Smith to John Stuart Mill gave: the wages-fund theory. This doctrine held that wages are determined by the supply of and demand for labor. The supply depends on the number of people seeking work. The demand for labor depends on that part of the capital set aside for the payment of wages. No matter what the wage rate according to this theory, the same sum is expended for labor.

George denied the validity of this theory. He did not believe that wages depend upon the ratio between the amount of labor seeking work and the amount of capital devoted to its employment. If that were true, the relative abundance of labor would mean a relative scarcity of capital, and low wages would be associated with high interest rates. Conversely, the relative scarcity of labor and abundance of capital would result in high wages and low interest rates. Yet we find that high wages and interest go together, and so do low wages and interest. "Both wages and interest have been higher in the United States than in England, in the Pacific than in the Atlantic States," George declared.

The principle that George proclaimed was this: "That wages, instead of being drawn from capital, are in reality drawn from the product of the labor for which they are paid."

Land, labor and capital, said George, are the three factors of production. Land includes not merely the surface of the earth, but the whole material universe outside man himself. It includes ore in the ground, a waterfall that supplies power, and so on.

Labor means all human exertion, including the knowledge, skill and industry that people acquire.

Capital includes those things that are not either land or labor, but it results from the union of these two original factors of production. Capital covers such things as buildings, cattle, tools, machinery—man-made goods used for further production.

George's conclusion was that wages are not drawn from capital, but are produced by the workers. This is most obvious when the worker is self-employed. If one gathers birds' eggs or picks wild berries, the eggs or berries are the wages. If a worker makes shoes out of leather, the shoes are the wages, and they are not derived from capital. Even if a laborer works for an employer, "Production is always the mother of wages. . . . It is from the produce of labor, not from the advances of capital that wages come." Labor always precedes wages, for wages are paid only after the performance of work. The erroneous idea is that labor cannot exert its productive power unless supplied by capital with maintenance.

Bring the question to the test of facts. Take, for instance, an employing manufacturer who is engaged in turning raw material into finished products—cotton into cloth, iron into hardware, leather into boots, or so on, as may be, and who pays his hands, as is generally the case, once a week. Make an exact inventory of his capital on Monday morning before the beginning of work, and it will consist of his buildings, machinery, raw materials, money on hand, and finished products in stock. Suppose, for the sake of simplicity, that he neither buys nor sells during the week, and after work has stopped and he has paid his hands on Saturday night, take a new inventory of his capital. The item of money will be less, for it has been paid out in wages; there will be less raw material, less coal, etc., and a proper deduction must be made from the value of the buildings and machinery for the week's wear and tear. But if he is doing a remunerative business, which must on the average be the case, the item of finished products will be so much greater as to compensate for all these deficiencies and show in the summing up an increase of capital. Manifestly, then, the value he paid his hands in wages was not drawn from his capital, or from anyone else's capital. It came, not from capital, but from the value created by the labor itself. There was no more advance of capital than if he had hired his hands to dig clams, and paid them with a part of the clams they dug. Their wages were as truly the produce of their labor as were the wages of the primitive man, when, long "before the appropriation of land and the accumulation of stock," he obtained an oyster by knocking it with a stone from the rocks.[1]

What conclusion did George draw from this analysis? If wages are drawn, not from capital but from the produce of labor, we cannot alleviate poverty by increasing capital or restricting the number of laborers.

The question to be considered in Book II is: "Do the productive powers of nature tend to diminish with the increasing drafts made upon them by increasing population?" Having attacked the wages-fund theory that wages are determined by the ratio of capital to laborers, George now sought to demolish the theories of Thomas Robert Malthus.

Book II. *Population and Subsistence*

Malthus believed that population tended to increase in a geometric ratio, doubling every twenty-five years. Subsistence that can be obtained from the land increases in an arithmetic ratio, increasing by a quantity equal to what it produced at the time Malthus was writing. Thus every twenty-five years population tends to increase as 1, 2, 4, 8, 16, 32, while food tends to increase at most as 1, 2, 3, 4, 5, 6. If these ratios are correct, people are bound to starve unless birth rates are lowered or death rates are raised. Falling birth rates can result, said Malthus, from abstinence from sexual intercourse or from vice; the latter included both prostitution and birth control. The death rates

1. Henry George, *Progress and Poverty* (New York: Robert Schalkenbach Foundation, 1971), pp. 60-61. [Originally published in 1879.]

could be raised by war, famine, misery and disease, which are nature's remedies for overpopulation.

The population theory of Malthus was based on the law of diminishing returns and was tied closely to the law of rent, which was of major concern to George. In this context the law of diminishing returns may be stated as follows: As more and more workers cultivate a given area of land, total output will increase, but the average output per worker will fall. The growth of both population and the labor force therefore reduces the subsistence available per person. The rising demand for farm products raises their prices, and these justify hiring the extra workers. As the last or marginal worker hired must cover his wages and other costs of production, the extra productivity of the other workers goes to the landowner in the form of rent. This illustrates rent arising at the intensive margin of cultivation.

The same thing happens at the extensive margin of cultivation. As population grows and the demand for farm products rises, prices rise. It then pays to work poorer and poorer land. At the margin of cultivation where the poorest land is worked, the return must cover labor and other costs of production. The extra productivity of the better land goes to the owner in the form of rent. Therefore as population grows, rents rise and wages remain at the minimum of subsistence or even below that.

George denied that there is a tendency for population to increase faster than subsistence. Population, he said, does not double every 25 years, and overpopulation is not a cause of poverty and hunger:

> The Malthusian doctrine does not deny that an advance in the productive arts would permit a greater population to find subsistence. But the Malthusian theory affirms—and this is its essence—that, whatever be the capacity for production, the natural tendency of population is to come up with it, and, in the endeavor to press beyond it, to produce, to use the phrase of Malthus, that degree of vice and misery which is necessary to prevent further increase; so that as productive power is increased, population will correspondingly increase, and in a little time produce the same results as before. What I say is this: that nowhere is there any instance which will support this theory; that nowhere can want be properly attributed to the pressure of population against the power to procure subsistence in the then existing degree of human knowledge; that everywhere the vice and misery

attributed to overpopulation can be traced to the warfare, tyranny, and oppression which prevent knowledge from being utilized and deny the security essential to production.[2]

Pauperism and starvation, said George, are caused by landlords who charge exorbitant rents. Tenant farmers have no incentive to improve the soil or increase their capital because the landlords will raise their rents. The producers of wealth work under conditions which deprive them of hope, of self respect, of energy and thrift. It is the injustice of society, not the stinginess of nature, that causes want and misery.

George denied the validity of the law of diminishing returns. Plants and animals multiply much more rapidly than human beings do; therefore there should be no shortage of food. Both the jayhawk and the man eat chickens, but the more jayhawks the fewer chickens, while the more people the more chickens there will be. People control and increase their own food supply. Since matter cannot be created or destroyed, life does not use up the forces that maintain life. "[T]he earth could maintain a thousand billions of people as easily as a thousand millions." With every increase in population, the new mouths to feed come with hands to work, and the efficiency of production grows, George declared:

I assert that, other things being equal, the greater the population, the greater the comfort which an equitable distribution of wealth would give to each individual. I assert that in a state of equality the natural increase of population would constantly tend to make every individual richer instead of poorer.[3]

It is obvious that wealth grows with population, not merely in the aggregate, but also on a per capita basis. Even if growing numbers of people require that poorer soil be worked, that is more than overcome by the growing efficiency of large numbers. Twenty men working together will, where nature is stingy, produce more than twenty times the wealth that one person can produce where nature is bountiful.

2. *Ibid.*, p. 123.
3. *Ibid.*, pp. 141-142.

George further declared:

> The denser the population the more minute becomes the subdivision of labor, the greater the economies of production and distribution, and, hence, the very reverse of the Malthusian doctrine is true; and, within the limits in which we have reason to suppose increase would still go on, in any given state of civilization a greater number of people can produce a larger proportionate amount of wealth, and more fully supply their wants, than can a smaller number.
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> Look simply at the facts. Can anything be clearer than that the cause of poverty which festers in the centers of civilization is not in the weakness of the productive forces? In countries where poverty is deepest, the forces of production are evidently strong enough, if fully employed, to provide for the lowest not merely comfort but luxury. The industrial paralysis, the commercial depression which curses the civilized world today, evidently springs from no lack of productive power. Whatever be the trouble, it is clearly not in the want of ability to produce wealth.
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> It is this very fact—that want appears where productive power is greatest and the production of wealth is largest—that constitutes the enigma which perplexes the civilized world, and which we are trying to unravel. Evidently the Malthusian theory, which attributes want to the decrease of productive power, will not explain it. That theory is utterly inconsistent with all the facts. It is really a gratuitous attribution to the laws of God of results which, even from this examination, we may infer really spring from the maladjustments of men—an inference which, as we proceed, will become a demonstration. For we have yet to find what does produce poverty amid advancing wealth.[4]

If overpopulation is not a cause of poverty and hunger, what is? This is the crucial question that Book III sought to answer.

Book III. *The Laws of Distribution*

With material progress, wages fail to increase, and in fact tend to decrease. Why? Each productive laborer produces his own wages instead of drawing his wages from capital. As the number of laborers grows, the efficiency of production increases and wages should rise. Low wages do not come from the limited amount of capital or from the limited power of nature. The cause of low wages is not to be found in the laws which

4. *Ibid.*, p. 150.

govern the production of wealth, but rather in the laws which govern distribution.

To find the law of wages, we must determine the laws which fix the share that goes as interest to the owners of capital, and the share that goes as rent to the owners of land. If the two shares are determined, the third share is the remainder of output or income that goes as wages to labor. Profits can be excluded, said George, because part of the profit is really wages—the wages of superintendence; part is interest on capital; and part is compensation for risk, and risks are eliminated when all the transactions of a community are taken together.

Rent, said George, is the price of monopoly; it arises from private ownership of a free gift of nature which human exertion can neither produce nor increase. He accepted David Ricardo's definition: the rent of land is determined by the excess of its produce over that which the same effort can produce from the least productive land in use. This law also applies to land used for other purposes than agriculture, and for other natural resources. Labor and capital get what they could have produced on the marginal, no-rent land. The extra productivity on the better land is taken by the landlord. In algebraic form:

$$\text{Produce} = \text{Rent} + \text{Wages} + \text{Interest}$$

$$\text{Therefore Produce} - \text{Rent} = \text{Wages} + \text{Interest}$$

Thus, said George, wages and interest do not depend on the output of labor and capital, but rather on what is left after rent is taken out. No matter how much productivity increases, declares George, if rent increases proportionally, neither wages nor interest can increase:

> The increase of rent which goes on in progressive countries is at once seen to be the key which explains why wages and interest fail to increase with increase of productive power. For the wealth produced in every community is divided into two parts by what may be called the rent line, which is fixed by the margin of cultivation, or the return which labor and capital could obtain from such natural opportunities as are free to them without the payment of rent. From the part of the produce below this line wages and interest must be paid. All that is above goes to the owners of land. Thus, where the value of land is low, there may be small production of wealth, and yet a high rate of wages

and interest, as we see in new countries. And, where the value of land is high, there may be a very large production of wealth, and yet a low rate of wages and interest, as we see in old countries.[5]

Wages depend on what labor could get on marginal land where no rent is paid. Where land is free and labor is unassisted by capital, the whole product goes to labor as wages. Where land is free and labor is assisted by capital, wages consist of the whole product less the necessary payment of interest to induce the saving that results in the accumulation of capital. Where land is owned privately and rent arises, wages are fixed by what workers can earn on marginal land that pays no rent. Finally, where land is all monopolized, competition among workers forces wages down to the minimum of subsistence. Wages may not fall in absolute levels, but they fall as a percentage of total output. The landlords get a rising share of the total output. The evidence is seen in rising land values as society progresses. "Rent swallows up the whole gain and pauperism accompanies progress," states George.

George then took a closer look at the distribution of wealth as society develops its productive power.

Book IV. *Effect of Material Progress Upon the Distribution of Wealth*

George opened this book with two apt quotations from writers who were very much concerned with poverty, John Stuart Mill and Elizabeth Barrett Browning:

> Hitherto, it is questionable if all the mechanical inventions yet made have lightened the day's toil of any human being.
>
> –John Stuart Mill

> Do ye hear the children weeping, O my brothers,
> Ere the sorrow comes with years?
> They are leaning their young heads against their mothers,
> And that cannot stop their tears.
> The young lambs are bleating in the meadows;
> The young birds are chirping in the nest;
> The young fawns are playing with the shadows;
> The young flowers are blowing toward the west–

5. *Ibid.*, p. 172.

But the young, young children, O, my brothers,
  They are weeping bitterly!
They are weeping in the playtime of the others,
  In the country of the free.

—Mrs. Browning[6]

The conflict of interests is not, said George, between labor and capital; instead, it is between labor and capital on one side and landownership on the other. He agreed that the increasing pressure of population which compels the cultivation of inferior land does raise rents. But there are also other causes that raise rents. Any progress which increases production will redistribute wealth in favor of the landowners. The two trends that contribute to material progress are increases in population and improvements in the efficiency of production.

Increased population, even without any advance in technology, increases the productive power of labor. A thousand men will produce much more than ten times as much as a hundred men can. Even if poorer soil is worked as population rises, average output per person will not fall. Wage rates may rise, but the percentage of income that goes to labor will fall because landowners get a rising share.

According to George, rents rise with growing population even with no improvements in efficiency. Similarly, rents rise if efficiency improves even with no increase of population. With inventions and improvements, less labor and capital will be required to produce any given amount of output. As unemployment develops, wages and interest fall to some minimum level, and the share that goes to rent rises, declares George:

> [A]s we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce. For, if laborsaving inventions went on until perfection was attained, and the necessity of labor in the production of wealth was entirely done away with, then everything that the earth could yield could be obtained without labor, and the margin of cultivation would be extended to zero. Wages would be nothing, and interest would be nothing, while rent would take everything. For the owners of the land,

6. *Ibid.*, p. 226.

being enabled without labor to obtain all the wealth that could be procured from nature, there would be no use for either labor or capital, and no possible way in which either could compel any share of the wealth produced. And no matter how small population might be, if anybody but the landowners continued to exist, it would be at the whim or by the mercy of the landowners—they would be maintained either for the amusement of the landowners, or, as paupers, by their bounty.

This point, of the absolute perfection of laborsaving inventions, may seem very remote, if not impossible of attainment; but it is a point toward which the march of invention is every day more strongly tending. And in the thinning out of population in the agricultural districts of Great Britain, where small farms are being converted into larger ones, and in the great machine-worked wheat fields of California and Dakota, where one may ride for miles and miles through waving grain without seeing a human habitation, there are already suggestions of the final goal toward which the whole civilized world is hastening. The steam plow and the reaping machine are creating in the modern world latifundia of the same kind that the influx of slaves from foreign wars created in ancient Italy. And to many a poor fellow as he is shoved out of his accustomed place and forced to move on—as the Roman farmers were forced to join the proletariat of the great city, or sell their blood for bread in the ranks of the legions—it seems as though these laborsaving inventions were in themselves a curse.[7]

Another evil of private landownership is the expectation of continually rising land values because of continually rising rents. This leads to speculation in land, withholding it from use or renting it for more money than is actually justified at the time. Many unused lots in cities are being withheld by their owners in anticipation of rising land prices. This works in a cumulative process, for withholding land raises its price, and rising prices create expectations of further increases. Rising rents are limited only by the minimum of subsistence that workers have to get in order to work and reproduce.

In the next book George was concerned with rents rising to the point where production is curtailed; this situation can be seen when depressions develop.

7. *Ibid.*, pp. 252-253.

Book V. *The Problem Solved*

The main cause of periodic depressions, said George, is rising land values which cut down the earnings of labor and capital. But workers would not suffer unemployment and deprivation if they had access to the land. What prevents labor from employing itself on the land? Simply, that land has been monopolized and is held at speculative prices, based not on present value but on expected future value that will grow with growing population.

This explains why poverty and wealth exist together; why low wages go with high productivity; why interest and wages are higher in new than in older communities though both average and aggregate production is less. Improvements increase the productive power of labor and capital without increasing their rewards. There is no conflict of interest between labor and capital, but there is between them and the landowners, George writes:

> Take . . . some hardheaded business man, who has no theories, but knows how to make money. Say to him: "Here is a little village; in ten years it will be a great city—in ten years the railroad will have taken the place of the stage coach, the electric light of the candle; it will abound with all the machinery and improvements that so enormously multiply the effective power of labor. Will, in ten years, interest be any higher?"
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> He will tell you, "No!"
>
> "Will the wages of common labor be any higher; will it be easier for a man who has nothing but his labor to make an independent living?"
>
> He will tell you, "No; the wages of common labor will not be any higher; on the contrary, all the chances are that they will be lower; it will not be easier for the mere laborer to make an independent living; the chances are that it will be harder."
>
> "What, then, will be higher?"
>
> "Rent; the value of land. Go, get yourself a piece of ground, and hold possession."
>
> And if, under such circumstances, you take his advice, you need do nothing more. You may sit down and smoke your pipe; you may lie around like the lazzaroni of Naples or the leperos of Mexico; you may go up in a balloon, or down a hole in the ground; and without doing one stroke of work, without adding one iota to the wealth of the community, in ten years you will be rich! In the new city you may have

a luxurious mansion; but among its public buildings will be an almshouse.[8]

Having laid the groundwork by explaining why poverty coexisted with progress, George was prepared to offer a remedy for the problem.

Book VI. *The Remedy*

George said that there are six tendencies and policies which are believed to be reliable means to relieve poverty and distress. He saw little merit in them; he preferred his own "radical and simple" proposal. "Let us now consider what may be hoped for," he declared:

> I. From greater economy in government.
> II. From the better education of the working classes and improved habits of industry and thrift.
> III. From combinations of workmen for the advance of wages.
> IV. From the co-operation of labor and capital.
> V. From governmental direction and interference.
> VI. From a more general distribution of land.
> Under these six heads I think we may in essential form review all hopes and propositions for the relief of social distress short of the simple but far-reaching measure which I shall propose.[9]

First, what could be expected from greater economy in government? There might be some temporary benefit to the poorest people, but the saving would ultimately be swallowed up by the landowners. Government economy is desirable, but it can have no direct effect on overcoming poverty and increasing wages so long as land is monopolized.

Second, what will happen when there is a diffusion of education and improved habits of industry and thrift? Labor will not benefit. When land is all monopolized, rent must drive wages down to the minimum of subsistence. This being the case, industriousness, skill, frugality and intelligence can help some workers in competing with others; but as the average of all these virtues rises, average wages will not rise. If one

8. *Ibid.*, pp. 293-294.
9. *Ibid.*, p. 300.

individual works more hours than the average, he will increase his wages; but the wages of all cannot be increased in this way.

Third, what can unions do for workers? They can raise wages. This is not at the expense of other workers; nor is it at the expense of capital, for wages do not come from capital, but rather from current production of the workers. Higher wages come out of rent. The problem is that unions have only limited powers to raise wages. The more they succeed, the greater the pressures arise that bring wages back to the average level. If the printers' union raises wages ten percent, both the demand for and the supply of labor are affected. There will be less printing to do at the higher wage, and more workers will compete for the shrinking volume of work. If the wage increase is higher than ten percent, these tendencies to pull wages down are even stronger. Besides, the real antagonists are not labor and capital, but both on one side against landowners on the other. The final objection George had to unions was that they were necessarily tyrannical and strikes are destructive.

Fourth, can cooperatives remedy the grievances of the working classes? Since these grievances do not arise from any conflict between labor and capital, cooperatives cannot raise wages or relieve poverty. They can reduce the costs of doing business, as laborsaving machinery does, but both simply raise rent. If cooperatives were completely successful, they would eliminate the employing capitalists and greatly increase the efficiency of labor. The same amount of wealth would then be produced with less labor, and the owners of land could command a greater amount of wealth for the use of their land.

Fifth, what may be hoped for from more government regulation? "[W]hatever savors of regulation and restriction is in itself bad, and should not be resorted to if any other mode of accomplishing the same end presents itself," George declared. He even condemned the graduated income tax because it required the employment of many people who were given too much power. The income tax produces bribery, perjury and evasion, he said. It also weakens the incentive to accumulate wealth, which is one of the strong forces for industrial progress.

Sixth, would a more general distribution of land be helpful? Farms are growing larger, for machinery and large-scale production are superseding small-scale production. Therefore any measures which permit or facilitate the greater subdivision of land would be ineffective. In addition, to compel subdivision would mean to check production. If large farms are more efficient than small ones, they should be permitted to operate.

The real solution to poverty, said George, is to make land common property. The unequal ownership of land inevitably results in the unequal distribution of wealth. In the next book he developed and defended his basic solution.

Book VII. *Justice of the Remedy*

Land, said George, is a free gift of nature. The equal right of all men to the use of land is as clear as their equal right to breathe the air. Poverty, vice and misery are not due to overpopulation as Malthus said; they are due to private ownership of land. Labor needs land, and to deny labor's equal right to the use of land is to deny the right of labor to its own product. Landowners are unjustly enriched while everybody else is robbed.

Security of tenure is necessary to use the land, to improve it, to erect buildings, railroads and other structures on it, to dig out the minerals, and so on. If society were to confiscate rent for the benefit of the whole community, people could be allowed to keep the land they have.

If land were made common property, or if the rent of land were confiscated for the benefit of the whole community, should the present landowners be compensated for their losses? If the original appropriators of the land now lost their claim to the surpluses produced by society, that could be regarded as simple justice. But suppose someone bought land recently with money earned legitimately? He was paying for the right to receive annual rents. Should he be deprived of that income without compensation? Yes, said George. If the interests of the landholders are to be safeguarded, the general interests and general rights will be sacrificed. Because people were robbed in the past, should they suffer robbery in the future? The innocent purchaser of a wrongful title gets no claim or compensation for his mistake. Nobody should be compensated for the loss of annual income from the ownership of land.

How would George's proposal work if it were adopted? He analyzed this question in the next book.

Book VIII. *Application of the Remedy*

What is required for the improvement of land is not absolute ownership of the land, but security for the improvements. Land is frequently improved by tenants, even in the construction of buildings on rented land. Payment of annual rent would be made to the government, not to individual owners, declared George:

> The complete recognition of common rights to land need in no way interfere with the complete recognition of individual right to improvements or produce. Two men may own a ship without sawing her in half. The ownership of a railway may be divided into a hundred thousand shares, and yet trains be run with as much system and precision as if there were but a single owner. . . .
>
> We should satisfy the law of justice, we should meet all economic requirements, by at one stroke abolishing all private titles, declaring all land public property, and letting it out to the highest bidders in lots to suit, under such conditions as would sacredly guard the private right to improvements.[10]

But it is not really necessary to confiscate land. All who now hold land would be permitted to retain the title to it. Let them continue to call it *their* land. It is only necessary to confiscate rent. Landowners may keep the shell of the nut if society takes the kernel. Some rent is already taken in taxation. All we need do is take all the rent and abolish all other taxes. Such a simple reform would raise wages, increase the earnings of capital, wipe out poverty, produce full employment, lessen crime, elevate morals and purify government, stated George:

> Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth.[11]

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10. *Ibid.*, pp. 399, 403.
11. *Ibid.*, p. 414.

In the next book George examined the long-run effect of the single tax on the rent of land.

Book IX. *Effects of the Remedy*

George opened this book with a quotation from the Old Testament vision of a better social order:

> Instead of the thorn shall come up the fir tree, and instead of the brier shall come up the myrtle tree.
>
> And they shall build houses and inhabit them; and they shall plant vineyards and eat the fruit of them. They shall not build and another inhabit; they shall not plant and another eat.
>
> –Isaiah

The present method of taxation inhibits energy, industry, skill, thrift and world trade, George asserted:

> If I have worked harder and built myself a good house while you have been contented to live in a hovel, the taxgatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man builds a ship we make him pay for his temerity, as though he had done an injury to the state; if a railroad be opened, down comes the tax collector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We say we want capital, but if anyone accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain, we fine him who puts up machinery, and him who drains a swamp. How heavily these taxes burden production only those realize who have attempted to follow our system of taxation through its ramifications, for, as I have before said, the heaviest part of taxation is that which falls in increased prices. But manifestly these taxes are in their nature akin to the Egyptian Pasha's tax upon date trees. If they do not cause the trees to be cut down, they at least discourage the planting.
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> To abolish these taxes would be to lift the whole enormous weight of taxation from productive industry. The needle of the seamstress and the great manufactory; the cart horse and the locomotive; the fishing boat and the steamship; the farmer's plow and the merchant's stock, would be alike untaxed. All would be free to make or to save, to buy or

to sell, unfined by taxes, unannoyed by the taxgatherer. Instead of saying to the producer, as it does now. "The more you add to the general wealth the more shall you be taxed!" the state would say to the producer, "Be as industrious, as thrifty, as enterprising as you choose, you shall have your full reward! You shall not be fined for making two blades of grass grow where one grew before; you shall not be taxed for adding to the aggregate wealth."[12]

Under this system of taxation wages would rise to the fair earnings of labor. Competition would no longer be one-sided as under the old system. Workers would no longer compete with each other for jobs and thereby cut wages down to the point of bare subsistence. The employers would not only compete among themselves for workers, but workers could become self-employed because land would no longer be monopolized. Labor and capital between them would receive the total output minus that part taken by the state. Even the tax on land values would be used for public purposes. Every increase in the efficiency of production would increase rent taken by the government. This would benefit every member of the community.

How will landowners fare, George asked, under the single tax? They are likely to be alarmed at the prospect, and they will play on the fears of owners of small farms and homesteads. But landowners will obviously benefit under this scheme if their interests as laborers or capitalists exceed their interests as landowners. They will have to pay more land taxes, but all other taxes will be terminated. Trade will improve, we will have full employment, and wages and interest will rise. Small farmers would gain enormously because the single tax would bear most heavily, not on farm land, but on urban land.

Even the large landowners would gain from the growing prosperity and improved social conditions brought about by the single tax, says George:

Thus to put all taxes on the value of land, while it would be largely to reduce all great fortunes, would in no case leave the rich man penniless. The Duke of Westminster, who owns a considerable part of the site of London, is probably the richest landowner in the world. To take all his ground rents by taxation would largely reduce his enormous income, but would still leave him his buildings and all the income from them,

12. *Ibid.*, pp. 434-435.

and doubtless much personal property in various other shapes. He would still have all he could by any possibility enjoy, and a much better state of society in which to enjoy it.[13]

What would the government do with the large and growing revenues from a 100 percent tax on rent? It could operate those enterprises that are run more efficiently as monoplies than as competitive enterprises, such as telegraphs, mail delivery, railroads and highways. The government could serve the public by providing public baths, museums, libraries, gardens, lecture halls, music and dancing halls, theaters, schools, shooting galleries, playgrounds, gymnasiums, and so on. Roads could be lined with fruit trees, and heat, light and water could be delivered free along the streets. Discoverers and inventors could be rewarded, and scientific research supported.

The last book of *Progress and Poverty* is called *The Law of Human Progress.* It is a philosophical, sociological and religious treatise which can be foregone in this summary of George's great work.

13. *Ibid.*, p. 452.