

Progress and Poverty

By WAYNE S. BERRY

**A SUMMARY OF THE BOOK
OF THE SAME TITLE
BY HENRY GEORGE**

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THIS SUMMARY of Henry George's book Progress and Poverty, by Wayne S. Berry, appeared as a weekly series of articles in the Independent Press, Brooksville, Florida, from January to September 1978. (It has been slightly edited.)

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PROGRESS AND POVERTY first appeared in 1879. Its author, Henry George, was born in Philadelphia, wrote the book in San Francisco, and lived the rest of his life in New York, where he ran twice for Mayor and wrote other books. He died in 1897.

THE BOOK, 100 years old, is of remarkable relevance today. It is nearly 600 pages long, and Mr. Berry has done an excellent job of summarizing it for the modern reader.

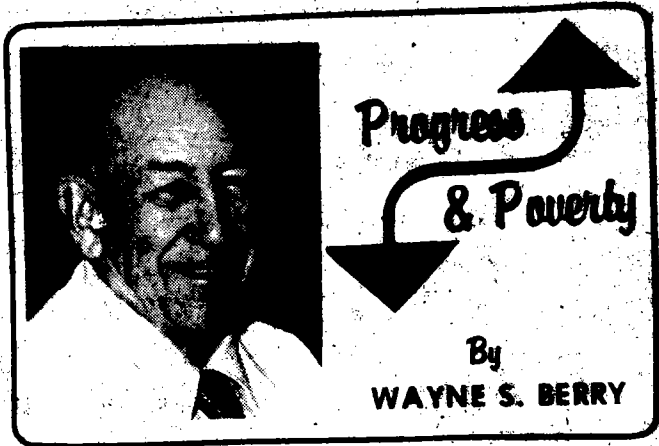
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1. INTRODUCTION



The above heading is the title of the book written by Henry George, an American Economist in the last century.

In the book he showed why civilization advances but never overcomes poverty. He discovered the cause of poverty and then went on to show how it can be eliminated.

We can produce wealth in abundance today with less labor and yet we never seem to keep people from starving. I wish to try in these articles to explain his theory.

Today I will discuss two axioms that Henry George bases his theory on. The first one is that man seeks to satisfy his desires with the least possible exertion. For example, the pioneer cuts the tree down the easiest way he knows how as he has to have time for growing food for his family. He is not out for the exercise.

The second axiom is that man's desires are unlimited. After obtaining sufficient food and shelter for himself and his family he goes on to seek higher cultures such as music and art, etc. This is why man is different from animals.

From these two axioms which can only be proved from observing human nature, he goes on to show that if we would follow the natural laws of economics which are in keeping with the natural laws of the universe we would not have the chaotic conditions that we have today. They are due to the fact that our man-made laws generally interfere with the laws of nature.

Our economy is to a great extent a market place economy or, as is more frequently called, free enterprise. To be sure it is not as free as it might be but if we turn toward socialism it will be a great deal worse.

2. DEFINITIONS

In our first article, we stated that we were going to study the philosophy of the great American economist of the last century, Henry George.

In the beginning of his book entitled "Progress and Poverty," he emphasized the fact that economics is a science and it follows natural laws. However, before we can look into these natural laws of economics we must define the terms we are using.

Economics may be defined as the science that treats of the nature of wealth and the laws of its production and distribution.

Wealth may be defined as all material things produced by labor for the satisfaction of desires, having exchange value.

You will note that I have stated in the above two definitions the word "may." Things may be defined in different ways. For example, the definition of the word "yard" is merely a definition of length. It was based on the distance from a king's nose to the tip of his fingers when his arm was stretched out. Once something is defined everyone will then know what the other person is talking about. Therefore, our definitions of economic terms may sound peculiar to you but you must realize that they must be understood so that you will be able to understand the basic laws of production and distribution we will be studying.

It is a known fact that there are over 40 different definitions of the word "wealth" in our economic text books in our colleges. No wonder there is considerable misunderstanding when discussing economic questions in any group of people.

There are three factors in the production of all wealth. They are land, labor and capital. These are defined as follows:

Land: The whole material universe exclusive of man and his products.

Labor: All human exertion in the production of wealth.

Capital: Wealth used to produce more wealth.

In our next article, we will take up the laws governing the production of wealth. I think you will see at that time the problem of poverty in the world is not due to our not being able to produce sufficient wealth such as food. We have sufficient land and labor and with our capital we can produce food in abundance.

3. PRODUCTION OF WEALTH

As I mentioned in article two we would consider the laws governing the production of wealth. The three factors in the production of wealth are land, labor and capital.

Land and labor are essential to the production of wealth. Capital is the third factor and is necessary if wealth is to be produced in abundance.

It must be realized that capital is wealth that has already been produced. Henry George gives an alternate definition of capital. It is wealth not yet in the hands of the consumer; or wealth in the course of exchange. It should be understood that production includes not only the making of things but also bringing them to the ultimate consumer.

We must make the distinction between land and capital. Land is not capital. It is God given and man must have access to it if he is to produce wealth. We have plenty of land and an untold amount of labor and with the aid of capital we should be able to produce enormous amounts of wealth.

There should be no question that sufficient food can be produced so that no one on this earth needs to go to bed hungry. I believe you can now see that our means of production is not what is

causing our poverty and if this is so then the cause of poverty and hunger in our society must be due to the distribution of the wealth.

As wealth is material it can be considered as a huge pie that should be cut up and divided among the three factors that produced the pie; namely land, labor and capital. However the large bureaucratic governments in the countries such as Italy and Britain and of course the Communistic and Socialistic countries are hampering production and are also taking more of the pie to run their governments and leaving less for those that produce the wealth.

Milton Friedman in an article in Newsweek dated Dec. 27, 1976 under the heading, "How to Denationalize" states that there is little hope for a free and economically healthy Italy and Britain unless the ordinary citizen can be given an incentive to save, invest and work productively in his own country.

As Henry George pointed out the problem of poverty is a problem of wages. In future articles the question of where do wages come from will be discussed more fully.

<u>Factors</u>	<u>Product</u>	<u>Distribution</u>
<div><div>Land</div><div>Labor</div><div>Capital</div></div>	Wealth	<div><div>Rent</div><div>Wages</div><div>Interest</div></div>

4. DISTRIBUTION OF WEALTH

Let us review quickly what we have previously discussed in our first three articles. Economics is a science that treats of the nature of wealth and the laws of its production and distribution. Wealth is all material things produced by labor for the satisfaction of desires, and having exchange value.

The three factors that produce wealth are land, labor and capital. Since wealth is material such as houses, food etc., it is divided up into three parts; namely, rent, wages and interest. These are defined as follows:

Rent—That part of wealth which is the return for the use of land.

Wages—That part of wealth which is the return for labor.

Interest—That part of wealth which is the return for the use of capital.

The following chart will show at a glance the whole picture.

Land plus Labor plus Capital equals wealth.

Wealth equals Rent plus Wages plus Interest.

Some economists say that "profit" should be included in the distribution of wealth. However, profits are indefinite, it is a bookkeeping term not an economic term. It may consist of rent, wages or interest or any combination of them.

Each of these avenues of distribution will be taken up separately at a later date. Throughout this study we will be using the teachers manual that was originally set up by Oscar H. Geiger, founder of the Henry George School of Social Science in New York. He employed the Socratic method of teaching which is a dialectic method of instruction by questions and answers, as adopted by Socrates.

I wish to quote from Henry George's Progress and Poverty which I should have done in the first article.

"The association of poverty with progress is the great enigma of our time. It is the central fact from which spring industrial, social and political difficulties that perplex the world, and which philanthropy and education grapple in vain. From it comes the clouds that overhang the future of the most progressive and self-reliant nations. It is the riddle which the Sphinx of Fate puts to our civilization and which not to answer is to be destroyed."

Henry George found the answer and it is up to us to seek his solution so that at least our country will not be destroyed.

5. THE SOURCE OF WAGES

In article three I stated that I would discuss the question of where real wages come from. We will also take up the question of where wages do not come from. You will recall that wages is defined as that part of wealth which is the return to labor. No wealth in this world can be produced without labor. It is the second primary factor in the production of wealth, land is the first factor. You have probably heard the expression "Production is the mother of wages."

Many people think that wages come from capital. This is not correct. If a company pays its employees out of its capital they will soon go out of business. Capital is an aid to labor. I like to think of capital as stored-up labor.

There are several questions we must ask ourselves to help straighten out our thinking as to where wages come from. When the laborer employs himself, are wages drawn from capital? The answer is No. They are the product of his labor, just as in fishing, fruit picking etc. When labor is paid in money, is it paid out of capital? No, money is merely a media of exchange and represents wealth. Let us take, for example, the brick layer who produces capital by adding bricks to the building. He can't wait for the building to be completed so someone who has stored up wealth and is willing to loan it to the company constructing the building is really purchasing that part of the building the brick layer has produced.

There are many occupations such as school teachers and doctors, etc. that do not produce wealth directly. They are necessary in our economy as the builders and farmers etc. need them and are willing to give some of their wealth for their services.

All of those occupations such as entertaining, recreation and all the arts, etc. that provide services come under the same category. They are what might be called indirect producers of wealth. They must labor before they can receive any part of the wealth they have indirectly helped the builders, farmers, etc. to produce.

6. THE WAGE-FUND THEORY

In article number five I tried to show that wages were not drawn from capital. They are that part of wealth which is the return to labor. Today I want to clarify a false theory called the "Wage Fund" theory that has been used to explain the cause of poverty.

This theory states that wages are fixed by the ratio between the number of laborers seeking employment and the amount of capital devoted to their employment. This I must emphasize is incorrect. You will recall that I previously stated that production is the mother of wages.

Lack of capital does not explain the persistence of poverty. As Henry George pointed out, there is often the deepest poverty where capital is most abundant. The slums in New York City are a good example.

There is another false concept among many people and that is "The Malthusian Theory" which was advanced to explain the relentless poverty that continues throughout the world. It states that population tends to increase faster than subsistence. In view of the fact that the wage fund theory and the Malthusian theory seem to complement each other, it makes it more difficult to break down these false concepts in the minds of many people. It will be impossible to complete this explanation in this article. However, I will start it now and complete it in the next article.

If overpopulation is the cause of poverty in the world then Belgium and the Netherlands would be the most poverty-stricken countries in the world. The number of people living per square mile in these countries is more than three times what it is in India and China.

The United States alone could feed the present population of the world if all its efforts were applied to the task. During the World Wars the victory gardens in this country supplied three fourths of the vegetable on the tables. Just imagine the tremendous amount of food that can be produced by the wonderful farm machinery now available to the farmers. When the government pays farmers for not planting and there isn't sufficient food even for everyone in this country then there must be something wrong with our laws and the distribution of the food.

7. THE MALTHUSIAN THEORY

My last article stated I would continue with the explanation of why the Malthusian theory is not correct. The standard of living in a country depends on its natural resources and the knowledge of how to use them. In the supposedly over-populated countries, all of the wealth produced does not all go to the producers.

There are a large number of non-producers supported in luxury and production is retarded by unjust laws. If you read Pearl Buck's "Good Earth" you will see that the Chinese peasants were starving when they did not have access to the land. You will recall that land is necessary for the production of wealth.

There is no limit to the number of people this good earth can support. The earth is still sparsely populated, resources are still plentiful for producing food and we are continually learning new methods of producing more.

Where do we find the greatest evidences of wealth, in densely populated communities or sparsely populated countries? In the densely populated communities, the per capita production

is much greater in the densely populated communities than in the sparsely settled locations. The increase of population increases the power to produce wealth.

The age of specialization has shown that we can produce more wealth with less labor. Henry Ford demonstrated this in his mass production of automobiles at the beginning of the century. The old saying that the Jack of all trades and master of none is not the way to manufacturer wealth in abundance.

I hope you will see that the increase of population does not explain why poverty persists amidst advancing wealth. In the next few weeks I will be discussing the laws of distribution and I am sure you will find the real reason for poverty in this world. Henry George in his book "Progress and Poverty" spent over 60 pages showing why Malthus was wrong in his theory. I have tried to do this in the last two articles and I may not have been as successful as I would like but if you keep your mind unbiased for the present you will later discover the real problem of poverty and its remedy.

8. THE RENT OF LAND

In our quest for the problem of poverty, I wish to quote Henry George in the very first chapter of his book entitled "Progress and Poverty."

"Why, in spite of increase on productive power, do wages tend to a minimum which will give but a bare living?"

Henry George was a self-educated man who read every economics book he could find. He did not take for granted what some well-known economists before him had written. He sought out the fallacies in their reasoning and built his theory on proven facts. Consequently, he did not expect any of his readers to accept his ideas without their own analysis of the truths he had discovered. I say this because you may not have accepted the fact that Malthus was wrong in his theory of population outgrowing its subsistence. I feel sure that when you learn the laws of distribution that Henry George so clearly proves you will then discover the real reason for poverty in the world and it won't be due to over population.

Let us briefly refer again to the picture that was given several weeks ago which illustrated the source and the distribution of all wealth. Wealth is produced by land, labor and capital. It is distributed as rent, wages and interest.

We will first take up the study of rent. It must

be understood that the economic rent we are referring to represents the return for the use of land. It is not the rent one pays for the use of a tenement or house. This payment comes under the category of interest because it is the return for the use of capital.

There are a few questions we must ask ourselves to help us get a clear picture of the economic rent of land. If the same person is both the owner and user of land, can there be rent? The answer is yes, because whatever the owner might obtain by letting the land to another person is rent. Can land yield rent, if no one is willing to pay for its use? The answer is no. Rent arises only when someone is willing to pay for the use of the land.

In our next article we will attempt to show how rent arises and later give you the natural law of rent. The law of rent was first demonstrated by an economist named David Ricardo who was born in 1772 and died in 1823. Henry George used this law of rent as the basis for his theory to demonstrate how wealth is distributed.

Not only will we discover the law of rent but also the law of wages and the law of interest.

After you have had an opportunity to learn the above laws of distribution you will then begin to enjoy the study of economics.

9. THE LAW OF RENT

In the news about a year ago I noted that Sylvia Porter warned of economic illiteracy. She indicated that unemployment is terrible, and inflation may be even more devastating for the long run, but there is another threat to the United States economy that worries her more because it is hidden.

It is a lack of knowledge of fundamental economics.

I said in my last article that we would study Ricardo's law of rent. This law certainly has been hidden. It may at first seem difficult to understand, but after reviewing it several times it is not as perplexing as at first it appears to be. In the explanation of how rent arises we shall go back to the pioneer days when land was free and the pioneer went west to settle.

You will recall the first axiom that I gave in the first article that man seeks to satisfy his desires with the least exertion. Therefore, the pioneer will look for fertile land near water on

which to plant his crops. Let us assume that he can raise four bushels of potatoes a day on the land. This is definitely his wage as there is no one to pay rent to and no interest to pay on any capital.

When more settlers come they will seek the fertile land near water and there will be a time when all of this good land is occupied and the new comers will have to settle on poorer land that is not as productive as the land which the first settlers now own.

On this poorer land, these farmers, who are just as good farmers as the original settlers, can only obtain three bushels of potatoes a day. These late settlers will soon find out that they would like to plant on the better land, which is also probably nearer the water, and they will be willing to pay anything up to one bushel of potatoes to the original land owner as he will still have three bushels left for himself.

As the community grows the late comers will be forced to plant on land that will only produce two bushels of potatoes a day. They will be glad to pay the original settlers up to two bushels per day for the use of the better land, or pay up to one bushel for the next better land than they own.

Now you may get a little understanding of Ricardo's law of rent. It is expressed as follows: "The rent of land is determined by the excess of its produce over that which the same application of labor can secure from the least productive land in use."

In the next few articles we will watch the community grow and will see that this law of rent not only applies to the farmers land but to all land used in the production of wealth. It is a natural law of economics that governments cannot change just the same as the law of supply and demand which is a natural law of economics.

10. MARGIN OF PRODUCTION

In my last article I stated we would continue with the study of Ricardo's law of rent. I want to repeat the law which was given before.

"The rent of land is determined by the excess of its produce over that which the same application of labor can secure from the least productive land in use." In the pioneer days the least productive land in use was free land. Today, however, there is practically no free land that can be used for productive purposes.

As was pointed out before, when the community grows the new settlers must go out on the poorer land. This is when rent arises. The community becomes a town or a village and a general store starts in business probably along with a blacksmith shop.

They must locate in the center of the town. This land on which the stores etc. are located is, of course, on high rent land. The rent of this land is determined by

the same law of rent as on the agricultural land. The stores being in the center of the town enables the farmers to obtain their supplies with less effort than before when there were no stores in the community.

The least productive land in use is called the margin of production. The further out the margin goes, the higher the rents go up in the center of town. This process goes on continually even when the towns and villages become cities. It isn't the fertility that is the big factor then, but it is the services that are rendered in the community that makes the rents go up.

Where are the highest rents found? They are found in the manufacturing and commercial centers; also on land that is rich in natural resources such as oil and minerals. The cost of land is really a capitalization of the rent. This will be discussed more later on.

Henry George states in his book "Progress and Poverty", that there is a produce of wealth in a purely commercial community, as there is in a purely agricultural community; and in one case as in the other, some part, if land has a value, to the owners of the land.

Knowing that the total wealth produced by land, labor and capital is divided into rent, wages and interest, it is evident that if we find out what goes to rent, we will be able then to find out what is left for wages and interest, merely by subtracting that one part from the whole. If you picture the total wealth produced as a pie as we stated previously, it may be a little clearer to understand.

We will next study the law of interest.

11. INTEREST ON CAPITAL

In studying the law of interest we must differentiate between the interest used in political science economics and commercial interest, which is any return on an investment or monetary loan and usually includes compensation for risk.

We also must point out that land is not capital; therefore, the return for the use of land is not interest. The return for the use of land as was pointed out in the last two articles is economic rent. The return on a mortgage is called interest, but insofar as the mortgage represents land the return reflects economic rent.

We must not forget that capital does not employ labor; capital is an aid to labor. It includes the tools that man uses in the production of wealth. It is important to know that capital is not a fixed quantity. It fluctuates and its quantity depends first on the amount of production; and second on the amount of existing wealth used as capital.

Let us assume a fisherman catches five fish in one day without a net. This is his wage for the day. The second day he stays home and makes a net which is, of course, his capital and, therefore he cannot catch fish that

day. The third day he uses the net and catches 30 fish.

If we assume the net can only be used for one day and he has to stay home every other day to make a new net or repair the used one, his average wages in fish will be 15, while his wages per day without the net is only five.

I think this illustration will help answer the next two questions.

What is the maximum return that can be obtained for the use of capital? It will be the entire increase that its use will bring. In the case of the fisherman it would be 10 fish. Any larger return would be a loss to labor. If the fisherman paid 11 fish per day for the use of a net, he would be losing because he can catch five fish a day without the net.

What is the minimum return that can be obtained for the use of capital? This depends on the replacement of capital. Any smaller return to capital would involve a loss to the owners of capital. In exceptional cases, an owner might take a loss rather than allow his capital to deteriorate entirely.

The above may seem puzzling at first, but we will review this subject in the next article, and then go on to give you the law of interest.

12. THE LAW OF INTEREST

In the last article we studied the causation of interest. I hope the fish story helped in explaining the maximum and minimum return for the use of capital.

I listened to Professor Harry G. Brown formerly of the University of Missouri, who has since passed away, explain the causation of interest and I will never forget his pointing out that money is a smoke screen that we must pierce if we are to understand the causation of interest. Money, as I have said before, is merely a media of exchange.

I wish to repeat that the maximum return that can be obtained for the use of capital is the entire increase in production that its use will bring. Also the minimum return for the use of capital is that amount needed for the replacement of capital.

The normal point of interest is expressed as follows: Interest will tend to settle around that point which will make the rewards of labor and capital equally attractive, that is, will give an equal result to either for an equivalent effort or sacrifice made. You may ask why such a point exists? Because otherwise labor would not accept the use of capital, or capital would not be placed at the disposal of labor. If interest tends to

rise above the point of equilibrium with wages, there will be a tendency to produce more capital. The resulting increase of capital will tend to reduce the interest rates. Conversely, if interest tends to fall below the point of equilibrium there will be a tendency to produce less capital. This resulting scarcity of capital will tend to increase interest rates.

Now going back to Ricardo's law of rent let us ask the question: On what grade of land do labor and capital obtain the total amount of the wealth produced? The answer is on land obtainable without the payment of rent; i.e. at the margin of production.

The law of interest is as follows: As rent arises, interest will fall, or will be determined by the margin of production, or cultivation if it is primarily an agricultural community.

This may seem puzzling at first, but when we study the law of wages I feel sure it will help you considerably in understanding the three laws of distribution. You will then begin to realize that when the government makes a law that interferes with these natural laws there is going to be trouble in our economy.

13. THE LAW OF WAGES

In the last article we studied the law of interest and today we will discuss the law of wages.

Again we will go back to our first article to point out the fundamental principle of human action is that men seek to gratify their desires with the least exertion. They will seek the most remunerative employment where the rewards are highest. In a complex society we find great differences in wages because of different skills and abilities; agreeability or disagreeability of occupations; expense of learning them, etc.

Let us ask this question: What are the occupations which most frequently use land at the margin of production and on whose wages all other wages depend? These are the extractive industries, those which produce wealth directly from nature: farming, mining, lumbering, fishing, etc. Also if a man can employ himself, what will be the lowest wages for which he will work for others? It will be what he can earn working for himself.

Now let us think back to Ricardo's Law of Rent. Where land is free and labor is unassisted by capital, what part of production will go to labor as wages? The answer is, the whole product. Where land is free and labor employs capital, what part of the product will go to labor as wages? It will be the

whole product, less interest for the use of capital.

Now again going back to the law of rent, we will see what happens to wages when rent arises. Wages will be determined by what labor can produce from the best available rent free land or the least productive land in use; i.e. the margin of production.

From the above I hope you can see what the law of wages is. It is expressed as follows: "Wages depend upon the margin of production or upon the produce which labor can obtain at the highest point of the natural productiveness open to it without the payment of rent. However, where all natural opportunities are reduced to ownership as it is today wages will tend by competition of laborers for natural opportunities and jobs to the minimum necessary for subsistence."

If labor-saving devices are invented which assist man in the production of wealth, it will tend to bring the margin in and there will be a tendency for wages to increase, but rents will skim off the excess of production and wages will then go down along with interest.

The law of wages is a law of proportion and not a law of quantity.

Our next article will be a correlation of the three laws of distribution and will no doubt clear up some of the questions you may have.

14. CORRELATION OF THE LAWS

Wealth as originally defined, consists of all material things produced by labor for the satisfaction of desires that has exchange value. Realizing that wealth consists of material things, we can then picture this wealth as a pie that is to be cut up into three parts—namely rent, wages and interest.

We must remember that all three parts of the pie are determined at the margin of production and the three laws of distribution account for the full division of the product.

You will recall when we discussed Ricardo's Law of Rent that as the community grows wages go down and the rent of land goes up. This also applies to interest. It was previously pointed out that interest which is the return for the use of capital, is a form of stored up labor. While interest and wages tend to an equilibrium, this does not hold true for rent.

Land being fixed in quantity, there can be no new supply to bring rent down. The rent increases at the expense of both interest and wages. Summarizing the above we can state that as rent

arises, interest will fall as wages fall and both will be determined at the margin of production.

In 1955 the U.S. Department of Labor made a study of our economic structure. It showed that it is in the form of a pyramid. The base of the pyramid included all the primary industries on which all others are built. These primary industries include fishing, forestry, mining and agriculture. The next step in the pyramid includes manufacturing and construction. Above those two are the wholesale and retail trades. Then above these are the services such as professional and repair work. The government and insurance, etc. are near the top along with the arts.

Land being the source of all wealth, which the extractive industries such as agriculture are based on, must support all the other occupations above them. If these industries do not produce the raw materials, then the manufactures cannot operate and produce wealth.

The recent coal strike is a good example of what happens when an extractive industry closes down.

15. EFFECT OF INCREASE OF POPULATION

There was an item in the news several months ago that the teaching of economics is going underground.

It was suggested by the Joint Council on Economic Education that the study of economics be included in with the studies of history, health, and even physical education.

Dr. George C. Dawson, president of Empire College in New York, stated that only 32 percent of the high school teach anything about economics. He also talked about the economic illiteracy among the high school graduates. I feel that it is an important subject and should be taught in a course by itself.

In our last article we studied the correlation of the laws of distribution. I think you will now see that in spite of the increase of productive power, wages do not rise proportionately because rent absorbs an ever increasing share of the wealth produced. Let us now consider the effect of material progress upon the distribution of wealth.

There are definitely certain changes which contribute to material progress. The first one we will consider is the increase in population.

Increase in population increases the productive power of labor. For example 100 men working together can produce more than 100 times as much as one man working alone. Increase in population makes possible division of labor, specialization and exchange.

Let us ask the question, "What does increasing population tend to do the margin of production?" It extends it to lower levels without lessening the total productivity.

How does this affect rent and wages? It increases the rent and lowers the wages proportionately. This is in keeping with Ricardo's Law of Rent which is a natural law and man made laws cannot change it.

The increase of rent is not due to anything the landholder does but is due to the increase in population. We will later investigate what inventions and improvements in the productive arts that save labor have on the distribution of wealth.

In a few more weeks we will be studying the cause of industrial depressions and you will be surprised to find out the real reason.

16. EFFECT OF INVENTIONS

In our last article we discussed what effect the increase in population has upon material progress. We found that it improves the productive power of labor and at the same time increases the economic rent of land. Today we consider what effect inventions have on the economic rent of land.

We do know that inventions that improve the productive power of labor enables us to produce the same amount of wealth with less labor or a greater amount with the same labor. Inventions have definitely made possible a tremendous increase in our gross national product. This increase in production has always caused an increase in the demand for land and natural resources which come under our definition of land as stated in my second article. Land you

will recall, is defined as the whole material universe exclusive of man and his products. This includes everything that God has given us.

This increase in the demand for land means that there is more intensive use of superior lands and also there is a tendency to use additional land. When this additional land which is inferior is brought into use it will lower the margin of production and therefore increase the economic rent of land and consequently lowers wages.

I remember when I was a boy at the time the steam shovel was first being used to excavate the ground for the basements for new houses and any number of people would say, "My that machine puts a lot of people out of work. I also remember that a consulting engineer told me about a job his company had charge of in Mexico City. They were building a high story building and the work wasn't progressing as fast as they had at

first thought it should. He was sent down to Mexico to see what was causing the trouble. When he arrived he saw that the steel construction was on schedule

but on one of the wings they were excavating the foundation by means of hundreds of peons marching down into the hole in the ground with a small basket on their backs and men with shovels filling each basket with a shovel full of earth and then marching back out. He said they looked like an army of ants in single file. When he told the foreman to put some steam shovels in there he was told to go back to New York and tell the capitalists to mind their own business. He said it would put all those men out of work. It certainly would have. However I am sure they were paid very little for their labor.

If machinery could replace human labor entirely, then wages would be zero as no new capital would be needed and rent would absorb the entire product.

17. SPECULATION IN LAND

Let us review the definition of economic land. It includes the whole material universe outside of the human being and his products. In other words, it is everything that God has created for man's use in his production of wealth.

We must remember that economic rent is that part of wealth that is the return for the use of land.

As material progress goes on, we have learned that rent advances. Because of this increase in rent there is a tendency for the holders of land to speculate in land; that is, to expect further advances of rent and to hold land for a higher price than its current value. This holding land out of use forces the margin of production to a lower point than would otherwise be necessary.

The early settler fenced off more land than he needed, knowing that it would increase in value as the village grew. This not only happened in the early days of our country but is happening today in every community. Every

city has numerous vacant lots, some of them extremely valuable. Even if land is not put to the full use of which it is capable, the effect is similar to withholding it for use entirely. These include taxpayers and slum areas.

There are times when the depression comes that land speculation is not always profitable. The speculators misjudge the future increase in values and when the depression comes they may lose on their holdings. If they can hold on long enough the values always come back up.

Land speculation tends to lower the margin of production and this has a great effect upon the production and distribution of wealth. First it restricts the production and distribution of

wealth; second it reduces wages and interest by forcing labor and capital to less productive opportunities, and third it increases rent.

Let us ask the question, "What is the difference between the effects of speculation in commodities and speculation in land?" Speculation in commodities tends to increase prices and thus to stimulate production of more commodities. Land is fixed in quantity and speculation in land cannot increase the supply of land. The law of supply and demand can work for speculation in commodities but not for speculation in land, and the sky is the limit when the price of land goes up.

Actually, the limit to the speculative advance of rent is that there will be a reduction of wages to the lowest point at which laborers will consent to work, and interest to the lowest point at which capital will be devoted to production.

Our next article will start the study of Industrial Depressions.

18. BASIC CAUSE OF DEPRESSIONS

I stated we would be soon studying the cause of industrial depressions. We shall not try to cover this subject in one article. The basic cause of industrial depressions is land speculation. There are some other contributing causes such as the complexity of production which makes each stoppage propagate itself, also defective currencies, sharp alternations in the volume of credit and protective tariffs.

When land is held out of use for speculation, it forces people to locate on land further from the center where business transactions are best carried on with the most efficiency. This means there will be a lowering of the margin. This you will recall, raises rent and lowers wages and interest. As the margin is lowered, wages and interest fall, labor and capital can no longer find employment at their accustomed returns, so production begins to stop.

This stoppage of production at one point causes a cessation of demand, which then checks production at other points. Thus an industrial depression occurs.

If you were the owner of a copper mine and the price of copper started to drop, you would start to cut down on the production of the copper ore. This would not only put some of the copper miners out of work, but also those that fabricate the copper into all types of items people desire. Remember the extractive industries are the ones that are the basis of our economy. The owner of the copper mine knows that the copper in the ground will not deteriorate and can wait until the price of copper rises before he starts to increase production.

Unfortunately, the working man cannot wait. He must work to live.

In our article on the correlation of the laws of distribution you will remember that our economy is set up like a pyramid. The extractive industries are at the base and must support the other occupations above them. The owner of the copper mine, like all owners of other natural resources, is speculating by holding his land out of use until he can command a higher price for his product.

Land is fixed in quantity and speculation cannot increase the supply. Speculation in commodities raises the price until production is stimulated which tends to lower the price again. However, land is the primary factor in the production of wealth and if you cannot have access to land you cannot produce wealth in any form whatsoever.

In our next article we will discuss some other theories of industrial depressions.

19. OTHER THEORIES OF DEPRESSIONS

In our last article we stated that we would discuss some other theories of depressions.

There is an "over-production theory" that speculation has increased production beyond the demand for consumption, thus causing a stoppage of production.

There is also an "over-consumption" theory. This theory states that speculation has caused extravagance beyond the means of the people and the result is a period of retrenchment.

There are other explanations that are cited such as easy credit; inflated stocks; the "business cycle" and the psychological theory that fear will bring on a depression. However,

none of the above explanations are sufficient because they do not explain why people who are willing to exchange their labor for the labor of others are unable to do so.

As explained in our last article, there is a difference between the effects of speculation in commodities and speculation in land. Land is fixed in quantity and speculation cannot increase the supply. Speculation in commodities raises the price until production is stimulated, which tends to lower the price again. For example when you go to the market you will find the price of scarce fruits high at the beginning of the season, but will soon come down when the farmers start to bring more of the fruit on the market. This applies to eggs or any other perishable items.

I remember when there was a blight of the coffee plants in Brazil and the price of coffee shot up very fast. A neighbor of mine kept saying that the government should put a ceiling on the price. I told him once the government puts a ceiling on something the price will never come down. The

fact that other countries started to send some to us and the price came down as fast as it

went up. Many of the wholesalers were holding it back in the warehouses which caused it to rise so sharply. Today the high price of coffee is probably due to the fact that the coffee producing countries are now combined so they can control the amount of coffee they are exporting.

The same situation applies to oil producing countries. Where there is a monopoly, the law of supply and demand cannot operate. This is the same situation in regard to land. God supplies the land and has given us a plentiful amount, but man holds it out of use for speculation and consequently it is a monopoly. If you have played the game "Monopoly" you can clearly see what is going on in our cities today.

Our next article will continue with our discussion of depressions.

20. THE BUSINESS CYCLE

As I mentioned in my last article we would continue with our discussion of depressions. Let us first point out what a depression is. It is merely a stoppage of production.

Because trade is such an important part of our economy today, we should make sure we understand what it is. It is an exchange of commodities for commodities. You will note that I did not say it is an exchange of commodities for money. Money, as I previously stated, is merely a media of exchange. It enables man to trade more easily.

You will recall the example where the owner of the copper mine will have the tendency to raise the price of the ore so high when the demand is great that the fabricators of copper products must raise the price of their goods. This will then cause their customers to cut down on the purchase of articles made from copper. This cessation of demand is therefore due to the cessation of production of copper ore.

Awhile back, I pointed out that the U.S. Department of Labor made a study of our economic structure and it showed that the extractive industries such as copper mining is at the base of the pyramid and all other industries and occupations are above. All production must begin on this lower level which is on land and, of course, this includes all natural resources. Without land, no wealth can be produced.

Let us ask the question, "What is the main obstacle which prevents labor and capital from producing?" It is a denial of access to land because rents are too high. This is, in effect, a lockout of labor and capital by landowners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point until unemployment is widespread.

What three conditions will restore production after a period of depression? First is falling land prices, second is new inventions, increased population and increased productive capacity, and third is the willingness of labor and capital to accept smaller returns. When productive activity is resumed, what is the effect on land values? Land values will rise

again and another period of land speculation sets in, and a new depression is on the way.

Is the problem of depressions different from the general problem of poverty? No, depressions are merely intensifications of the general tendency to poverty persisting with material progress.

Our next article will deal with the proposed remedies of depressions.

21. INSUFFICIENT REMEDIES

In the last article we stated that we would study proposed remedies for overcoming depressions. You will hear people say we need more economy in our government so our taxes can be reduced.

Wages would temporarily rise, as labor could keep wages it now pays in taxes. This would mean increased demand and increased production. Rents would rise and eventually swallow up the whole gain. Anytime that production increases there is a demand for more land.

Let us ask the question, "Can skill, industry or thrift eliminate poverty?" The answer is no. They may help in individual cases, as when a person works harder, but insofar as these qualities become widespread, they increase production; this in turn increases rent and reduces the general level of wages.

When a labor union raises wages in a specific industry, what is the effect on the general level of wages? An increase in wages in any one industry does not affect the margin of production which determines the

general level of wages. If a union gets a raise for its members and there is no increase in their production it is the same as robbing Peter to pay Paul. The consumer loses every time. Even if there is a country-wide general strike, it is harmful to the consumers as production stops and there is a struggle for endurance,

in which labor starves, capital wastes, and landowners merely have to wait. The natural resources will not deteriorate.

Can cooperative enterprises raise the level of wages? No. When they are effective they tend to increase production as do improvements in skills, machinery, inventions, etc. Their ultimate effect is to increase the demand for land, thereby lowering the margin.

Now the big question. Can government regulation of industry be the answer? No. Governmental regulation may seem to help temporarily to alleviate poverty, but

it does not, and cannot, solve the problem of poverty. It tends to restrict production, requires costly bureaucracy, and evasion of regulations. We must have freedom and natural growth, and not through an economy planned by government. It is of course necessary to have regulation to protect our ecology but this does not mean we should have a Socialistic or a Communistic form of government.

In some countries where poverty is more acute they have tried to have a more general distribution of land in order to raise the general level of wages. This does not work as it merely increases the number of landowners, and in most cases means insufficient use of the land.

The true remedy for overcoming depressions and of course poverty will be taken up later on. Before we start on the remedy and its justice, I wish to give you a few brief highlights in the life of Henry George including a little background on why he started his inquiry into the problem of poverty and its solution.

22. THE BASIC REMEDY

In my last article, I stated we will discuss the solution to the problem of poverty as outlined by Henry George in his book entitled "Progress and Poverty."

If you have been following these articles you will, no doubt, have begun to see that the economic rent of land is acquiring the largest portion of the wealth that is being produced. Wages and interest are getting less as material progress goes forward.

The three laws of distribution namely rent, wages and interest are natural laws and cannot be changed. Therefore, the government should and has a right to collect the economic rent of land which of course, includes natural resources and use it to provide the services society needs, such as roads, schools, police and fire protection etc. This can be accomplished by a tax reform.

Our form of government in the United States has stood the test of time and should not be changed. In order that speculation in land and

natural resources can be stopped, it is only necessary for the government to collect the economic rent of land by a land value tax. I stress the word value in the foregoing sentence as it is the assessed value of the land or the natural resources that the government has the right to tax for the services it renders.

It should be easily seen that the value of land does not materially increase from what the individual does, but by what society does. When a real estate dealer tries to sell you land on which to build your house he doesn't spend time telling you it is fertile land for your garden. He stresses the fact that it is in a community that has good roads, good schools, good fire and police protection, etc.

The owner of that vacant land has not provided these services except for the little amount he has paid in taxes. The people who have built houses in the community and raised

their families have contributed almost entirely to the increase in the value of the land. The land speculators have merely held the land vacant until the price of the land increased to an amount much more than they paid for it. Unfortunately, today the homeowners do not get the benefit of the increase in the value of the land. It is those that sit by and do nothing that reap the harvest, or I should say, the unearned increment when the empty lots go up in price.

Of course, the greatest increase in land value is in the natural resources. For example, in Florida, the phosphate mines should pay a natural resource tax, it should be high enough to cover the value of the product that is not earned by the companies taking it out of the earth.

The land value tax that Henry George advocated has been called the "Single Tax Theory" as all other taxes can then be eliminated.

Our next article will show the justice of the land value tax.

23. JUSTICE OF THE REMEDY

As stated in my last article, the remedy for overcoming poverty is a tax reform in which the government collects the economic rent of land to provide the services society requires, and at the same time eliminate other taxes that now burden businesses and consumers.

This is a land value tax.

Today, government is collecting a land value tax, but it is very little to what it should be collecting. For example, our property tax is comprised of the tax on the value of the land plus a tax based on the assessed valuation of the building which has been built on the land. In most cases, the portion of the property tax on the building is much more than the tax on the value of the land on which it stands. Therefore, those that have built houses or buildings worth much more than the value of the land will be benefited greatly.

This form of taxation will free the land from the land speculators to unload their land holdings which of course will bring down the price of the land.

Let us look into the justice of such a tax reform. To whom does the economic rent of land justly belong? It belongs to the community because the land rent represents a value created by the community as a whole. The economic rent of land does not arise from anything the land owner has done. Therefore, it does not justly belong to the land owner.

The payment of rent to the community will satisfy fully the equal rights of all. Rent is determined at the margin of production. It measures exactly the difference between the advantages of a particular piece of land and land that is the least productive. The

property tax has, in the past, been considered one tax. However as you can see, it is two separate taxes, one being the tax on the assessed valuation of the land, or what is sometimes called the site value, and the other is the tax on the building.

The tax on the building or on the improvements is an unjust tax on man's labor. The tax on the land value is a just tax as the community is then collecting what it created.

Proposition 13 voted into law in California is not a tax reform. It is merely a stoppage of taxation. It has helped to wake up the politicians. I hope that they will try to educate themselves and realize that the power to tax is the power to destroy.

Our next article will discuss the canons of taxation. All economists agree on them and they should be printed on the walls of the rooms where our politicians enact tax laws.

24. CANONS OF TAXATION

As mentioned in my last article, we would discuss the canons or standards of taxation. These are agreed upon by all economists, and yet our politicians who make the tax laws seem to pay no attention to them.

The following four rules are as shown in Henry George's book, *Progress and Poverty*."

1) A tax should bear as lightly as possible upon production.

2) A tax should be easily and cheaply collected and fall as directly as may be upon the ultimate payers.

3) A tax should be certain, so as to give the least opportunity for tyranny or corruption.

4) A tax should bear equally so as to give no citizen an advantage, or put any at a disadvantage, as compared with others.

THE LAND VALUE TAX which is the remedy for overcoming poverty,

as explained in the last two articles, is the only tax that meets all of the above rules. First, it bears lightly upon production. Land has already been produced by our creator and therefore, the land value tax has no effect upon its production.

Second, it is the cheapest tax to collect. We are already collecting a land value tax but it is very small compared to other taxes now being collected. The machinery for collecting this tax is already set up.

Third, it is certain as the government knows exactly what it will be collecting and the taxpayer will always know exactly what he has to pay.

Fourth, it is a just tax. It does not take the fruits of a man's labor. It is a fair tax on every citizen.

The income tax does not meet any of the above rules. It bears heavily on production. The more a

person adds to the gross national product, the more he is penalized. It is not easily and cheaply collected. The money the government spends in

collecting the income tax is enormous. The printing bill alone is immense. It surely is not certain. The government does not know exactly what it will be, and the taxpayer is

never sure whether he has made it out correctly. It certainly is not fair. It takes the fruits of man's labor.

As mentioned before, the citizen is penalized when he produces more wealth and helps increase our gross national product.

In our next article we shall look into the sales tax and hidden tax that are levied on manufacturers. I think you will begin to see that our taxation system needs revision.

25. SALES AND HIDDEN TAXES

As mentioned in my last article we would discuss sales taxes and hidden taxes.

These taxes bear upon production as they are always passed on to the consumer. They hurt the poor more than the rich. Any time a tax is levied on products produced by labor, there is of course, an increase in the price of the products. They may seem small in the case of the sales taxes, but the total effect is felt in a slowdown in the manufacture of the products that are taxed. The effect of the hidden tax is greater, but the consumer never realizes the extra amount he has to pay.

I wish to quote an example given by Henry George which was in reference to an import tax on an item that was being brought into San Francisco near the end of the last century.

The importer paid \$70 a thousand for them of which \$14 was the actual cost and \$56 was the customs duty. The dealer who purchased these items must charge a profit not on the \$14, but on the real cost to him of the items which was \$70.

He points out that these prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon the consumer who then pays much more

than is paid to the government. These higher prices increase the cost of production and, of course, checks the supply.

Let us look at the tax on the value of land. This tax does not add to the cost of the commodities. Land is not a thing of human production, it is God given, and taxes on the economic rent of land cannot check the supply. The owner of the land cannot collect more rent as the economic rent is determined by the natural law of rent and as outlined by Ricardo is determined at the margin of production.

The law makers should not just look at the possibilities of collecting taxes from those that are working producing wealth but they should look at the unearned increment the owners of the land are getting and who are not helping in the production of wealth. In fact they are strangling the whole economy by not allowing the land they control to be put into production of wealth. There must be some incentive in our taxation system that encourages the manufacturers to produce more.

If the land value tax was completely put into practice, you would see the economy pick up and the depression disappear, and inflation along with it.

26. EQUAL RIGHTS TO LAND

We know that land is essential in the production of wealth.

Therefore, man should be able to obtain access to the land without having to pay exorbitant prices to holders of the land. The monopoly of land is the downfall of every civilization since the beginning of time and if we don't change our laws it will happen again and again.

Free enterprise with the tax reform previously outlined is the answer to the problem. Let us review more concerning the justice of the reform advocated by Henry George by asking the following questions.

Do all men have equal rights to existence? The answer is, of course, yes.

Can man exist without land? The answer is, no. It is the storehouse from which his needs must be supplied. Should all men have equal rights to land? The answer is yes, as an equal right to existence implies an equal right to the use of land which is necessary for existence.

Therefore, can there be any justification for the private monopoly of land? No. Private monopoly of land deprives all others of their equal rights.

Now let us consider what constitutes the rightful basis of private property. It is the right of man to the fruits of his own exertion, to enjoy, to use, to exchange, or give to others. A man should be able to claim a clear title to that part of wealth which is due

to his own exertions. Since land is not a product of human labor no such claim can be made.

The only way that man can retain undisturbed use or possession of land and yet satisfy the equal rights of all others is by paying its economic rent to the community. The economic rent of the land does not arise from anything the landowner as such has done. Therefore, the rent justly belongs to the community. The community would merely be taking what it has created and which is rightfully its own.

Because the community is not collecting this full economic rent for land, it imposes other taxes on buildings, sales taxes and income taxes which are all legalized stealing by the government. The land value, which is sometimes called site value, is the only thing that the governments have a moral right to collect from their citizens. This form of taxation is incentive taxation as it stimulates production. There is no penalty for anyone who builds a beautiful house. The entire property tax would be on the site value, which is a value created by the community by building roads, schools, police and protection, etc.

With this form of land value taxation, we would see our cities blossom out, the slums would disappear and unemployment would be a thing of the past.

27. ANTI-POVERTY MOVEMENT

The New York City blackout reminded me of Father McGlynn, a priest who had a parish on the lower east side of Manhattan near the end of the last century.

He could see poverty at its worst in the slums of New York. He knew that a land value tax would help the poor people. He formed an anti-poverty society to help get this tax reform enacted. Unfortunately, this society was put out of existence. The landed interests pulled some strings and had the priest excommunicated from the church.

The poor people in his parish only knew that he was the best priest they ever had and couldn't understand why he was thrown out. Over 90 percent of the parish stopped going to church. When the Pope learned of what was happening, he sent a priest from Rome, Italy to New York to investigate. Never had this happened in any Catholic Church in this country before.

About a year later, the Pope reinstated him as he

found he was doing no wrong. He was an old man and the strain on him was more than any man could bear and he died shortly afterward.

Father McGlynn knew that the poor people were being robbed by the unjust tax laws and he tried to help them and he gave his life when he exposed the legalized theft by the City of New York.

Henry George tried to help him. He gave an address at the second meeting of the Anti-poverty Society in the Academy of Music in New York on May 8, 1887 under the title "Thou Shall Not Steal," he pointed out that poverty exists, not because of God's will, but because of man's disobedience.

He goes on to state, "We know that it is God's will there should be no poverty on earth. The laws of the universe are the laws of God, social laws as well as the physical and he, the Creator of all, has given

us room for all, work for all. Poverty is not because the Creator has been niggardly. It is simply because of our own injustice, simply because we have not carried the idea of doing to others as we would have them do unto us into the making of our statutes."

The above illustration shows the difficulty of having the land value tax enacted into law. It is a matter of education. The study of economics in our schools and colleges is over 100 years behind the times. I am referring to fundamental economics.

In reporting the New York blackout in the paper, one reporter stated, "In the slums of New York, the despair is so deep and the opportunities so limited that thievery is not condemned."

This is a pretty sad outlook if the people in our country do not abide by the Eighth Commandment, "Thou Shall Not Steal."

28. SOLUTION TO UNEMPLOYMENT

There was a photograph in the newspaper sometime ago showing thousands of citizens in Chicago waiting in line to apply for a job in a new supermarket that had announced that it needed three hundred employees when it opened up.

It shows that most people are willing to work, but they are not able to obtain employment.

It reminded me of the time after the 1929 crash of the stock market when thousands were out of work and the Sunday newspaper had an advertisement for an engineer.

I applied for the job along with approximately 400-500 engineers. It took the company two full days to select one. I was not the lucky one.

About 10 years later, there was an engineer in my economics class in the Henry George School in New York City who had been laid off from his job about the same time I was. He had saved up enough money since his graduation from college

which was some years ahead of me and was able to buy a small farm in the south of New Jersey. He was born and brought up in New York City and had no experience at farming. He said he wrote to Washington D.C. and obtained booklets on farming.

He and his wife, with two small children, bought a goat and some chickens and raised vegetables sufficient to keep them alive. He

didn't have to stand on the bread lines in New York to keep his family from starving. He admitted

that he wasn't much of a farmer, but it kept him from seeking help from the government for food.

The above illustration, I hope, will show you that if a person can obtain access to land he can produce food.

Without land, no one produces wealth of any kind. Land, theoretically, should be as free as air. However, many people will not build on land they cannot consider their own. Nevertheless, in New York City and other large cities, tall buildings are put up on leased land. The owner of the land receives the economic rent from the builder and the builder has to pay all the taxes—not only on his building but the land tax also. The land owners do nothing but sit by and collect money merely because they hold the deed to the land.

The same often applies to farmland. The owner can rent his land to someone who agrees to give the farmer a certain

portion of his harvest. He can also hold it out of use if he so desires. There should be some incentive in our taxation system that will encourage the

land owner to put his land in production. When this is done then the unemployment and inflation will be a thing of the past.

29. VIEWPOINTS ON POVERTY

Sometime ago there was an article in the news of a survey made by the European Common Market Commission to find out what the people in the different countries considered the cause of poverty.

It stated that the preceptions of poverty changed from country to country. Britain, it said, blamed poverty on laziness, the Irish on drink and the Italians on a deprived childhood. West Germany and the Netherlands agreed with Italy.

Luxembourg and Denmark agreed with Ireland. In France and Belgium the blame was due to old age and loneliness. If you look at the above explanations of poverty I think you will agree that they are the effect or the symptoms of poverty and not the cause.

The cause is definitely an unequal distribution of the wealth being produced due to our man-made laws not being in accordance with the natural laws of economics.

The survey went on to state that apathy about poverty was an obstacle

to its elimination. The rich and the middle class, who are shielded by their material comfort, do not seem to realize that poverty exists. They will agree with many of the above reasons. But if they traveled to India or Pakistan they would see poverty at its worst. The reason for poverty in these countries is the same as throughout the world; it is due to land monopoly.

The following quotation is taken from Thomas Jefferson's letters to James Madison. "The earth belongs to the living. Whenever there is in any country, uncultivated lands and unemployed poor, it is clear that the laws of property have so far been extended as to violate natural right. The earth is given as a common stock for men to labor and live on."

Robert H. Browne in his book entitled, "Lincoln and the men of His Times," quotes Abraham Lincoln as saying: "The land, the earth God gave to man for his home, sustenance and support should never be the possession of any man, corporation or unfriendly government any more than air or water, if as much. An individual, or company, or enterprise requiring land should hold no more than is required for their home and sustenance, and never more than they have in actual use in the prudent management of their legitimate business and this much should not be permitted when it creates an exclusion monopoly."

It is evident that these two men understood the land question. If Henry George's book, "Progress and Poverty," had been published before their time they surely would have agreed with him.

30. ENDORSEMENTS

In my last article I quoted what Thomas Jefferson and Abraham Lincoln had stated regarding the land question. I wish to quote a few of the great men of other countries that believed in the taxation of land values. Winston Churchill said, "I have made speeches to you by the yard on the taxation of land values and you know what a strong supporter I have always been of that policy." Loyd George said, "It is all very well to produce 'housing and working class bills' they will never be effective until we tackle the taxation of land values." Sun Yat Sen said, "The land tax, as the only

means of supporting the government, is an infinitely just, reasonable and equitably distributed tax." Leo Tolstoy said, "The method of solving

the land problem has been elaborated by Henry George to such a degree of perfection that, under the existing state organization and compulsory taxation, it is impossible to invent any other better, practical and peaceful solution."

There are other great men in our country who have advocated land value taxation. Thomas Paine the foe of monarchy and the guiding spirit of the American Revolution, stated, "Men did not make the earth...it is the value of the improvements only,

and not the earth itself, that is individual property...every proprietor owes to the community a ground rent for the land which he holds." The preceding quotation is taken from Mr. Gaston Haxo's book, "America at the Crossroads."

John Dewey, America's foremost philosopher and educator stated, "Henry George is one of the great names among the world's social philosophers. It would require less than the fingers of the two hands to enumerate those from Plato down who rank with him...No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some firsthand acquaintance with the theoretical contribution of this great American thinker."

It is necessary that the majority of the citizens become educated in regard to learning the true solution to the problem of poverty before our law makers will enact this tax reform advocated by Henry George.

31. EFFECTS OF THE REMEDY

Let us now consider the effects of the land value tax on our social and individual life as well as on our economy. We will employ again Socrates' method of teaching by asking questions.

What would be the effect on production if taxation of land values were substituted for taxes on wages and interest? Production would be stimulated because: first, better natural opportunities would be open to labor and second, with men no longer taxed for their energy and skill, and also for their thrift, there would be greater incentive to produce wealth.

How would such increased production benefit laborers and owners of capital? Having access to better natural opportunities (i.e., a higher margin of production) their returns would be greater. Freed of taxation, they could keep their full wages and interest.

How would such increase production affect the aggregate rent? Aggregate rent would increase. Superior lands, formerly unused, would

be released for production. All such additional production would increase aggregate rent, as well as wages and interest. How would this increase in aggregate rent benefit the community? It would increase the common fund in which all would share.

If the full rental value of land were taken in taxation, what would happen to the selling price of land and to land speculation? The selling price of land is based on the present and future income the owner may expect. If all, or nearly all, the rental value were taken the price would fall. Therefore, land speculation would not be profitable as the owner would have little left to sell.

If taxes were placed only on land values, would a given piece of land be taxed the same whether it was used or

idle? Yes, the tax would be based on the land's rental value. This would encourage the best use of land.

Under land value taxation would it be necessary to pay large sums in advance, or incur mortgages to obtain land? No, land would be much easier to obtain than today. The only requirement would be the owner to pay his rent tax.

What effect would opening natural opportunities have on competition among laborers and on wages? The demand by employers for labor would increase and wages would rise as the margin rose. Remember Ricardo's law of rent, wages are determined at the margin of production.

How would increased wages affect labor's productive power? Labor would have the incentive to become more productive. Poorly paid labor is inefficient.

32. INDIVIDUALS AND SOCIAL CLASSES

In our last article we considered the effect of land value taxation on our economy. We will now consider the effect it has on individuals and classes.

In the news recently there was an article that stated the top fifth of our population was getting more than 40 percent of the wealth being produced while the bottom fifth was only getting about 5 percent. It stated that this condition has existed for a long time. I can assure you that the bottom fifth are producing more of the wealth than the top fifth of our population. It is this condition that prompted Proposition 13. This, however, is only a stoppage of taxation not a reform. Let us hope that the lawmakers will now seek out a tax reform that will correct this unequal distribution of the wealth.

Under land value taxation, labor and capital would become more productive and there would be an increase in

wages and interest. As rent increased, all would share in the benefits of the increased rent fund. Landowners would benefit by living in a healthier society.

Acre for acre, how do the values of agricultural land compare with town and city land? They are smaller. If only land values were taxed farmers would be freed of the burden of taxes on their buildings, crops, equipment and livestock. Marginal farmers could acquire better land much more easily than they can today.

How would the homeowner fare? His benefits would be similar to those of the farmer. In most cases, especially among the poor, the value of their houses is considerably more than the site value of the land on which the house is built. His taxes would be lower than they are at present. The government would collect the largest income from the city, oil and mineral lands where the monopoly is greatest.

With speculation in land removed, what would be the effect on the distribution of population? People in sparsely settled areas could move closer to centers of population and people crowded in cities could spread out more. Population would be more diffused.

When Henry George in his book "Progress and Poverty" states there would be an equal distribution of wealth under land value taxation, he does not mean that each would get the same amount, but that each would get an amount equal to what he produces.

Henry George also points out that the rich would not become poor under land value taxation but the poor would be made rich.

Let us pray and hope that the lawmakers will see the justice in the taxation of land values only and will also see that the burden of taxes on the products that man makes should be eliminated.

33. CONCLUSION

This is my last article on Henry George's book entitled, "Progress and Poverty."

However, before closing our thoughts on the subject we have been discussing I would like to quote one paragraph in "Progress and Poverty" in the last chapter.

"The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it never would have been obscured. But it will find friends—those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth."

The above quotation is inscribed on the head stone of Henry George's grave in Brooklyn, N.Y.

There are many more quotations that I would like to give from his writings. Anyone interested in obtaining a copy of "Progress and Poverty" should write to Robert Schalkenbach Foundation, 50 East 69th Street, New York, N.Y. 10021.

Let me leave this last thought with you before I close. The land value tax must be adopted as Henry George has outlined or our civilization will perish. The monopoly of God's natural resources by a small portion of our population is an injustice that must be corrected. You only have to look at the oil monopoly in the Middle East to realize this injustice. God put these resources in the good earth for all His children, not just for a few. It is this injustice throughout the world that turns the blessings of material progress into a curse. As Henry George points out, "It is this injustice that crowds human beings into cellars and squalid tenement houses; that fills prisons and brothels; that goads men with want and consumes them with greed; that robs women of the grace and beauty of perfect womanhood; that takes from little children the joy and innocence of life's morning."

