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HENRY GEORGE'S MISTAKE ABOUT LAND.

By William Torrey Harris

ACCORDING to Mr. Henry George, the tendency of what we call material progress is in nowise to improve the condition of the lowest class in the essentials of healthy and happy human life. On the contrary,

"It is still further to depress the condition of the lowest class. The new forces, elevating in their nature though they be, do not act upon the social fabric from underneath, as was for a long time hoped and believed, but strike it at a point intermediate between top and bottom. It is as though an immense wedge were being forced not underneath society but through society. Those who are above the point of separation are elevated and those who are below are crushed down."

This is the phenomenon that he attempts to explain in his book on "Progress and Poverty," by the discovery that

"The great cause of inequality in the distribution of wealth is inequality in the ownership of land" (1st edition, p. 266). "The reason why, in spite of the increase of productive power, wages tend to a minimum which will give but a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages" (p. 254).

Once convinced that private property in land produces an unequal distribution of wealth that is a curse and a menace to modern civilization, the only true remedy suggests itself:

"There is but one way to remove an evil, and that is to remove its cause. Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labor, is monopolized. To extirpate poverty, to make wages what justice demands they should be, the full earnings of the laborer, we must, therefore, substitute for the individual ownership of land a common ownership. Nothing else will go to the cause of the evil: in nothing else is there the slightest hope. This, then, is the remedy ... we must make land common property' (p. 298).

Seeing the necessity of this remedy, Mr. George looks forward to the certain event of its application, by force, if necessary:

"By the time the people of the United States are sufficiently aroused to the injustice and disadvantages of individual ownership of land to induce them to attempt its nationalization, they will be sufficiently aroused to nationalize it in a much more direct and easy way than by purchase. They will not trouble themselves about compensating the proprietors of land" (p. 326).

But Mr. George does not favor this violent measure. He proposes "to accomplish the same thing in a simpler, easier, and quieter way than that of formally confiscating all the land, and formally

letting it out to the highest bidders" (p. 363). "It is not necessary to confiscate land; it is only necessary to confiscate rent ... We already take some rent in taxation. "We have only to make some changes in our modes of taxation to take it all" (p. 364). He would "abolish all taxation save that upon land values" (p. 365). "The simple and sovereign remedy which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whosoever wishes it, afford free scope to human powers, lessen crime, elevate morals and taste and intelligence, purify government, and carry civilization to yet nobler heights, is to appropriate rent by taxation" (p. 364). Mr. George evidently supposes that a revenue equal to the total land-rent of the country would constitute a vast fund, for he says:

"There would be a great and increasing surplus revenue from the taxation of land values, for material progress, which would go on with greatly accelerated rapidity, would tend constantly to increase rent. This revenue arising from the common property could be applied to the common benefit, as were the revenues of Sparta. ... We could establish public baths, museums, libraries, gardens, lecture-rooms, music and dancing halls, theaters, universities, technical schools, shooting-galleries, play-grounds, gymnasiums, etc. Heat, light, and motive power, as well as water, might be conducted through our streets at public expense, our roads lined with fruit-trees, discoverers and inventors rewarded, scientific investigations supported, and in a thousand ways the public revenues made to foster efforts for the public benefit" (p. 410). "The rise of wages, the opening of opportunities for all to make an easy and comfortable living, would at once lessen and would soon eliminate from society the thieves, swindlers, and other classes of criminals who spring from the unequal distribution of wealth."

Mr. George is bound to suppose that the aggregate amount of ground-rent is a very large sum, because he has come to the conclusion that land absorbs, in the form of rent, all the increased production of labor, aided by capital in the shape of labor-saving inventions. If ground-rent produces poverty, by robbing capital and labor, its confiscation would restore enough to labor and capital to remedy the evil. What is the actual amount of this item of rent in the United States?

The reader of "Progress and Poverty" is struck with the fact that the book contains no statements derived from painstaking inquiries into the statistics of land values and rents. The book is eloquent and effective, its author evidently an earnest and disinterested philanthropist. But his theories all relate to numbers of population, rates of wages, prices of food, amounts of rent, and the ratios of these numbers to one another. These are not *a priori* questions, but matters of statistics. There is not only no investigation of statistics in "Progress and Poverty," but there is not even an attempt to make definite estimates, although there are occasional references to isolated data. If it should be found that the total ground-rent is an insignificant item compared with the total income of the nation, it would be necessary to conclude that Mr. George is mistaken in supposing that private property in land exercises a power to rob capital and labor. And such, indeed, must be our conclusion in whatever way we approach the study of the actual statistics.

The United States Census for 1880 gives the total assessment of real estate and personal property, as determined in the several States of the Union, at \$16,902,993,543, of which \$13,036,766,925 stands for real estate, distributed in such a manner that more than one-half of the amount is assessed in New England and the Middle States (about \$6,714,000,000). "Real

estate," of course, includes land and improvements. The United States Census does not give the items for land alone, but the State of Massachusetts publishes an aggregate of property and taxes showing the separate items: "land exclusive of buildings" and "buildings exclusive of land." The former item (land) is \$587,824,672; the latter (buildings) is \$752,669,001, land being to buildings nearly as 44 to 56. This ratio may be assumed to hold good for the entire eastern and middle sections of the country, giving \$3,766,000,000 for buildings and \$2,948,000,000 for ground. In the southern section it may be assumed that the ratio is reversed, and that the \$1,671,000,000 of real estate assessed there represents \$671,000,000 as value of buildings, and \$1,000,000,000 as value of land. In the western States and Territories likewise, the total of \$4,644,000,000 of real estate may represent at least \$2,000,000,000 as value of buildings, and not more than \$2,644,000,000 as value of land. This will give a total of \$6,437,000,000 for buildings and \$6,592,000,000 for building sites and agricultural land. The rate of assessment for taxes is usually fixed at two-thirds of the market value. Allowing for this, the actual value of all land in the United States owned as private property must have been somewhat less than \$10,000,000,000 for the year 1880. Counting the rent on this land at 4 per cent, we have less than \$400,000,000 per annum, making an average of nearly \$8 for each inhabitant, or a little more than 2 cents per day.

The result surprises us. Two cents per day, or \$8 per year, added to their income, would not bring ease and luxury to those who are struggling with poverty. Nor would it amount to a vast revenue in the aggregate as a tax. 4% — and it is fair to estimate the return in rent as under this figure, because, when land yields more than this amount in rent the valuation is at once raised — would give the government only \$400,000,000, a sum only slightly in excess of the amount annually paid for local taxes (State, county, township, and district), while the total of taxation, national and local, amounts to nearly \$800,000,000. To pay all taxes, both national and local, ground-rent would have to be increased to 7.5%.

To understand the bearings of this, it is necessary to consider the actual annual income of the total population. This income is estimated by Mr. Edward Atkinson, in his "Distribution of Products," * at the round sum of \$10,000,000,000. Mr. Mulhall** estimates the total productions of the United States at £1,420,000,000 sterling, or about \$7,100,000,000. The items used for these estimates are given by Mr. Joseph Nimmo, chief of the National Bureau of Statistics for the year 1884, in a letter to Mr. Atkinson, as follows:

Agriculture	\$3,600,000,000
Manufactures	5,369,579,191
Illuminating gas	30,000,000
Mining	236,275,408
Forestry	455,000,000
Fisheries	43,046,053
Meat, and wool clip on ranches	40,000,000
Petroleum	<u>44,000,000</u>
Total	\$9,817,900,652

But in the above estimate the manufactures are given at the gross annual value of manufactured goods for 1880, and of course there are repetitions of the same item under different heads. ***

* New York: G. P. Putnam's Sons, 1885.

**"History of Prices since the year 1850," by Michael G. Mulhall. London: 1885.

***For example, lumber appears as product of saw-mills, and again in the items of wood manufactures and buildings, as well as in the inventory of products of forestry ; wool and cotton appear first among the agricultural items, next in the textile productions, and lastly as items in the value of manufactured clothing.

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Deducting the materials used from the aggregate of manufactures, as given in the Census Report, the net total is \$1,972,755,542. Moreover, in Mr. Nimmo's statement the agricultural product is increased by the total of live stock, which is rather a product of three years than of one—an overestimate of \$1,000,000,000. Besides this, all the hay crop and three-fourths of the Indian-corn crop go to the raising of live stock, and are already reckoned in the increase of the live stock. Deduct for these items, and the total annual product appears as about \$6,000,000,000. But there is a large amount of produce consumed on the farms* that does not get reported in the census schedules. Add to this the manufactures done at the homes, a considerable item, and the earnings of the railroads in so far as they enhance prices by bringing productions to the place of consumption, and the actual annual income may be safely placed at a little over seven and a quarter billions — say \$7,300,000,000. This would give 40 cents per day, or \$146 per year, for each inhabitant. The total taxation, national and local, takes 4.2 cents per day, one-tenth of the average income. The ground-rent amounts to only one-eighteenth of the total average earnings. If this would make any great difference in the wages of the poor, it is certain that a small grain of economy would go much further.

* Mr. Atkinson estimates the consumption on the farms at the very large sum of \$1,000,000,000. This would give \$40 per annum to each member of the farmers' families. Adding to what is consumed on the farms the clothing made at home, and similar items of manufacture, perhaps \$1,000,000,000 is not too much.

Even in Great Britain* land does not increase in value so fast as to absorb any very large proportion of the increased production. Its relative increase in price has been 23% in 30 years:

1850 1860 1870 1880

100 104 116 123

Meanwhile the houses have increased in valuation 138%:

1850 1860 1870 1880

100 130 164 238

The aggregate incomes from manufacturing, mercantile employments, and professions have increased nearly as much as the houses:

1850 1860 1870 1880

*It would be supposed that a country that has such enormous inequalities of land ownership as Great Britain — and these are survivals of the evil effect of the old system of land tenure that grew out of the village community when the latter passed over into the manorial system on the way toward free private ownership, arresting its development at the point of primogeniture and entail — it would be supposed that here, if anywhere, land would show some of the power that Mr. George attributes to it. But, thanks to English commerce and manufactures, land even here is a constantly diminishing factor in economic, social, and political power.

In fact, land in 1801 was assessed at £990,000,000 sterling, and in 1882 at only £1,880,000,000 sterling, having scarcely doubled in 80 years, while the value of houses had increased from £306,000,000 to £2,280,000,000 sterling, or to more than seven times the amount at the beginning. The miscellaneous items of wealth, in the same eighty years, had increased from £734,000,000 to £4,560,000,000.* Land in Great Britain, it would seem, grows relatively less important as an item in the national wealth; this proves again that Mr. George has been mistaken in his solution of the problem of progress and poverty. This would be our conclusion were land twice the item it is in national wealth; were it, for example, 4 cents a day instead of 2 cents, it would be no insupportable burden to us, with our 40 cents per day of income.

* Mulhall, "Hist. Prices," p. 111. This work by Mr. Mulhall, and the work above referred to by Mr. Atkinson, are commended to the general reader as the most useful books on this subject

If one looks for the fallacy in Mr. George's arguments, he discovers that there is no account made of the difference between land used for agriculture and land for building sites. Land for building purposes is prevented from demanding high prices by competition with rural lands. Rapid transit of the railroad produces this competition, offering to the laborer in the city a cheap building lot carved out of a country farm somewhere within a radius of 20 miles. On the other hand, capital, in the form of cheap transportation, keeps down the price of farming land near cities by bringing into competition the productions of the distant border lands.*

* Mr. Atkinson has shown that one day's work of the eastern laborer will pay for the transportation from the far West of all the meat and bread he consumes in one year. Under this competition, we find a general decline in the value of farms in New England that are removed a distance of three miles or more from railroad stations.

Capital has its hand at the throat of land property, contrary to the theory of Mr. George, who supposes that land is throttling capital and labor. Capital frees labor from the tyranny of land, and the present ratio of land to the total wealth of the United States is less than 1 to 4. In the United Kingdom it forms only one-fifth of the total wealth, being only £1,737,000,000 sterling, with an annual rental of £65,442,000, while the total wealth is £8,720,000,000.*

♦See Mulhall's "Dict. of Statistics," pp. 266, 267, and 469. See also the cautious estimates of Robert Giffen, head of the Statistical Department of the Board of Trade, in an address before the London Statistical Society, Jan. 15, 1878, published in the "Jour. Stat. Soc.," 1878.

These considerations convince us that private property in land is not dangerous to capital nor to labor, being able to levy daily in ground-rent from each inhabitant of the United Kingdom on an average only 2.5 cents, and only 2.25 cents in our country.

Karl Marx announced the pessimistic doctrine that under the existing conditions the rich are growing richer and fewer, the middle class fewer and poorer, the poor poorer and more numerous. It was this view, apparently, that led Mr. George to devote his attention to the subject of progress and poverty. The *a priori* statement of Marx is easily refuted by statistics. Take as the extreme example British wealth. The income-tax returns show that since 1850 the number in the lowest rank of the middle classes (incomes \$750 to \$1,500) has increased to 3.5 times what it was; the next rank (incomes \$1,500 to \$2,500) is 3 times as large; the highest rank of the middle classes (incomes \$2,500 to \$5,000) is 2.5 times as large; the lowest rank of the wealthy classes (incomes \$5,000 to \$10,000) is 2.5 times as large; the next rank of the wealthy (incomes \$10,000 to \$15,000) is 2.75 times as large. In other words, the middle class has trebled in numbers — from 102,489 to 333,022; the wealthy class (incomes \$5,000 to \$15,000) have more than doubled — from 6,050 to 14,969. At the same time the number of persons whose incomes are below \$750 per annum has relatively decreased, and the average income risen from \$265, in 1850, to \$415.*
*See Leone Levi, "Wages and Earnings," pp. 53, 58. Note carefully his explanations in note t. Compare Mulhall, "Diet Stat.," p. 28, where the figures give the incomes from all schedules. In America all statistics seem to point in the same direction. See Atkinson's work above cited, pp. 355-360.

The price levels are always to be considered in comparing the purchasing power of wages at one period with that at another. The purchasing power of one dollar in 1881-1884 is 5% greater than it was in 1841-1850.*

* See pp. 8, 9, 79, 117, 122, 177, 178 of Mulhall, "Hist Prices," for the important method of ascertaining price levels by the total volume of trade instead of by index numbers. On the important matter of wages of the laboring class, Thorold Rogers has given us a storehouse of information in his "Six Centuries of Work and Wages." But see the reports of the "Bureau of Statistics of Labor" of Massachusetts, 1884, pp. 432-460; also the report for Illinois for same year. Hon. Carroll D. Wright, now U. S. Commissioner of Labor, discusses the cost of living and the amount of wages in his "Report" for 1880. See pp. 411-406.

Wages seem to be fast receding from that "minimum that will give but a bare living." But it is the wages of the skilled mechanics and manufacturers that have increased most. The wages of farm hands are much below the wages of those engaged in manufacturing industries. The average income of the whole country is, as we have seen, 40 cents per day. As there is one wage earner to three persons, or, more accurately, to 2.9 persons, it is clear that all laborers who get over \$1.35 per day, or \$34.80 per month, get more than they would get if the total annual production were divided evenly among the wage earners, without allowing anything to capital or land.

By this it will be seen that all our skilled laborers, and a considerable number of common laborers, are paid now at higher rates than a socialistic division would give them. All who are receiving over \$34.80 per month in wages are on the side of the "bloated bondholder" already, and cannot complain of land or capital as robbing them of the products of their labor. Skilled labor in the mechanic industries gets from 20 to 80% more than this average. But the farming

population of the country get from 20 to 80% less. And it is on the farming population that the burden of a high land tax would fall with the utmost severity. A 7% tax on land would destroy our agricultural interests, all except the market gardening. No grain could be exported, and without a protective tariff none could be raised for the home market.

In Russia the total annual product is 14 cents per day for each inhabitant. In some of the agricultural regions north of the Black Earth district the Russian peasant produces only 4 cents a day on an average for each member of his family. Our own income has increased to 40 cents, from 25 cents in 1850. It is still on the increase, as fast as labor-saving inventions can be brought into use, and it is to be hoped that we may produce \$1 per head before the century is out. As it is, land has increased in value so slowly during the past thirty years that the amount of rent per inhabitant has increased only from 1.4 cents per day to 2.25 cents, showing that land has absorbed only 1/18 of the increase in production through the use of machinery.