

WHAT HENRY GEORGE TAUGHT IN "PROGRESS AND POVERTY."

BY ERNEST BAARDSLEY.

Any merit attaching to this paper must not be attributed to the writer, for it is simply a paraphrase or review of that wonderful book, *PROGRESS AND POVERTY*. The credit, if any, must therefore be given to Henry George, the noble genius whose works are destined to revolutionise the world.

Political economy, as understood by most politicians and other superficial thinkers, gives neither a satisfactory explanation of the cause of increasing want correlating with increasing wealth, nor a remedy for that evil. I propose to bring before you the true explanation, as taught by Henry George, why millions of people are condemned to hopeless, agonising poverty while surrounded by an immense and ever-increasing abundance of wealth, the cause of periodical industrial depressions, and the remedy for this state of affairs.

It is a matter of common observation that all towns are afflicted with awful destitution and acute distress consequent on unemployment and its concomitants—the larger the town the more pronounced being the poverty, more noisome and extensive the slums, the more numerous the public-houses, the more prevalent crime, and the more commodious and numerous the workhouses and prisons. Just as a community increases its material wealth, in the same ratio the submerged tenth augments its numbers, until in the largest towns, such as London, New York, Paris and Calcutta, there are countless thousands always existing on the verge of starvation, while hundreds are unable to keep their poor bodies and souls together. This is not merely the case under certain specific conditions, but it holds good in all countries the world over, whatever may be the prevailing fiscal policy, form of government, or density of population, and it is consequently evident that the cause must be one common to all countries which are at all materially progressing and may be called civilised.

WAGES AND THE SUBDIVISION OF LABOUR.

Pseudo political economists give as the cause of industrial depressions and permanent misery the dogma that "wages are fixed by the ratio between the number of labourers employed and the fund devoted to their employment and maintenance," and that therefore "the more labourers there are, the less wage will each individual labourer receive." That statement is almost universally believed to be true. Now take careful note—if this be the case, high wages, which indicate a relative scarcity of labour, should be accompanied by low interest, indicative of the relative abundance of capital; and low wages, the mark of the relative abundance of labour, should be accompanied by high interest, the indication of the relative scarcity of capital. But the contrary is the case, as investigation will prove, for wages are high where and when interest is high, and low where and when interest is low. This surprising fallacy is the result of arguments being erected on a false foundation—it is due to political economists having taken for granted the idea that wages are drawn from capital and building their economic edifice thereon.

Now, as standard writers such as Adam Smith and John Stuart Mill concur in defining capital as accumulated labour, this gives us the *reductio ad absurdum* that the results of labour must be accumulated before labour can be exerted. How that can be I leave to Socialists and Tariff Reformers to discover at their leisure. The fact is (and I wish to emphasise this point as being, perhaps, the most important in my paper, and the point on which so many alleged thinkers go astray) that wages are the product of the labour for which they are paid, and nothing but that. For, as illustration, returning to first principles, imagine thirty men constituting a community, and each of them for a while ministering to his own desires in person. After a time these men discover the great advantages accruing from a division of labour, and whereas before each man grew his own corn, caught his own fish, mended his own nets, made his own clothes, and built his own house, now one grows corn, another fishes, another is employed in mending nets, another is communal tailor, another devotes his time and labour to building houses, and so on, *ad lib.* Under the altered circumstances, is not each man doing quite as much as before towards the pro-

duction of his necessities, and in effect, by virtue of the exchanges he makes, producing all the necessities and luxuries he receives?

The same holds good in the most advanced and complicated state of society, however minute the sub-division of labour may be, for money is but the medium of exchange. Thus, a driller or dresser in a gas-engine manufactory and a roller-corer in a cotton mill who consume fruit and meat, are as essentially devoting their labour to fruit growing and cattle raising as though they were directly employed in such labour. It is clear, therefore, that wages are the product of the labour for which they are paid, and are not and never can be drafts on capital. This applies with equal force in those instances in which the value of the produce of labour takes months, perhaps years, to fully materialise. Take, for example, a railway in course of construction. Here the labourer renders services and receives wages. But is the employer's capital lessened by the payment of wages? Manifestly not; for what he before had in money he now has in railway, for it must be remembered that capital is not by any means merely money.

Of course, capital is necessary, in such forms of production, but not to pay wages, because it has never, even temporarily, been reduced in quantity. But capital is for the purpose of allowing the employer to lay up a stock of the special kind of capital he desires, in this case, railway. An employer requires capital, not as an employer of labour, but as a merchant in or accumulator of stock. Consequently, if labourers produce their own wages, increase of labourers should, nature being sufficiently beneficent, mean increase of wages owing to the greater power and economy in production. But is nature generous enough? Is the blasphemous Malthusian theory that "population tends to increase faster than subsistence" warranted by facts? Decidedly not, for in the countries where poverty and distress are most acute, the forces of production are strong enough if fully employed to keep all classes in luxury.

As far as we have got, then, we have seen that the explanation current political economy gives of the existence of bare subsistence wages, sweating evils and crime-breeding plague spots in highly civilised communities, is insufficient, and that the laws which govern production are not responsible for the agony of countless suffering mothers and the wails of starving children. Let us turn then to the laws of distribution.

THE LAWS OF DISTRIBUTION.

Land, labour, and capital are the factors of production—the term land including all natural opportunities; labour all human exertion; and capital all wealth used to produce more wealth. In returns to these three factors the whole produce is distributed, the return for the use of land being called rent; the return to labour being called wages; and the return to capital being termed interest. Putting this in the form of a simple equation we see that if

$$\begin{aligned} \text{Produce} &= \text{Rent} + \text{Wages} + \text{Interest,} \\ \text{then } \text{Produce} - \text{Rent} &= \text{Wages} + \text{Interest;} \end{aligned}$$

therefore the amount taken out of the whole produce as rent necessarily determines the amount left for division between labour and capital. Hence, if rent increases simultaneously with increase in production, no amount of such increase can benefit either labour or capital, because any addition to wages and interest will be swallowed up in rent.

Thus it will be seen that there is no real antagonism between labour and capital, and that the present bitter feeling between capitalists and labourers is due to a misconception of the identity of their common enemy. It is sometimes assumed that capitalists are responsible for low wages, that they force wages down in order to enhance their already bloated profits, and the facts would seem to warrant the assumption. But careful examination will show that where large profits are made they are due to the possession of some kind of monopoly or privilege, and that capitalists, as capitalists, are compelled to pay the market rate of wages in order to secure the market rate of interest. Those market rates of wages and interest are both determined (as has already been shown) by what share of the total production goes to the landowners in rent. Therefore, any attempts to restrict the accumulation of capital in order to benefit labour or to increase wages at the expense of interest (fond hope of Trade Unionists and Socialists) are foredoomed to failure, because capital is not labour's

enemy. Rather, both should unite in striving for the abolition of the thief of wages and interest—monopolised rent:

INDUSTRIAL DEPRESSIONS.

As to the constantly recurring periods of industrial depression with which every country is periodically swamped, and from one of which the world is only just recovering, most politicians accept them unquestioningly, and without any attempt at explanation. They possibly consider them to be the results of natural laws, as indeed they are, just as natural as that a finger put in a fire gets burnt, for any encroachment on nature's laws brings certain punishment.

The real cause of industrial depressions is to be found in the speculative advance in land values; that is to say, the owners of land are able to anticipate and to appropriate future values to such a degree that the return to labour and capital is reduced to the point where they can no longer engage in production. These depressions consequently last until the normal rent line overtakes the speculative rent line, when labour and capital re-commence activities, only to be followed and overtaken by the same disastrous process. We thus find that the cause that constantly tends to bring wages to a minimum which will give but a bare living, is that, with increase in productive power, rent still tends to even greater increase. Increase in population enhances the value of land as is seen in every growing community. That land values depend upon population is self-evident when we consider what would be the result if all the inhabitants of any town deserted it. Rent (land values) would disappear as mists under a tropical sun. Improvements in the arts and the expectation of material progress also increase economic rent, and lower the proportion that goes to labour and capital.

We have found the cause of the persistent prevalence of poverty and recurring industrial paralysis—there remains but to discover a remedy. But before attempting to do so, let us review a few of the remedies advocated by modern statesmen and politicians. As is only to be expected, having failed in discovering the real cause, their remedies are, or would be, ineffective. From amongst the many let us take six, viz.:—Greater economy in government; 2. Better education of the working classes, and improved habits of industry and thrift; 3. Combinations of workmen for the advance of wages; 4. Co-operation of labour and capital; 5. Governmental direction and interference; and 6. A more general distribution of land. Let us examine these proposed remedies in this order:—

No. 1. Economical government: In England labour now supports the burden of an immense debt, an established church, a royal family, and a great army and navy. Imagine the debt cancelled, the church disestablished and disendowed, the royal family made to join the army of producers, and the army and navy disbanded. If this were accomplished peacefully and suddenly, the labourers of England would gain a benefit, but only for a short time because almost immediately rent would rise until things were every whit as bad as before. If, on the other hand, such a revolution were accomplished gradually, the same result would follow without even a temporary advantage being accorded to labour. As Henry George says, "A reduction in the amount taken from the aggregate produce of a community would simply be equivalent to an increase in the power of net production. It would in effect add to the productive power of labour, just as do the increasing density of population and improvements in the arts"; and just as rent swallows up these advantages, so it would absorb all the benefits that might be gained by the wholesale economies I have outlined. Such would also be the result if labour and capital dealt more conscientiously with each other, as is sometimes suggested by ministers of religion. Instead of this meaning better wages and good times all round, it would mean increased efficiency of labour, resulting in increased land values, richer landlords and poorer masses, as all such efforts have done in the past. I make no comment on the moral aspect of the question.

No. 2. Better education and improved habits of the workers: This proposal indicates confusion of cause and effect, for ignorance and vice spring from poverty, and not poverty from ignorance and vice. To make people intelligent, poverty must be eradicated. Only as it teaches men to trace effects to causes will education be of universal use.

No. 3. Combinations of workmen: Although a Trade Unionist myself, I recognise that Trade Unionism is mere

futility, or worse, for however much money wages may rise, real wages measured by purchasing value never can rise while land monopoly throttles industry, because any increase that may be gained by Trade Union effort will always be absorbed in increased rent and increased cost of necessary commodities. Trade Unions are also, obviously, destructive of freedom.

No. 4. Co-operation in production: This again simply means increased efficiency of labour, that is to say, enhanced land values.

No. 5. Governmental direction: It would be superfluous to point out that anything that savours of restriction and regulation is in itself bad, but the Socialistic aim to reduce immense concentrations of wealth, while in itself good, involves the employment and consequent expense of a multitude of officials; it also constitutes a temptation to bribery and corruption, an incentive to unscrupulousness, and a tax on industrial progress.

No. 6. A more general distribution of land: This proposal is impracticable for several reasons, and it would, moreover, be unjust to posterity, and would strengthen the present unjust system by instituting more landlords.

THE REAL REMEDY.

All these remedies merely nibble at the decayed leaves instead of getting down to the root and removing the disease that is eating at the vitals of the social tree. No palliatives will not do. What is wanted is not State Insurance, Old Age Pensions, Small Holdings, &c., but the removal of land monopoly—the wedge that is pushing rack-renting parasites into high society, and grinding millions of people into soul-searing, degrading pauperism, and worse. Land can never, morally, be private property, although allowed by law, and so landlords should not, and indeed cannot, be compensated for being dispossessed of the people's common rights.

For the restoration of the people's rights to land there is only one practicable scheme—the gradual transference of taxation on to land values, and a corresponding abolition of other forms of taxation, until ultimately the whole of the annual value of all land is taken in taxation for the benefit of all the people. This means, in other words, the nationalisation of rent.

Against this drastic reform it may be urged that private ownership is absolutely necessary for the best use of land. But in the majority of instances, to-day, land is improved and used by others than the owners. It is not necessary in order to secure common ownership, that land should be divided amongst all the people, any more than when several persons are joint owners of a cotton mill the mill should be divided into portions or lots according to the number of shareholders. Besides, this appropriation of land values by taxation for public benefit is immeasurably the easiest, simplest, most effective, and most just method of taxation that could be devised by man. As Mr. Ure, K.C., has said, the special characteristics of land are valuable qualities in the eyes of the tax-gatherer, for "it owes its existence to no man, is limited in quantity, it is necessary for man's existence and it can neither be concealed nor carried away. The value of land is independent of improvements made on land, and it is a value created by the whole community."

Why should British workmen be compelled to pay approximately three shillings in taxation with every shilling's worth of tobacco they purchase, and why should tea, sugar, cocoa, and the like, be taxed so as to render them articles of luxury to innumerable workers? Tobacco is a perfectly legitimate luxury, and tea, sugar, &c., are necessary commodities, as are also the many things on which our semi-Free Trade policy imposes prohibitive penalties. Away with these pernicious food taxes, and substitute for this miniature protectionist policy Land Values Taxation!

UNEMPLOYMENT ELIMINATED.

This Single Tax on land values, as we have seen, would not hamper industry or obstruct production—common faults of all other taxes—but on the contrary, by giving free access to all natural opportunities it would immensely increase production. Also by destroying speculative rent the recurring periods of distress and unemployment would be eliminated, never to return. It would also be far easier and cheaper to collect than any other possible tax; it is absolutely certain and would fall equally and equitably on every citizen in every community. This is not the case

with present taxes, which penalise industry and encourage laziness. Under the Single Tax those who worked would receive a just recompense, whilst idlers would deservedly starve.

A GREAT BOOK.

The foregoing is a brief résumé of *PROGRESS AND POVERTY*, in which Henry George points the way to a practicable Utopia, where, with all incidental expenditure necessary for the maintenance of a great army and navy, police force, penal establishments, workhouses, &c., dispensed with, and all involuntary unemployment abolished, men would rise to higher and nobler things than mere money-grabbing.

If any of my readers have not yet studied this great book I earnestly advise them to rectify the omission at the earliest opportunity, and learn how we may reach a state where all who work will receive the fruits of their toil; where all the parasites who now fatten on industry, while themselves idle, will be no more or will become useful citizens; where all willing to work may do so without fear of having their wages forced down to a bare subsistence level; where all slums, sweating dens, brothels, gin palaces, and the like will be as dreams and nightmares that never existed; where women will not murder their offspring for insurance money; where all crime and vice engendered by want and the fear of want will be no more; where death from starvation will no longer intrude its gaunt spectre on the vision of mankind; and where liberty, equity, justice and prosperity will be the common possession of all.

I cannot do better than conclude by quoting the Single Taxer's motto, taken from *PROGRESS AND POVERTY* :—

"We would simply take for the community that which is the creation of the community, leaving sacred to the individual all that belongs to the individual."

VALUATION OF A RURAL PARISH.

Those of our readers who have followed the controversy on the valuation made by Mr. Trustram Eve of the Parish of Elstow in Bedfordshire, of which our opponents have sought to make much capital, will be interested in the following letter written by Mr. W. R. Lester to the *LAND AGENTS' RECORD* of 27th April :—

SIR,—The emergence of "a new fact" emboldens me to ask you to re-open the discussion of last winter.

It will be remembered that Mr. H. Trustram Eve undertook a valuation of the parish of Elstow in order to show how a change of rates to a site value basis would affect agriculture. He arrived at the conclusion that while the change would mean lesser burdens on such industrial concerns within the parish as railway companies and a large brickyard, it would also mean largely increased burdens on the agriculturist.

Manifestly the validity of this conclusion depended on the correctness of the site values Mr. Eve ascribed to the railway company and the brickyard, and I took leave to question those site valuations, though I was not, at the time, able to bring actual figures to bear on them. But a fact that has since come within my knowledge is regard to the brickyard, and which I cannot think Mr. Eve knew of at the time he made his valuation, completely bears out my contention that in putting the site value at £5 per acre, an enormous under-estimate was made by Mr. Eve, and that his inference as to the adverse effect of the proposed change on agriculture is therefore discredited.

The fact I refer to is that a proposal recently was made by the Bedfordshire County Council to acquire compulsory powers to purchase the land adjoining the brickyard for small holdings. It then transpired that powers could not be obtained because the tenant of the brickyard had previously secured the option of purchase at a specified price.

Now, my point is that this price is so enormously above the £5 named by Mr. Eve as the site value as to make that figure appear positively ridiculous. Clearly the owner of the land, at least, does not agree with Mr.

Eve's site value of £5 when he himself comes to make a valuation. If anything approaching the figure at which the option of purchase was acquired had been taken by Mr. Eve, his inquiry *re* the parish of Elstow would have led him to a very different conclusion.

Will Mr. Eve be good enough to find out what this option price is, and furnish it to the readers of the *LAND AGENTS' RECORD*?—Yours faithfully,

W. R. LESTER.

6G, Montague Mansions,
York Street, W.

This letter, to which we have as yet seen no reply, speaks for itself. We think it is for Mr. Eve to make the inquiries suggested by Mr. Lester and pass them on to the Departmental Committee on Imperial and Local Taxation, and the Farmers' Club and the other bodies where he was welcomed as an expert who had demonstrated the "fallacies" of land values taxation. Mr. Eve's case of the Elstow Parish was examined by the United Committee and issued in pamphlet form, under the title "Rating in Rural Districts."

IT WAS NOT MEANT TO BE.

My heart grows chill at the world of ill

That lies on every hand,
Like sands of stone over treasure prone,
In the waste of a golden strand.

For the fathers work till in pain they shirk,
And in stupor their misery rests,
While the mothers weep, and the children keep
The visions of grief in their breasts.

"As the perfume blows from the lips of the rose,
As the sunshine and rain from the sky,
From the heart of man"—says the wonderful plan—
"Let the message of happiness fly."

Then I charge you strong—ye righters of wrong—
To unravel this riddle of fate,
Lest we reach the road where we lighten the load,
In exhaustion, and conquer too late.

THORWALD SIEGFRIED.

When the object is to raise the permanent condition of a people, small means do not merely produce small effects: they produce no effect at all.—JOHN STUART MILL.

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