CHAPTER III

GEORGE'S ECONOMIC SOLUTION

An elaboration of George's economic system, an elaboration that, as has been previously suggested, is necessary in order fully to grasp his ambitious correlation of economic data and ultimate ethical consequences, must start with a realization of his dependency upon classical economic theory. George accepted with but little qualification the fundamental groundwork of the classic approach, and the theoretical technique of Smith, Mill, Ricardo, was, for him, the genuine method in political economy. Economics, in other words, was a subject that was thoroughly deductive and demanded for its complete comprehension nothing but an unclouded and unprejudiced rational faculty. Its fundamental assumptions were clearly derived from the laws of nature and needed but to be discovered by philosophic effort.

Political economy, furthermore, was a discipline that was essentially a simple one. It did not require complicated statistics or graphs or the investigations of trained research students.[1] All that it demanded was common sense and popular intuition, or, at most, a philosophic bias. And it was an exact science, for it traced through, by means of infallible causal or logical sequences, the workings of indubitable first principles, "truths of which we are all conscious and upon which in every-day life we constantly base our reasoning and our actions." Among such familiar axioms was the psychol-

[1] See *supra*, p. 47.

ogy of the "economic man": "Men seek to gratify their desires with the least exertion." [2]

Finally, to complete the classic hierarchy, political economy was to be ethical. It is realized, of course, that the classical economists overtly repudiated any "sentimental" concern with ethical judgments; political economy was an exact, natural science which included no explicit moral valuation. Yet it has been pointed out repeatedly by historians of economic theory that, despite this insistence upon the "scientific" character of the subject, the classic writers were in a sense rationalizing their own ethical predilections, or rather those of their backgrounds. Classical economy was implicitly ethical in spite of its insistence upon the natural; its very natural laws, in fact, were largely ethical principles and implied the direction that economic processes "ought" to take, e. g., laissez-faire and economic men. George differed from the classic approach, in this respect, only in his more deliberate emphasis upon the ethical factors. If the classicists stressed the fact that economics is "right" because it is "natural" (although that may be considered a rationalization), George insisted that economics must be natural because it must be right.[3]

Here in George, then, was a restatement of the classical

[2] *Progress and Poverty,* p. 11. However, George felt that Adam Smith was wrong in his corollary of the economic man's "selfishness." That selfishness (the correlate of the universal sympathy upon which Smith founded his moral philosophy—see Buckle's "Examination of the Scotch Intellect During the Eighteenth Century," Chap. VI of Vol. II of the *History of Civilization in England*) was not the basic motive in economic life; such a motive was this "conservation of energy" in desire-satisfaction, and from this and other similar fundamental premises could be rationally deduced the whole structure of the science.

[3] There is another interpretation of the ethical motif in George's work, and that is as a defense of his political and economic proposals. It is pointed out that the major part of George's argument is descriptive and that he defends his solution, in his search for rational sanctions, on any and every current basis of morals. This point will be illustrated further on in the discussion of George's ethical justification of his economic proposals. (*Infra,* pp. 139–140.)

interpretation of political economy. The science was to be one of theory, and was to be a product of introspection, a rational grasp of the rational natural laws that regulated the interaction of economic phenomena. It contained nothing tentative or empirical; much less was economics a descriptive portrayal of the history of a certain group of theories. It could not function without eternal and absolute axioms, and any other interpretation that sought to qualify or temporize was, for George, unworthy of serious consideration.

Such a wholesale acceptance of the classical approach is explicable enough, since whatever economic background George had was entirely a classic one. He first wrote in 1879 (although his earliest economic thoughts had appeared in journalistic form for some ten years previous to that date), and at that time there was little break in the classic tradition.[4] George regarded the work of John Stuart Mill as characteristic of political economy, and thus whatever divergency there was between his own work and that of the great English writers was in application rather than in general outlook. In fact, George's approach, including particularly his ethical emphasis, was the same as that of his American contemporaries and immediate predecessors, such as the Walkers, Wayland and Perry, despite the fact that his acquaintance with their work disclosed to him little similarity with his own. The same theoretical background had made them all followers of the economic tradition, although perhaps George's hand-to-hand contact with economic conditions and their functional significance had made his ethical

[4] It is true that in George's last work, *The Science of Political Economy,* he was aware of the new historical approach and of the "break-down" of the classical school. But it was in *Progress and Poverty* that his economic thoughts not only originated but reached their highest development. As he himself wrote in the *Science* (p. 203), he saw no reason for changing his earlier opinions, and so his approach was formed entirely upon the basis of the classic presentation. (For a further discussion of George and classical economy, see *infra,* Chap. IV.)

approach more real and vital than that of the academic tradition.

It is necessary to mention this classic formulation in order to prepare the way for an economic discussion that must be directed along the lines of George's theoretical approach. For example, he must begin his argument with "the meaning of the terms," since, in any deductive presentation, definitions are paramount. They are the formulation of the material that is to be used as the basis for discussion. Definition directs the entire argument, and thus classical political economy invariably prefaced its work by some form of "first principles" which were to organize and test material. That is George's technique in *Progress and Poverty*. He uses as the motto for the entire volume that passage from Aurelius which opens: "Make for thyself a definition or description of the thing which is presented to thee . . ." and his second chapter is on the "meaning of the terms."

Before launching into his argument, however, George finds it necessary first to clear ground by repudiating two of the doctrines that had made political economy the "dismal" science. One was the wages fund theory and the other was the thesis of Malthus.

The specific problem that stimulated George, as has been noted in the opening chapter, was that presented by the persistence of poverty, and particularly the fact that want appeared as a concomitant of wealth. That problem was for him expressed in the simple economic statement that the prevailing tendency in industrial society was to force wages to a minimum—a minimum, it is unnecessary to add, which was not absolute but relative to the worker's share in the product of his labor. Therefore, at the very beginning of his work there was required an investigation of wages, and particularly an attempt to solve the problem of low wages.

The popular doctrine of the late '70s still solved such a problem quite simply: Wages tended to a minimum because there was a fixed fund of capital set aside for the payment of wages, and every increase in the number of laborers necessarily decreased, by an elementary arithmetical process, the individual share of the laborer. As George phrased it, this quite famous "wages-fund" theory, which had received its classic statement by John Stuart Mill, held that

> wages are fixed by the ratio between the number of laborers and the amount of capital devoted to the employment of labor, and constantly tend to the lowest amount on which laborers will consent to live and reproduce, because the increase in the number of laborers tends naturally to follow and overtake any increase in capital. The increase of the divisor being thus held in check only by the possibilities of the quotient, the dividend may be increased to infinity without greater result.[5]

This, for George, was the "current doctrine" of the relation between wages and capital, and he realized that it was a doctrine that must be attacked if any dynamic cause of low wages was to be sought. Were it true that wages could not be permanently increased because of the fact that they depended upon a specific sum of capital, it would be well-nigh hopeless to proceed any further with an investigation of low wages.

George's attack upon this wages fund theory affords an interesting example of his approach to the work of his contemporaries. That is, he was acquainted with the very complete attacks upon the theory—attacks which practically removed the early wages fund formulation from economic

[5] *Progress and Poverty,* p. 17. The theory of a wages fund was first formulated by Nassau Senior and others, but it was definitely based upon the earlier and more fundamental work of Ricardo. However, while the concepts of Ricardo directly prepared the way not only for the wages fund theory but also for the "iron law" of wages developed later by Lassalle, he himself did not hold that there was a predetermined and inelastic amount of capital set aside for the payment of wages.

theory—by men like Francis A. Walker and William Thornton[6] (although he does not seem to have been familiar with Mill's own repudiation of his earlier position)[7]; and yet, George insists that the wages fund had not been seriously challenged and that it was still completely acceptable to the academic world. The explanation seems to lie in the fact that the approach which George emphasized was not the characteristic argument of these other attacks. He did not confine himself to the more usual challenge of the rigid, inelastic character of a wages fund, but instead criticized the whole concept that wages depended in any essential way upon capital. However, his major position, that of a "productivity" theory of wages, had been given thorough exposition by Walker.[8]

Wages are paid not out of capital but out of the product, was George's main contention. He felt that an attack upon the "fixed," "predetermined" characteristic of a wages fund was something merely incidental; the fundamental doctrine that was to be controverted, a doctrine which gave rise not merely to fund theories but to "iron laws" and other pessimistic approaches to low wages, was that which held that labor is directly dependent upon the capitalist. George argues that the mother of wages is not stored-up wealth, but continuing productivity; both wages and interest are paid out of the joint product of labor and capital, and any seemingly obvious payment of wages out of capital was simply an "advance" to be interpreted temporally and not functionally. By "temporally" is meant here those cases of long-time production in which wages are continually being paid before the product is completed; such advance wages, George holds,

[6] See *Progress and Poverty,* p. 18, n.

[7] That amendment on the part of Mill is found most significantly in his essay on "Thornton on Labour and Its Claims," in *Dissertations and Discussions* (New York, Henry Holt, 1875), Vol. V, particularly pp. 47–52.

[8] In his *The Wages Question* (New York, 1876).

are simply forms of guarantee, "retainers," and in no way a functional dependent upon capital. These "advance wages," George believes, are paid out of wealth produced, even if there is only a partial increase in wealth such as in agriculture or in long-time manufacturing. In other words, the worker has "finished" as much of the product as the productive process will permit up to the time of receiving wages. Some value must be created before wages can be paid.

The static concept of a supply of capital upon which depend not only wages but industry itself is hardly tenable, George points out, in the light of a reproducing, moving, transformable industrial order, but of much more importance, he feels, is the realization that were labor to cease, capital would become so much "illth" instead of wealth. That is, the production of wealth is essentially dynamic in character. Labor is not functionally dependent upon past accumulated labor, or capital, as the classic theory taught; a stock of subsistence from which labor is maintained by capital is not at all necessary. All that is required is diversified, contemporaneous production. Subsistence is not furnished by a previously accumulated stock but by an exchange of goods produced in the present. As George formularizes this point: "The demand for consumption determines the direction in which labor will be expended in production." [9] Present labor maintains itself. An accumulation of stock, in connection with the payment of wages, is at most a convenience and in no sense a *sine qua non*.

George's decisive criticism of a wages fund thus occupies a peculiar position. It is in good part a reworking of an argument that had been elaborated by his immediate predecessors—one, moreover, with which he was admittedly familiar—but George felt that his attack upon the concept of a capital origin of wages was really a complete break with the eco-

[9] *Progress and Poverty,* p. 75.

nomic tradition. There is certainly this to be said in reference to George's criticism of a wages fund theory: He was definitely instrumental in popularizing the academic criticism of such a doctrine. Even if belief in such a fund was becoming unacceptable to economists, it still remained either a quite satisfying shibboleth or the most dismal of realities for the layman. But George's forceful and intelligible disposition of the fund doctrine provided not only a summary of the criticism that had been appearing for some years previous to his work; in addition, it helped to dispel from the popular mind some of the dismalness of political economy.

The cause of low wages, then, and ultimately of poverty and all its social consequences, was not to be found in the oppression of labor by capital through a wages fund. And neither was the cause of poverty anything in the nature of Malthusianism. George followed his attack upon the "current doctrine" of a wages fund with a much more bitter onslaught upon Malthus; these two pessimistic doctrines, he felt, accounted for much of the hopelessness of economics and constituted a barrier which firmly held in check any efforts on the part of the science to increase wages or remove human suffering. Were the proponents of a wages fund correct, then efforts to increase wages must be essentially in vain; and were nature insufficient to support the earth's population without the aid of the checks accepted by Malthus, those grim "four horsemen," then misery and social evil were not only inevitable—they thereby received a tacit "scientific" justification.

It is not necessary, however, to say more than a word regarding George's almost savage criticism of Malthus.[10] His arguments, especially the emphasis upon the potency of human intelligence and ingenuity in meeting the spectre of

[10] Book II of *Progress and Poverty*, "Population and Subsistence," is devoted to that attack.

overpopulation (although even that spectre is being rapidly dispelled by contemporary birth-rates), are familiar enough now, although they were by no means welcome or even presentable at the time he wrote. While George may have been mistaken in attributing to economists the wages fund as current and acceptable doctrine, he was by no means mistaken in his recognition of the academic popularity of Malthus (a popularity, in fact, that has not waned appreciably despite the translation of Malthus's "law" into the more innocuous "tendency"). Even the theorists such as Walker who at-attacked the wages fund theory were sympathetic to Malthus, and Mill's famous passage [11] was still the most complete and unequivocal expression of a well-received doctrine. Here, then, George's break with economic theory was more pronounced.

These attacks of George upon the statements of overpopulation and of a wages fund constituted a process of ground-clearing, as has been noted before, which was necessary before he could attempt to present his solution of the riddle of progress and poverty. Only when these remains of the pessimistic era in political economy have been removed does George feel that he can direct his attention to his own proposals.

It will be recalled that George's constructive argument, following his thoroughly deductive approach, was to open with a definition of terms. The concepts "wages" and "capi-

[11] *Principles of Political Economy,* Book I, Chap. XIII, Sec. 2. The fierce optimism with which George met the gloom of Malthusianism is illustrated in his direct attack upon this "niggardliness of nature" statement of Mill: "I assert that in any given state of civilization a greater number of people can collectively be better provided for than a smaller. I assert that the injustice of society, not the niggardliness of nature, is the cause of the want and the misery which the current theory attributes to overpopulation. I assert that the new mouths which an increasing population calls into existence require no more food than the old ones, while the hands they bring with them can in the natural order of things produce more.

tal" are first defined by him, since his opening problem was the attack on the wages fund theory. With the term wages there does not appear to be any serious difficulty, except, as he points out, to remember that the "return to labor" includes any return, no matter what form it may take, for any type of exertion, whatever may be its form. With the concept capital, however, there is introduced a whole series of controversies originating with the very attempt to define what is meant by the word.

In discussing George's treatment of capital, and of the concepts wealth and value into which he is necessarily led, there is always the difficulty of avoiding a possible accusation of atavism. That is to say, these concepts have undergone such wholesale revision at the hands of more recent theorists that an exposition of the nineteenth century presentation may seem out of place to those who are perhaps impatient with the logical formulations of the classical approach. But George's completely classic heritage must be kept in mind, and therefore his definition of capital as "wealth used in the production of more wealth," and his subsequent discussion of wealth and value,[12] must not be placed against a background of later criteria, especially since those canons themselves are by no means above suspicion.

The concepts of capital, wealth, value, have been perhaps more affected by the subjectivistic tendencies that have characterized modern economics than have any of the other

I assert that, other things being equal, the greater the population, the greater the comfort which an equitable distribution of wealth would give to each individual. I assert that in a state of equality the natural increase of population would constantly tend to make every individual richer instead of poorer." (*Progress and Poverty,* pp. 141–142.)

[12] George does not attempt any complete discussion of capital or wealth in *Progress and Poverty.* His thorough exposition of wealth and value—upon which, as will be seen, his interpretation of capital depends—is reserved for *The Science of Political Economy,* especially Book II on "The Nature of Wealth."

traditional terms. With the objectivity of economic concepts being increasingly removed because of a fundamentally psychological approach to the science, there is introduced a definition of capital, for example (although there is no intention here of summarizing or reconciling the many conflicting handlings of the term), as the present worth of future income rather than as a given stock of wealth. It is being interpreted as an abstract, mobile fund, in which cost of production is slighted and land included, whereas the more classical view considered capital as an aggregate of concrete goods and so excluded land and emphasized cost. There is no need, however, to elaborate this ideational contrast; it is familiar enough. The only point that is being raised is the warning that George's exposition is to be the classic one, with psychological considerations conspicuously absent.

It has been noticed that George's definition of capital is in terms of wealth, "that bane of political economy," a concept whose difficulties have tempted some theorists to drop the consideration of the term altogether. Such a disposition of wealth, George felt, would be of a piece with discussing mathematics without considering the concept of number. He held that there could be no proper orientation of political economy unless the meaning of wealth were definitely fixed, and he essayed therefore to present an acceptable definition of the term. His efforts to give a logical meaning to wealth demanded, as has been suggested, that value be handled first, and he opens his exposition with an appeal for at least the theoretical retention of Adam Smith's distinction between "value in use" and "value in exchange."

George realized that the successors of Smith had repudiated such a distinction, and he makes it clear, further, that "value in exchange" is recognized by him to be the only type of value handled by economics. But nevertheless he insists upon pointing out what appears to him a serious fallacy in refusing to admit a fundamental, if ideational, distinction between these two types of value.

The criticism of Smith's differentiation between value that was based on usefulness and value founded upon desires that were expressed simply through exchange, was directed to showing that he was attempting to introduce an essentially moral test of value in a discipline in which ethical considerations must be absent. Value in exchange, it was held, was dependent upon some type of use value. Demand followed utility, and Smith's efforts, for example, to show that diamonds had great exchange but little use value, were believed to bring forward the question of standards of usefulness, hence moral evaluation. Anything that was in demand, it was pointed out,[13] had usefulness.

George criticizes this attack upon Smith in a passage that, to the present writer at least, seems a striking parallel to the later attacks upon Mill's notoriously classic fallacy in the use of "desire" as it appeared in his *Utilitarianism.* George argues that Mill makes the fundamental error of stating that whatever satisfies a "use" is thereby "useful." "The use of a thing in political economy means its capacity to satisfy a desire, or serve a purpose," wrote Mill, and therefore diamonds are useful—a statement which follows from the premised definition but which does havoc to the normal connotation of the word "useful." That which "satisfies a desire or serves a purpose" may be the furthest removed from the "useful"; [14] if it is desired or serves a purpose it certainly will have value but it will be a different aspect of value from

[13] See, for instance, John Stuart Mill's *Principles of Political Economy,* Book III, Chap. I, Sec. 1.

[14] Of course, some of this word difficulty is removed by more recent economic theory in its substitution of "utility" for "usefulness," and its specific designation that utility means the ability to satisfy any possible use. Yet it is still felt that a happier word than even "utility" might have been employed for such a connotation.

that which depends upon definite use. This distinction of Smith is not a moral one, but rather one that follows customary usage; it is an attempt to employ words as they are commonly employed. That which is "useful" and has value in use is not that which is merely "used," in the sense of satisfying some desire or serving some purpose, however esoteric or mischievous that desire or purpose may be. The "useful" is that which is "normally" and "legitimately" used, that which "ought" to be used—and the distinction is moral only in so far as such moral tinge is precisely what the word "useful" implies.

That which satisfies a desire is "desirable," wrote Mill in his *Utilitarianism,* just as anything which is heard is audible. If "desirable" means that which *is* desired, the statement is sound; but "desirable" means that which *ought* to be desired, and Mill's induction did not prevent him from falling into such an egregious fallacy that it has been used ever since as a horrible example in elementary texts in logic.[15] And the distinction here, it must be insisted, as with "useful," is not basically a moral one—despite the fact that a moral element is introduced. The distinction is nothing more or nothing less than an effort to use words in the sense in which they are ordinarily employed. That is the point George is making. He is endeavoring to handle the word "useful" to designate "that which is worthy of being used," a meaning which is the com-

[15] This distinction between the "is" and the "ought" of desire must not be misinterpreted. That is, it must not be understood as the belief in a functional separation between data and norms. It is of course realized that "ought" standards are "givens," just as is the material they judge; any acquaintance, say, with the instrumentalism of Professor Dewey must make that point clear. It is not at all being denied that the "desirable" is as psychologically conditioned as the "desired," nor is there any intention of defending a dualistic severance of values from facts. However, it is not felt that any such instrumentalist position can be used in defending Mill at this point. Certainly there was an important difference in word emphasis that he overlooked—whether deliberately or not is a matter for students of Utilitarianism. And just as certainly was there the lack of any clear realization on the part of Bentham and his followers of an instrumentalist interpretation of their ethical concepts, e. g., happiness.

mon one, in the same way that "desirable" connotes, in fact, denotes, "that which is worthy of being desired." [16]

The failure to accept Smith's distinction, George attempts to point out, paved the way not only for the development of the marginal utility approach to value of Jevons, but ultimately of the Austrian school, where marginal utility is psychologically fixed by intensity of desire, thus doing away with any objective distinction within the realm of value. But even without the thesis of the Austrians, George realized that the "current teachings of political economy" made value no more than the power of goods to command others in exchange. Value is a ratio between all exchangeable things and is measured by demand rate—such demand being determined by the operation of marginal utility. An absolute value, or, to put it in another way, a general increase or decrease in values, is contradictory to the meaning of value. Value is completely relative.

Such a viewpoint, for George, was logically "swimming in vacancy." Values may be relative to one another, but if there is to be any measure of value there must be some fixed unit or standard. An interaction of infinitely relative values without some absolute measuring unit was to him inconceivably absurd. The precise value that belongs to anything is a product of exchange, a proportion, it is true, but what is it that gives "Value" itself? Relativity in values indicates a relation to some source and measure of all values, and that measure and source, for George, was the factor of human exertion.

An exposition of George's theory of value will provide a variation of the classical labor theory. Of course, a labor approach to value has meant many things in the history of

[16] There is a passage in George in which he specifically discusses this difficulty in using "desirability" as the capability of being desired, just as the word "usefulness" was used by Mill to signify the capability of being used. George suggests the word "desiredness" as a possible substitute (*The Science of Political Economy,* pp. 214–216, n.), although he does not offer any substitute for "usefulness."

economic thought. There is, for example, the pure labor-cost theory of Ricardo (although in his later work he slightly modified the "pure" character of his doctrine) and of Marx, with his emphasis upon an abstract social labor-time. Then there is what might be designated as the "ethical" labor theory of Rodbertus, in which it is argued that labor cost "ought" to be the basis of value and would be in a properly organized economic society (compare also the labor approach of Locke). And then the approach of Smith, in which not labor-cost but labor-saving is the determiner of value.[17] (All such objective value theories are, of course, at variance with more recent psychological utility theories.) George's argument is essentially that of Adam Smith.

Smith had written, to select a few characteristic remarks, that:

> . . . the value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities. The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. . . . It was not by gold or by silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command. . . . Labour, therefore, it appears evidently, is the only universal, as well as the only accurate, measure of value, or the only standard by which we can compare the values of different commodities at all times and at all places.[18]

[17] There is obviously a difference between labor as the *cause* of value and labor as the *measure* of value. The cause of the quality of being valuable does not necessarily measure the quantity of value. In Smith, labor as cause rather than as measure of value becomes more dominant as he presents the intricacies of production, and the uncertain standard of "the higgling of the market."

[18] From the opening pages of Chap. V, Book I, of *The Wealth of Nations.*

In these sentences George felt that the standard of value was perfectly clear. Human exertion was involved in all production of goods, and so value was

> equivalent to the saving of exertion or toil which the possession of that thing will save the possessor, or enable him, to use Adam Smith's phrase, "to impose upon other people" through exchange. Thus it is not exchangeability that gives value; but value that gives exchangeability . . .[19]

It must be remembered, however, that George's interpretation of value as a function of labor applies not to expended past labor but to present labor that is needed in production; it is a dynamic labor theory.

> It is not the toil and trouble which a thing *has* cost that gives it value. . . . It is the toil and trouble that others are *now* willing, directly or indirectly, to relieve the owner of, in exchange for the thing, by giving him the advantage of the results of exertion, while dispensing him of the toil and trouble that are the necessary accompaniments of exertion. . . . In other words the value of a thing is the amount of laboring or work that its possession will save to the possessor. . . . Value in exchange, or value in the economic sense, is worth in exertion. It is a quality attaching to the ownership of things, of dispensing with the exertion necessary to secure the satisfaction of desire, by inducing others to take it. Things are valuable in proportion to the amount of exertion which they will command in exchange . . .[20]

Thus, George holds that value is dependent upon the command over present labor, a belief, it may be seen, which is tantamount to a cost of reproduction concept, so far at least as the labor element in production is concerned. ("Cost of reproduction" is perhaps a better phrase than the usual "cost

[19] *The Science of Political Economy,* p. 245.

[20] *Ibid.,* pp. 246, 249. Value, for George, was thus *determined* by labor. However, value was *measured* by effective demand. That is, George disagreed with Smith's distrust of the "higgling of the market"; exertion was subjective —George made at least that concession to psychology—and could be objectified for purposes of measurement only by the competition which judged demand.

of production,"[21] for George's argument applies not to past labor but to the expenditure of labor that would be required in the present to produce a similar thing.) And therefore George is led to make a fundamental distinction within the general realm of value, a distinction between goods which are amenable to this characteristic of "reproduction," and those which are not. That is, value itself was simply the ability to command present labor, yet this quality of being valuable became attached to goods for entirely different reasons. On the one hand, there was the class of economic goods—one which included the great majority of goods—that commanded present labor, i. e., were valuable, because labor would be required to duplicate them. They were reproducible goods and could be made again by labor were it necessary to replace them. But their very existence embodied labor and so they were able to save present labor; therefore they had value. Thus, there was a type of value which arose from that exertion of past labor which made possible a saving of present labor, and that, for George, was "value from production."

Now, on the other hand, there is another source of command over labor-power, i. e., of value. There is a type of goods whose value in no sense depends upon "production" or "reproduction" possibility. The examples that the textbooks give, such as original paintings of old masters, heir-

[21] A very interesting interpretation of "cost of production," one which attempts to compromise its character of objectivity with the subjective marginal utility approach to value, is found in the work of Professor Harry Gunnison Brown. His definition of cost of production is: "the amount of *other* goods which the same effort and sacrifice would produce. . . . The cost of production of any good comes finally to be expressible as the amount of some other good or goods which the same labor, land and saving could produce." Marginal factors are introduced, since demand is limited (at least as far as ordinary commodities are concerned) in the case of one good by the marginal sacrifice involved in the production of other goods, and likewise in the case of supply, since goods will be supplied up to a point where the marginal disutility of production is balanced by the marginal utility of goods which are received in exchange. "On the supply side then, as on the demand side of the market, in the case of any goods, the cost of production is an important consideration." (See especially Chap. II, Part II, of his *Economic Science and the Common Welfare;* Columbia, Mo., Lucas Bros., 1925.)

looms, trinkets of historical value, and the like, will illustrate. Such articles are unique; they cannot be reproduced or duplicated, and while they undoubtedly had a cost of production, while labor was expended in their manufacture, their present value is in no way dependent upon what it would cost to make them again. It depends solely upon the fact that there is demand for these goods, and that, by their very nature, they are not reproducible. Their quantity is limited and values may soar to any limits, depending only upon demand; the supply is fixed. Obviously, demand is paramount even when power of reproduction is included as a factor in determining value, but one type of goods depends upon two variables, that of supply (power of reproduction) and that of demand, whereas the other type which cannot be reproduced depends only upon one variable, demand, since the supply remains constant.

To these unique articles, such as old paintings and the rest, which, after all, have no importance as fundamental elements in economic consideration, George adds the concept of land. Land, as far as possibility of reproduction is concerned, has no more value than air. Its value, just as that of those articles which cannot be reproduced (filled-in and reclaimed land is clearly of so limited and negligible a quantity that it can have no appreciable bearing upon the static supply of land), depends solely upon demand. The value of land is not limited by the possibility of producing other land; its value arises from competitive desire for it.

Here, for George, was a type of value entirely distinct from that created by labor-saving, a value that had nothing to do with power of reproduction. The value of unique, non-reproducible goods, of which land was the most important, was dependent not upon the exertion of labor, not upon any actual, tangible product or any addition to the general stock, but upon a peculiarly fortunate type of ownership. Yet it was just as potent in commanding the efforts of labor—which, of course, was what value meant for George. This was "value from obligation." [22] It was the result of an "obligation" laid upon present labor. Or, to phrase the distinction in another way: One type of value was indicative of an addition made to the general stock of a nation and hence was socially beneficial; that was "value from production." The other type simply gave evidence of a transference of command over labor-power and was therefore of benefit to none but the possessor of that value; such was "value from obligation." One was, and the other was not, "socially" valuable. These two types of value, George held, must in no way be confused if a sound definition of wealth—the transition to that concept will begin to become apparent—was to be achieved.

What, then, was wealth? Its definition, for George, should be clear from this distinction within the realm of value. Wealth was definitely "value from production" and never included goods which had nothing to recommend them for economic consideration except obligatory value. Wealth always consisted of tangible, produced things; real wealth, as Smith held, was "the annual produce of the land and labour of the society," or, in George's definition, wealth "consists of natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion, so as to fit them for the gratification of human desires. It is, in other words, labor impressed upon matter in such a way as to store

[22] To quote George, there was ". . . (1) the value which comes from the exertion of labor in such a way as to save future exertion in obtaining the satisfaction of desire; and (2) the value which comes from the acquisition of power on the part of some men to command or compel exertion on the part of others, or, which is the same thing, from the imposition of obstacles to the satisfaction of desire that render more exertion necessary to the production of the same satisfaction. Value arising in the first mode may be distinguished as 'value from production,' and value arising in the second mode may be distinguished as 'value from obligation'—for the word 'obligation' is the best word I can think of to express everything which may require the rendering of exertion without the return of exertion." (*The Science of Political Economy,* pp. 260–261.)

up, as the heat of the sun is stored up in coal, the power of human labor to minister to human desires."[23] Real wealth always constituted some definite contribution to social wealth. Wealth was the wealth of the community and therefore value from "obligation" was not wealth; *it was no more than a redistribution of goods within the sum total and added nothing to that social wealth.* Value from obligation was as little "productive" as the value of gambling earnings. The value of land, for example, just as the value of slaves, could contribute nothing to national "wealth." In other words, community wealth was not the sum of the wealth of individuals; such a compositive process was as fallacious as the analogous relation between community and individual happiness.

All that is valuable, according to this view, is by no means wealth. Land has value, slaves had value, money is valuable, but they do not make up the "wealth of nations." (Smith's interpretation of wealth, George feels, was essentially the same as his own.) The term wealth, insists George, must be used strictly economically and not figuratively (or psychologically), and it is a figurative use of the word that includes everything valuable as wealth. Value itself is the ability to command the product of labor, but wealth is made up of those products of labor, and the confusion of the species wealth with the genus value was, for George, perhaps the most fertile source of the failure of political economy to define its subject-matter. Wealth depends upon labor expenditure; value, upon labor saving. In other words, George made value dependent upon effort saved, and wealth dependent

[23] *Progress and Poverty,* p. 40. Here again the contrast between the classical and the modern approaches is clear, the contrast always between objectivity and subjectivity. The more recent interpretation of wealth, as Hobson, for example, has always taken great pains to point out, emphasizes not the material connotation of the term, but rather that of subjective, psychological "welfare." Wealth is to be a state of mind, almost, instead of a quantity of matter.

upon effort expended, while Ricardian economics postulated the reverse, wealth resting on saving and value on expending. (The Austrians may be said to have based wealth upon utility secured, value, of course, depending upon marginal utility. In this sense, the Austrians were monistic, abolishing the distinction between labor and utility, whereas the older theory retained a dualism.)

There is no need of entering further into this discussion of value theory, but it is felt that it is perhaps necessary to elaborate George's distinction between wealth-value (particularly capital-value) and land-value. That elaboration is believed essential if for no other reason than to challenge the continual shift away from the classical separation between land and capital, a shift, as has been noted, which is becoming more and more a characteristic element of present-day theory. Moreover, it is a distinction that is a crucial one for George's economic system.

To return, then, to George's definition of capital as "wealth used in the production of more wealth," we find again that, as with the relationship between value and wealth, wealth here is the genus and capital the species. All wealth is not devoted to direct consumption; part of it is stored up and is used to produce new wealth; such wealth is capital. Capital, George held, was not different from wealth; it was a part of wealth, distinguished only by the use to which it was put. All capital is wealth, thus, but all wealth is not capital, and both, moreover, are forms of stored-up labor. Nothing, then, can be capital that is not wealth, and ultimately nothing can be capital that is not the product of labor.[24]

Land is not the product of labor, the argument continues,

[24] "Wealth, in short, is labor, which is raised to a higher or second power, by being stored in concrete forms which give it a certain measure of permanence, and thus permit of its utilization to satisfy desire in other times or other places. Capital is stored labor raised to a still higher or third power by being used to aid labor in the production of fresh wealth or of larger direct satisfactions of desire." (*The Science of Political Economy,* p. 296.)

and therefore must be kept carefully separate from the concept of capital. Such a view, of course, has been severely attacked by more recent economic critics; in fact, its fate has been the same as that of all the corollaries of labor theories of value. Professor Davenport was perhaps the most characteristic critic of this type of distinction.[25] His work is mentioned in this connection, not because his interpretation of economics—one which repudiates the classical attempts to make the science primarily a logical or ethical discipline and which instead stresses a strictly "cost" approach—is felt to be necessarily representative of modern economic theory, but simply because of his decisive treatment of this particular problem.

The definition that Professor Davenport gives of capital, "all durable and objective sources of valuable private income," [26] one which obviously includes land, is, he holds, a functional definition. Capital and land must not be considered in relation to their origin, but in relation to their use. The fact that land has a distinct and unique origin, a "natural" origin, he readily admits,[27] but that, for him, is of no technological, no economic, significance; it is essentially an ethical matter. He even recognizes a distinction between "natural" and "artificial" wealth,[28] and does not deny that the owner of one type of wealth, i. e., the landlord, enjoys a peculiarly advantageous status; but that again, following his strictly "economic" and technical approach, is a matter for social ethics—even of tax reform—and does not concern

[25] See especially *The Economics of Enterprise* (New York, Macmillan, 1919), Chaps. XII and XIII; and *Value and Distribution* (University of Chicago Press, 1908), Chaps. X and XI.

[26] *The Economics of Enterprise*, p. 161. It will be noticed that he at least retains the "objective" characteristic of capital, an attribute which would not be admitted by all the modern definitions of the concept.

[27] *Ibid.*, p. 169.

[28] His definition of wealth is simply "all valuable property" and property itself, he holds, is a legal rather than an economic concept. This is again indicative of his completely descriptive approach to the subject; ethical consideration of any kind is taboo.

economics. The classic distinction between land and capital has been based either on logical or ethical grounds, or even upon an oversimple rationalizing of a given state of society—the historical division of economic classes into landowners, capitalists and workers. It should have been approached, is the contention of Davenport, from the angle of function, an approach which would have tended to remove such a distinction between land and capital. If the standard of function is appealed to, the argument runs, land cannot be distinguished from capital in the productive process. That the source of one is, to put it roughly, labor, while the other has a natural origin, that one should therefore be treated differently from the other in its status as property—these, for Davenport, are not questions for economics but for other disciplines.

In his attempt to disprove the classical assumption—which was the assumption of George—that land and capital are dissimilar, Professor Davenport presents Böhm-Bawerk's catalogue of reasons for distinguishing the two,[29] and this summary, which he feels to be an adequate one, he essays to riddle point by point. The Austrian economist held that land and capital are distinct because: (1) One is movable and the other not; (2) one is the product of labor and the other of nature; (3) one is reproducible and the other not; (4) the owner of land enjoys a special type of privilege not enjoyed by the owner of capital; (5) and (6) there are economic peculiarities connected with land (such as that of diminishing returns) and that, in general, land processes obey different economic laws from those governing the processes of capital. Points (2) and (4) are definitely eliminated in this connection by Davenport's refusal to admit ethics into economics; (1) seems to be, as Davenport suggests, of little consequence;

[29] From *The Positive Theory of Capital,* p. 55. (Quoted in *The Economics of Enterprise,* p. 168.)

points (5) and (6) will be discussed further on, since they appear to be more directly connected with marginal utility and the work of Ricardo and Clark than with this specific question of land and capital; so (3) seems to be the only point in Böhm-Bawerk's analysis that need be mentioned here.

The attempts, based upon this argument of reproducibility, to demonstrate that land and capital cannot be *functionally* similar simply emphasize the fact that land is a given, static element which can neither be increased nor decreased to any significant extent by the efforts of man. Labor applied to land results in the production of a factor other than land; it does not affect the amount of land itself. Capital, on the other hand, is definitely a product of labor, and therefore can be reproduced and duplicated; its quantity is in no real sense fixed. This is not the "source" argument all over again, but rather the insistence that two economic elements, one of which is capable of being reproduced upon an increasing demand and whose value therefore is determined by a dynamic ratio between that demand and the contraction or expansion of supply, while the other is not so amenable to demand pressure since its supply is not variable, cannot be treated as similar *functioning* factors in economic processes. "Natural" and "artificial" in this argument refer not to the method by which land and capital have come into existence, but to the fact that one applies to a relatively unchanging element, while the other suggests that which can be made again.

Professor Davenport's arguments questioning this type of distinction center about his challenge of the absolute and unchanging character of land's irreproducibility. He does not proffer the admittedly insignificant fact that land is reclaimed or filled-in as an example of land's reproducibility; instead, he concentrates upon the point that increasing knowledge, particularly in the field of transportation, can prove a substitute for an increased quantity of land. Greater accessibility means more land, he suggests, and the trend of modern industry is constantly to increase accessibility. Moreover, he presents the familiar argument that there is a variation in quantity of land if different kinds of land are considered, that land is not a fixed and given factor so long as there is a distinction based on the amount of land available for different uses. And again, there is the fact that many instruments of capital have a limited supply, and thus, as far as the criterion of irreproducibility is invoked, are of the same nature as land.

This type of objection to the concept that capital can, and land cannot, be reproduced may be technically correct, but it seems unsatisfactory in its attempt to fuse these two economic elements. Every suggestion that Professor Davenport brings forward may be admitted, and still the only region that seems to be affected is that twilight zone between land and capital; the littoral of each realm may be extended by such arguments, but there is a great hinterland behind. Not even the most rabid follower of Henry George or the most classical of economists would deny that, excepting for purposes of logical classification, there is a merging of land and capital at their borders. The well-worn example of the fence or ditch or irrigation trough that has been on a piece of land for generations and has become indistinguishable from the land itself, may be genuinely accepted as offering a difficulty in drawing a hairline between what is land and what is an improvement upon land, or capital, but it is quite another thing to elaborate that type of difficulty into a sweeping condemnation of any distinction between land and capital.

Professor Davenport's suggestions are obviously far less trivial, but they do appear to be in the same category. It may be admitted, for example, that there are certain forms of capital which are difficult, even impossible, to reproduce, great bridges or irrigation dams perhaps, but to use these limited and peculiar expressions of capital as one of the challenges to the concept of the varying reproducibility of land and capital seems to indicate something like a lack of proportion. The existence of an intermediate category affords no justification for the disregard of the two end or limiting categories. (The presence of mulattoes does not vitiate the existential character of whites and negroes.) It may be further admitted that the supply of some types of land, e. g., timber or mining land, is decreasing whereas that of other kinds such as agricultural or building lands may be increasing, and likewise that, because of greater transportation accessibility, land supply itself has been "increased," but to deduce from such evidence that land itself is essentially, or characteristically, or even in any significant aspect a fluctuating and reproducible element, seems quite confusing.

The argument of Davenport is an endeavor to show that in this matter of reproducibility land and capital are not absolutely but only relatively dissimilar, that the distinction between them in this dimension is one of degree and not of kind. Such an argument may be accepted if we make, however, the reservation that the degree of dissimilarity involved is a very large one. It cannot be denied that absolutes have no place outside of logic, that hard and fast rigid distinctions, carefully insulated, have no more existence in economics than in any other science; but that is by no means a refutation of the validity of distinctions. It may be that some land is "made," that land supply is increased by scientific knowledge, that some lands are increasing and others decreasing in area, that some forms of capital cannot be reproduced; and yet the much broader claim that land space is set by natural agencies and that it is not as susceptible to control as is the supply of capital, remains fundamentally unchallenged. If there are to be any distinctions at all in economics (although Professor Davenport's definitions of wealth and capital would seem to indicate that distinctions are of little value), that between reproducible and nonreproducible goods seems a significant one, significant, that is, for functional purposes.[30]

This "functional" approach, while it seems a valid and useful one in the dimension to which Davenport restricts all economic theorizing, is not, however, altogether satisfactory as a foundation upon which to base a crucial difference between land and capital. To essay a fundamental separation, it seems necessary to have recourse precisely to those arguments that are deliberately excluded by Professor Davenport, the ethical arguments (although it must be pointed out that even these "ethical" arguments are in terms of processes,

[30] There is, however, a most interesting article by Professor Davenport himself in which this very distinction between land and capital is made. It is "The Theoretical Issues in the Single Tax" in *The American Economic Review* of March, 1917, Vol. VII. He writes: "Viewed in the large, doubtless land is human opportunity rather than human achievement, primary equipment rather than product." (P. 8.) This surely would imply that since land is opportunity rather than achievement, that fact would force it to *function* differently. It is difficult, in fact, to understand how the genetic can be legitimately distinguished from the functional characteristics of land, a distinction that seems always present in his argument.

The passage continues: "The single taxer insists, *and rightly and wisely I again agree,* that most or all of this original bounty should have been held as a joint possession and heritage among men, in equal and common right, to the end that, so far forth, there be always for all men an equality of opportunity. *The fiscal requirements of society, the expenses of the joint community life, should be to the utmost possibility covered by the payments into the common treasury of the funds derived as rent from the social estates.*" (Italics mine.) From this expression, and others that will be quoted further on, it will be noted that in his appreciation of the work of George, Professor Davenport was decidedly more sympathetic than most economists; but ideationally he refused to burden economics with the type of ethical problem that George insisted upon. In another connection, he stated: "It may be said with approximate accuracy that the economists have never seriously attacked the theoretical validity of the single tax program. . . . In fact, they have come nearer to ignoring than to condemning." (The *Quarterly Journal of Economics,* Feb., 1910, Vol. XXIV, p. 279, in an article "The Single Tax in the English Budget.") He goes on to state that the economists have been wrong in looking upon the single tax as a fad or hobby offering no practical discussion possibilities, and to praise the theory of the movement, although he criticizes its fiscal methods.

and to that degree functional; that is, while they may be formulated as types of value, yet they imply much more than judgments based upon arbitrary and static value standards). These arguments for retaining the classic distinction between land and capital are chiefly the "origin" approach, viz., that land is not the creation of labor but is a natural element in the production of wealth, and so unlike capital; and secondly, the argument that the ownership of land confers a special privilege which is not present in the ownership of capital, the privilege of taking advantage of the socially created unearned increment of rent. (It must be remembered that Professor Davenport himself admits, and not reluctantly, the force and validity of these arguments,[31] but his point is simply that such matters are for sociology and social ethics, and not for economic science.)

A word may be said in elaboration of this second argument, since it is one that has drawn down upon itself serious criticism, criticism, however, which does not always seem appropriate. The objection of economists to this special privilege approach is simply the denial that there is any unique or peculiar privilege in the landowner's receipt of the socially created value of land.[32] It is one that belongs as well to the owners of all wealth. The argument holds that unearned increment is present in the domain of capital as well as in that of land. All value is social value and every type of significant income involves an unearned share that has been created by the presence of social forces; therefore land possesses no peculiar status in its ability to confer a surplus product. Because of the fact that all the categories of production and income are social, and completely so, in char-

[31] Cf. *The Economics of Enterprise,* p. 169; also the selections from his previously cited article that will be mentioned throughout.

[32] See following pages for a fuller discussion of this whole matter of land's "unearned increment."

acter, the phenomenon of unearned increment cannot be designated as a peculiar property of land ownership.[33]

An answer to this argument must point out that value is social only to the degree in which everything economic and political is social; more specifically that it is only Value, i. e., the abstract category of value, that is completely a social variable—since obviously exchange itself is completely social. But specific values, variation of values within the general concept of Value, must depend upon such prosaic and "technical" factors as demand rate, cost of production, exhaustibility, and, more important for this discussion, possibility of reproduction. These factors themselves are admittedly social, but again, that use of the word is so broad as to be meaningless as a particular determiner of specific economic value. To state that all value depends upon social forces is either a truism or a tautology; it is merely saying, since all social forces are ultimately expressible in economic demand, that where there is society there is demand. But to say that without demand there would be no value is not to say that demand is the sole determiner of value.

Capital value *is* social value—but *only* to the extent that

[33] This endeavor to show that there are unearned incomes other than that of rent, and that therefore the socialization of rent should not be considered unless and until other incomes are affected, is particularly mischievous because of its procrastination tendencies. An answer to this type of argument is found in Professor Davenport himself in his criticism of the "commonplace objections to the public retention of all kinds of ground rent," objections such as "the unearned increments in society are many, land increments only one out of a larger class, and that therefore it is unjust and indefensible to prohibit this one, while leaving the others to flourish." He answers that statement this way: "And yet it must be clear that whatever is accomplished towards the elimination of privilege and the equalization of opportunity is so far good. Remedy must begin with something; it is well to do the next thing next, especially if this next thing be the most important and the least difficult thing. Burglary need not be countenanced or highway robbery tolerated, awaiting the time that murder or counterfeiting shall be no more. No crime, or better no criminal, may claim to go free till all other malefactors are jailed—a vested right in one's particular graft or iniquity." (From the *American Economic Review* article previously mentioned; p. 11.)

capital itself is social; that is, capital both as an instrument and as an object possessing value is a social product. Land value, too, is a social value, *but land itself is not a social product;* it is not a product at all. Capital value, therefore, because of the fact that its *supply* is socially determined, involves something more than social demand. That value, in addition, is a variable dependent upon production difficulty and reproduction possibility. The difference between this type of value and that of land must be clear. Land value, unlike capital value, depends not at all upon factors of production or reproduction. It depends solely upon social pressure as it expresses itself in the demand for land.

In other words (and this may be considered as a concluding summary of the present discussion regarding the advisability of separating the concepts of land and capital), the press of population and all the amenities of civilized society express themselves in the demand for land—as they do in the demand for everything else—but whereas the demand for land *must* raise land rent and land value, the value of consumer goods and of capital goods will rise *or* fall, not merely as demand varies, but also in proportion to the elasticity of a reproducible supply in meeting that demand.[34] And that seems to be the crucial difference between land value and capital value. Given an unmonopolized supply of any economic element, in the production of which there is some measure of competition, increased demand and higher social organization may or may not result in increased value. But since there is essentially a monopoly of land and since it is fundamentally irreproducible, increasing demand and social organization *must* raise land values. To apply this, then, to the "social

[34] Is it not significantly true that where social forces manifest themselves in their most spectacular form, as in the large centers of population, the value of labor products, all other things being equal, is comparatively low? Certainly there is no corresponding increase in the value of such products that can relate it in any essential way to the increased value of land under the same social forces.

value" argument: The phenomenon of the social aspect of value cannot be referred indiscriminately to both land and capital, since with one element, land, it is the sole controlling factor, while with the other, capital, it is only one of several operating forces.[35]

It may be remembered that this lengthy discussion, one which perhaps savors too much of that characteristic classical approach which made early nineteenth century economic theory a rather fascinating branch of philosophy, was provoked by George's "meaning of the terms." Now, with such fundamental concepts clarified, George begins to present the mechanics of his argument. That argument, which is to lead

[35] Before leaving this argument it may be in point merely to mention one other most controversial aspect of this distinction between land value and capital value, and that is the question of cost of production. There is no intention here of entering into this dispute except to call attention to it. Since land is not a product, cost of production cannot enter as a factor in determining its value; that seems clear. Does cost of production, however, enter into the determination of capital value? The answers to that question are various, and economists seem to have divided upon whether they emphasize cost of production, or other factors such as marginal utility, for example. (The great work of Marshall, of course, was an attempt to reconcile these two approaches by means of his temporal emphasis; that is, "long-run" production is determined essentially by cost of production, whereas "short-run" production depends upon demand, i. e., marginal utility.) An emphasis upon cost of production would necessarily force a distinction between capital and land, capital being dependent upon such cost, but land being determined in value by the capitalization of its prospective rent. An emphasis only upon psychological factors, such as utility, would tend to discount such a distinction.

The work of Professor Brown *(op. cit.)* represents a thoroughgoing attempt to base capital value upon cost of production and so to distinguish clearly between capital and land. For an interesting recent controversy on this point, see the articles of Professor Brown and Professor Hewett in *The American Economic Review* for September and December, 1929. (See also the March and June, 1930, issues for a continuance of this argument which includes, among others, Professors Fetter and Cannan as contributors.) The conclusion of the controversy between Professors Hewett and Brown would seem to indicate a large measure of agreement, for the former admits that, largely, land is fixed and capital reproducible, that the two elements must be separated, at least for purposes of economic study (although perhaps not functionally), and that cost of production has a direct bearing upon capital value; whereas the latter admits that in the "short-run"—to use Marshall's phrase—alternative reproducibility is no more present in capital than in land, and that therefore in this case capital, like land, tends to equal the discounted value of its future income.

him to what he feels is the solution of the riddle of progress and poverty, will be centered not upon an investigation of the production of wealth, but upon an inquiry concerning the distribution of wealth.[36] It is an inquiry that needs to be examined with some detail, since the argument is not only a critical one for George's system, but handles a topic that has been a vital one for economic theory from Ricardo to John Bates Clark.

George opens his discussion with an exposition of the classic division of the factors of production into land, labor and capital, and of distribution into the respective channels of rent, wages and interest (he does not include profits), and he holds that the chief problem in the distributive process is that involved in the correlation of the laws of distribution. The then current doctrine, he felt, was totally unable to relate these three laws, or to show that they were interdependent and interacting, a phenomenon that must be demonstrated if there were to be any logical approach to the question of the distribution of wealth.[37] Political economy had taught, George states, that wages were determined by the ratio between the amount of capital devoted to the payment of labor and the number of laborers to be paid; that interest was set by the equation between the demands of borrowers and the supply of capital offered by lenders; and that rent was determined by the margin of cultivation. There was no possibility of a synthesis with such a diversified approach to the laws of distribution. Some one factor, some unit, must be sought which would blend all three laws. The

[36] *Progress and Poverty,* Book III, "The Laws of Distribution."

[37] This synthesizing of the laws of distribution was, of course, the problem that motivated the work of Clark, who, like George, felt that these laws were "natural." (George held the laws of production were physical and those of distribution moral, but both natural; cf. Mill, who stated that only the former were natural.) Clark sought to discover a functional distribution which would be harmoniously determined by the ratio of product to productive function.

laws were laws of proportion, and any variation in one must directly affect the others.

The law of rent[38] is George's first concern, for he believed that not only was this law the sole one that had been correctly formulated by classical political economy, but also that it was going to prove to be the unit which would serve to relate the other two laws of distribution. He therefore presents the Ricardian law of rent, which he believes "has the self-evident character of a geometric axiom," and which he accepts without qualification. Academic political economy and the intuitions of common sense coincided, he felt, in approving the work of Ricardo, and the law that "the rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use" was so clear that "there is no necessity for discussion." [39] It was a self-evident principle that had been

[38] George's interpretation of rent was completely the classic one and, being based upon his clear separation of land from capital, was considered as the return solely to land. That is, more recent interpretations, which define rent as "the product of concrete instruments of production," or as "the aggregate of the lump sums earned by capital goods" (Clark's definition), and which include land-rent as simply a form of the larger category of rent, and which hold that the only difference between rent and interest is that the former is an income from a particular instrument of capital whereas the latter is that from the value of capital—all these would have been to George vicious if not entirely unintelligible uses of the term.

[39] Of course, modern economics has found quite some necessity for discussion. Ricardianism, in fact, has been almost completely repudiated by more recent doctrine (see, e. g., Cannan's latest history). Perhaps the most important criticism of Ricardo has been the challenging of any peculiar application of the principle of diminishing returns and surplus values to land. Even if rent were determined by diminishing returns and increasing demand, and even if it did represent a form of marginal surplus, the same phenomenon, it is argued, applies to every other factor of production. All value, all "rent," depends upon some manifestation of the same principle. The precise formulation of a theory of general diminishing returns, or rather of diminishing productivity applicable to all economic factors, was the important work of John Bates Clark. For him, diminishing returns constituted a "general" and not a "special" theory of relativity.

Another major objection to Ricardo is that based on the familiar recent distinction between a "static" and a "dynamic" approach to economics. Ricardian rent is a static concept, is the criticism, and while it may be accepted as such, it must be confined to a logical system of statics. The residual income of rent-producing land over marginal land, for example, recognized as such, but its corollaries had not been fully grasped. His task, George believed, was to deduce and clarify these corollaries. The first step was to rephrase the Ricardian law, and in this rephrasing will be evident the angle that George was to emphasize. His form of the law was:

> The ownership of a natural agent of production will give the power of appropriating so much of the wealth produced by the exertion of labor and capital upon it as exceeds the return which the same application of labor and capital could secure in the least productive occupation in which they freely engage . . . To say that rent will be the excess in productiveness over the yield at the margin, or lowest point, of cultivation, is the same thing as to say that it will be the excess of produce over what the same amount of labor and capital obtains in the least remunerative occupation. . . . All that part of the general production of wealth which exceeds what the labor and capital employed could have secured for themselves, if applied to the poorest natural agent in use, will go to the land owners in the shape of rent.[40]

Here the completely monopolistic interpretation of rent is fully presented. Rent, in this characterization, has clearly no direct connection with the productivity or utility of land. The value of land depends not upon the part that it plays simply *qua* factor of production, but upon the demand for it; the richest land has no value or rent if there is equally rich land available to all, while inferior land may command high rent provided there is still poorer land in use. Rent "in no wise represents any help or advantage given to production,

depends on the assumption of "no-rent" land, which assumption Ricardo made, but that assumption, as applying to the dynamic functioning of land, is challenged by modern theorists. That Ricardo's law is static does not, however, constitute a criticism of it even at the hands of these theorists. The point that he is criticized for, as for instance in the analysis of Clark, is that he failed to realize that it was static. Clark himself makes the distinction between static and dynamic a decisive one, and then quite freely proceeds to handle the entire concept of diminishing returns as a static concept with no fear of the contradictions or anomalies of dynamics. Even that frank position, however, is no longer tenable for most contemporary theory with its complete insistence upon a dynamic approach.

[40] *Progress and Poverty,* pp. 169–170.

but simply the power of securing a part of the results of production."[41] It is what producers or dwellers must pay to secure the use of land. The capacity of yielding rent gives value to land, and the capacity of yielding rent is determined by marginal land, by a process of relationship, and not by anything intrinsic, such as cost of production. Land rent is the price of monopoly, and land value is thus an "unearned increment." Therefore, George's interpretation of Ricardo's law of rent finds that the ownership of land, unlike the ownership of other significant factors in the production of wealth, means the ability to appropriate part of the product without the expenditure of productive effort, for rent is simply the result of the bidding, on the part of labor and capital, for a fixed land supply. Land value, to refer back to another of George's distinctions, is value from "obligation"; it depends neither upon labor nor upon use, but is rather the privilege of withholding from use. Rent, therefore, is a passive and not an active element in the distributive process; it does not "produce," but merely "gives leave" to produce, and consequently *the return to land must come out of the product of other elements.*

This characterization of rent as a vampire preying upon the other two factors of production, labor and capital, was a not unfamiliar deduction from the Ricardian law, but nowhere did it receive as important an emphasis as in George's system. If the law of rent discloses that the return to land is the sum that labor and capital must pay for permission to produce, then the corollaries of the law of rent must be the laws of wages and of interest. The process is not a reversible one; that is, neither the law of wages nor the law of interest can be taken as fundamental and the law of rent deduced from it, for land is the basic given element, and its margin, unlike that of the other factors, is fixed. Because of its very

[41] *Ibid.*, p. 166.

nature as an increment arising from competition for an irreproducible primary factor, rent has a prior claim. This prior payment of rent (prior statically if not dynamically) and therefore the ultimate dependence of wages and capital upon rent, are summarized thus by George:

> . . . The law of rent is necessarily the law of wages and interest taken together, for it is the assertion, that no matter what be the production which results from the application of labor and capital, these two factors will receive in wages and interest only such part of the produce as they could have produced on land free to them without the payment of rent—that is, the least productive land or point in use. For, if, of the produce, all over the amount which labor and capital could secure from land for which no rent is paid must go to land owners as rent, then all that can be claimed by labor and capital as wages and interest is the amount which they could have secured from land yielding no rent. . . . The wealth produced in every community is divided into two parts by what may be called the rent line, which is fixed by the margin of cultivation, or the return which labor and capital could obtain from such natural opportunities as are free to them without the payment of rent. From the part of the produce below this line wages and interest must be paid. All that is above goes to the owners of land.[42]

George formularizes the point in this way:

Produce = Rent + Wages + Interest,
Therefore, Produce − Rent = Wages + Interest.[43]

The dependence of interest and wages upon rent suggested to George a direct synthesis, in terms of the phenomenon of diminishing returns, of all three factors of distribution. Interest and wages, he held, not only were determined by the amount of the produce to be divided after the extraction of rent, but also they were specifically set by the variations in marginal land itself; that is, the law of diminishing returns as applied to rent must, in the same measure, be applied to capi-

[42] *Progress and Poverty,* pp. 171–172. [43] *Ibid.,* p. 171.

tal and labor. Diminishing returns and marginal productivity provided the standard which unified the entire process of distribution, but, differing from the thesis of Clark, George's theory did not apply to diminishing returns within each dimension of the productive factors. Instead, it insisted that marginal land, because of the fundamental position of land, supplied the regulatory basis upon which interest and wages, along with rent, depended. Such a concept would logically follow from that of the direct relationship of capital and labor to land, for the determinants of the rent of land would necessarily set, directly or inversely, the rates of interest and wages. George, in addition, however, attempted to work out the independent relationship of interest and wages to marginal land, but it is not necessary in this presentation to trace his arguments in detail.

The correlation of interest, for example, with marginal land demanded a unique theory of interest, which George proceeded to elaborate, basing his justification for interest only incidentally upon "abstinence" or "impatience" or "roundabout production," and concentrating rather upon the contention that interest results from the increase that the reproductive powers of nature give to capital over a period of time.[44] Interest depends upon the reproductive powers of

[44] In *The Science of Political Economy* (Book III, Chaps. V-VIII) George launches into an elaborate metaphysical discussion concerning the function of time and space in the production of wealth. (Metaphysics, however, "which in its proper meaning is the science of the relations recognized by human reason, has become, in the hands of those who have assumed to teach it, a synonym for what cannot be understood, conveying to common thought some vague notion of a realm beyond the bounds of ordinary reason, into which common sense can venture only to shrink helpless and abashed." (P. 339.) Space and time, he insists, are relationships and not existences, and to speak of them as Space and Time, isolated from any relating qualifications, is sophistical. He specifically attacks Kant and Schopenhauer and their subjective interpretation of space and time as categories of the human mind. (George also offers a similar criticism of Schopenhauer's Platonic Ideas. It may be remarked that the work of Schopenhauer was the only technical work in philosophy with which he was completely familiar.) "When we remember that by space and time we do not really mean things having existence but certain relations to each other of things that have existence, the mystery

capital, which depend ultimately upon the reproductive powers of nature, i. e., land, and so George attempts to link interest directly with marginal land. "The relation between wages and interest is determined by the average power of increase which attaches to capital from its use in reproductive modes. As rent rises, interest will fall as wages fall, or will be determined by the margin of cultivation."[45]

The same independent approach to a marginal land theory of wages was attempted, with George endeavoring to show that because of the transformability of labor from one occupation to another, there was a direct dependence of wages in one occupation upon the rate of wages in another, and that therefore "wages in all strata must ultimately depend upon wages in the lowest and widest stratum—the general rate of wages rising or falling as these rise or fall."[46] The "lowest and widest stratum" is that involved in the producing of wealth directly from natural sources, and therefore the "marginal

is solved and the antinomy disappears in the perception of a verbal confusion." (P. 348.) This savors almost of "relativity."

George then turns to the function of these two, space and time, in economics. Since space, as a relationship, plays a part in all manifestations of matter, it is essential in the production of wealth. In fact, all that we mean by the production of wealth is some process of altering the extension of matter. Matter may be transformed by "adapting or changing natural products either in form or in place so as to fit them for the satisfaction of human desire," by "growing, or utilizing the vital forces of nature, as by raising vegetables or animals," or by "exchanging, or utilizing, so as to add to the general sum of wealth, the higher forces which vary with situation, occupation, or character." (*Progress and Poverty,* p. 186.) As shall be noticed further on, the law of diminishing returns itself is nothing but the law of diminishing space. Time, like space, is also essential in production, for it makes possible taking advantage of the reproductive power of nature. As applied to capital it justifies interest.

[45] *Progress and Poverty,* p. 202. This general discussion of interest, of its cause, of spurious interest, and of the law of interest, may be found in Chaps. III-V of Book III. It is a discussion that, to some of George's followers, does not seem as clear as his handling of rent. There are those who feel that his justification of interest might have more logically been worked out along the lines of his general theory of capital. That is, since capital is wealth, and wealth the product of labor, the use of wealth in production, i. e., capital, is entitled to draw "wages" for this form of stored-up labor; thus, interest would be the "wages" of labor as labor is manifested in capital.

[46] *Ibid.,* pp. 211–212.

men" of labor depend upon marginal land; so "wages depend upon the margin of production, or upon the produce which labor can obtain at the highest point of natural productiveness open to it without the payment of rent."[47]

While, however, George's efforts to deduce wages and interest directly from their relation to marginal land is of theoretical significance, yet logically such an independent approach is not necessary. Given George's interpretation of Ricardo's law of rent, one which made rent the recipient of a prior share of the produce which it had no legitimate part in creating, then the corollaries that wages and interest must vary inversely with rent, and that they, like rent, are thus set by the margin of cultivation, must follow.

Thus we come finally to George's important correlation and coördination of the laws of economic distribution:

> Rent depends on the margin of cultivation, rising as it falls and falling as it rises.
>
> Wages depend on the margin of cultivation, falling as it falls and rising as it rises.
>
> Interest (its ratio with wages being fixed by the net power of increase which attaches to capital) depends on the margin of cultivation, falling as it falls and rising as it rises.[48]

Or, put in a less formularized statement:

> Three things unite in production—labor, capital, and land. Three parties divide the produce—the laborer, the capitalist and the land owner. If, with an increase of production the laborer gets no more and the capitalist no more it is a necessary inference that the land owner reaps the whole gain . . .
>
> The increase of rent explains why wages and interest do not increase. The cause which gives to the land holder is the cause which denies to the laborer and the capitalist. That wages and interest are higher in new than in old countries is not, as the standard economists say, because nature makes a greater return to the application of labor and capital, but because land is cheaper,

[47] *Progress and Poverty.* p. 213. [48] *Ibid.*, p. 218.

> and, therefore, as a smaller proportion of the return is taken by rent, labor and capital can keep for their share a larger proportion of what nature does return. It is not the total produce, but the net produce, after rent has been taken from it, that determines what can be divided as wages and interest. Hence, the rate of wages and interest is everywhere fixed, not so much by the productiveness of labor as by the value of land. Wherever the value of land is relatively low, wages and interest are relatively high; wherever land is relatively high, wages and interest are relatively low.[49]

Such an interpretation of Ricardianism has, of course, aroused bitter criticism on the part of both orthodox and socialist theorists. It may be mentioned, nevertheless, that much of this criticism has slighted the significance—"historical" significance, to say the least—of George's synthesis of the laws of distribution. A similar synthesis, similar, that is, in its concentration upon the phenomenon of diminishing returns, gave the later work of John Bates Clark a permanent place in economic theory (work, which Clark admitted,[50] was influenced by George's concepts), and yet George's treatment has been largely disregarded in academic circles. It must be realized that George himself recognized the criticism that was later applied to Ricardo, that diminishing returns could not be confined to land; he saw that the presence of a marginal factor was indeed the determining element in setting the amount available for all the different shares of production, but in his logical attempts to reduce divergent concepts to the expression of one fundamental principle (just as in his reduction of value and wealth concepts to those of labor) George

[49] *Progress and Poverty,* pp. 220–221.

[50] "It was the claim advanced by Mr. Henry George that wages are fixed by the product which a man can create by tilling rentless land, that first led me to seek a method by which the product of labor everywhere may be disentangled from the product of coöperating agents and separately identified; and it was this quest which led to the attainment of the law that is here presented, according to which the wages of all labor tend, under perfectly free competition, to equal the product that is separately attributable to the labor." (*The Distribution of Wealth,* New York, Macmillan, 1899; Preface, p. viii.)

postulated the phenomenon of diminishing returns in land as the constant to which the other factors, the returns to capital and labor, approached. The concept of diminishing returns itself could not act as a common denominator, since land and capital were distinct, but diminishing returns in land could and did set the limit of the various distributive shares.

This was an almost metaphysical conception, for the broadest interpretation of the law of diminishing returns was simply the realization that earth space was finite, and that all earthly matter—all production of wealth—approached a limiting constant (one, to anticipate here, that was privately owned and exploited).

> There is in truth no special law of diminishing productiveness applying to agriculture, or to the extractive operations, or to the use of natural agents, which are the various ways which the later writers have of sometimes stating what the earlier writers called the law of diminishing productiveness in agriculture; and that what has been misapprehended as a special law of diminishing returns in agriculture is in reality a general law, applying as well to manufacturing and exchanging as to agriculture, being in fact nothing less general than the spacial law of all material existence and movement—inorganic as well as organic.[51]

Whatever may be the value of this synthesis of George, it is felt that his attempted unification of the too often incoherent processes of the distribution of wealth merits a more important historical position in economic theory than has been accorded it.

At this point there is a significant pause in George's argument,[52] for he finds that he has concluded the "statics" of the inquiry and is now ready to concern himself with its "dynamics." This distinction between a static and a dynamic ap-

[51] *The Science of Political Economy,* p. 338.
[52] The opening of Book IV of *Progress and Poverty,* "Effect of Material Progress upon the Distribution of Wealth."

proach is not the separation effected by recent theory, but is simply the analogue of mechanical statics and dynamics. George realizes that thus far he has been concerned with the "forms" of production and distribution, the moulds or channels which shape or direct economic processes, but now he must devote his attention to the active processes themselves. In other words, economic movement now presents itself instead of economic position, e. g., in the case of rent and wages he shifts his approach from an analysis of the determining structure into which these factors of distribution fall to the way in which the actual increase of the one brings about a decrease in the other. George feels that he has already demonstrated that the statics of distribution will give a certain form to the process of rent and wages, i. e., will set them in opposition to one another; but "to say that wages remain low because rent advances is like saying that a steamboat moves because its wheels turn around. The further question is, What causes rent to advance? What is the force or necessity that, as productive power increases, distributes a greater and greater proportion of the produce as rent?" [53] The change is from an investigation of rest to one of motion, but it does not connote, as does the present-day contraposition of statics and dynamics in economics, the change from logic to technology, or from theory to data. George did not feel in any way that he was introducing a superior element or one that was not to be deductive; the dynamic approach was simply another angle, although, because of the very nature of his inquiry, it was the dynamics of rent that presented the most significant justification for his later proposals. (It may be helpful here, in order to remove a bit of the possible incoherency of this exposition, to review, in a word, what the "statics" of the problem has been: Poverty must be sought for in low wages; why, then, are wages low? The

[53] *Progress and Poverty,* p. 225.

wages fund theory and Malthusianism are unsatisfactory. A discussion of a wages fund introduces the necessity for defining terms, specifically that of capital. Capital is wealth used in the production of more wealth. What is wealth? Wealth is value from production, i. e., a labor-saving theory of value. There is a value from production, but also a value from obligation which is not wealth. Land value is value from obligation, and land is not wealth, and therefore not capital. The factors of production, then, are land, labor, capital; of distribution, rent, wages, interest. To understand why wages are low the laws of distribution must be coördinated. The standard of unification is Ricardo's law of rent; rent arises not from the productive functions of land but because land is a limited supply for which there is an increasing demand, i. e., diminishing returns. Rent is paid from the produce but land contributes nothing to the produce; therefore wages and interest must vary inversely with rent. If rent increases, wages—to concentrate upon George's problem—must decrease. But why does rent increase?)

What, then, are the forces that drive rent up? What factors are they that cause an ever-increasing share of the total product to be diverted to the owner of land? Are the forces those that result from the active part of land in the production of wealth? Is the distributive return to the owner of land the payment for his function as a producer? Or, is the cause of increasing rent purely social in character?

The first force that George presents is that of the increase of population. It had been clearly recognized ever since the work of Ricardo, that increased population raised rent because it lowered the margin of cultivation, and it was this fact that was used to buttress Malthusianism since it showed that population was steadily pressing against the limits of subsistence. While George recognized that an increased population lowered the margin of cultivation by necessitating the use of poorer land, and thereby raised rent, he did not concentrate upon this point, for he felt that increased population meant increased production; that, despite the utilization of poorer land, with more labor and more intelligent control of industry, the aggregate and proportionate produce would not be diminished (his answer to Malthus), and therefore he had no desire to press this familiar correlation of population and rent; he felt it had been wrongly interpreted by the advocates of Malthusianism.

Instead, George devotes the major part of his attention, not to these more strictly material effects of the increase of population upon rent and land values, but rather to what Professor Dewey has termed the "imponderable" elements in that increase of population.[54] In one of the most vivid and pictorial passages of the entire book,[55] George traces the genesis of a settlement in a wilderness, and points out that an expanding community life is clearly the most potent force in giving value to land. It is not simply that the greater economies brought about by increasing population have the effect of adding to the productivity of land (and thus raising rent, not, however, by changing the margin or compelling recourse to inferior lands, but by widening the gap between marginal and productive land), but, of infinitely more im-

[54] "I cannot refrain," writes Professor Dewey, "from pointing out one feature of his [George's] thought which is too often ignored: his emphasis upon ideal factors in life, upon what are sometimes called the imponderables. It is a poor version of his ideas which insists only upon the material effect of increase of population in producing the material or monetary increment in the value of land. . . . Henry George puts even greater stress upon the fact that community life increases land values because it opens 'a wider, fuller and more varied life,' so that the desire to share in the higher values which the community brings with it is a decisive factor in raising the rental value of land. And it is because the present system not only depresses the material status of the mass of the population, but especially because it renders one-sided and inequitable the people's share in these higher values that we find in *Progress and Poverty* the analysis of the scientist combined with the sympathies and aspirations of a great lover of mankind." (Preface to *Significant Paragraphs from Progress and Poverty,* compiled by Professor H. G. Brown; N. Y., Doubleday, Doran, 1928.)

[55] *Progress and Poverty,* pp. 233–239.

portance, land pyramids in value because of its adjacency to the center of social activity. It is to the intangible "ideal factors" that one must look for a real appreciation of the phenomenal land values at the heart of population. All such ideal factors are economically expressible in demand for land, and such demand has the inevitable effect of bringing about the staggering hugeness of urban land values—the examples of which have become so common as to have ceased causing wonder. Rent and land value, thus, are the expressions of community coöperation, of "social service." Land removed from the presence of population is valueless, land at the center of population is ridiculously precious. There is no more accurate barometer of this "imponderable" social progress, no more sensitive register of community welfare, than land value. Given an increasing population and an expanding society, George points out, land values arise—and rise. Remove that population, diminish its social advantages, and rent vanishes. *Land value is social value.* It is the *measure* of society's presence, its needs, its qualities and all of its activities and achievements.

The second social phenomenon that he mentions is the effect of the "improvement of the arts" of production. Such improvement in the productive process has the effect of saving labor. "The effect of inventions and improvements in the productive arts is to save labor—that is, to enable the same result to be secured with less labor, or a greater result with the same labor." [56] It is the latter result, i. e., that greater wealth will be produced with the same labor, that follows from "labor-saving" inventions, since in an advanced state of society demand is not static but steadily increases: "Man is not an ox, who, when he has eaten his full, lies down to chew the cud; he is the daughter of the horse leech who constantly asks for more." [57] (That is George's answer to the

[56] *Ibid.*, p. 242. [57] *Ibid.*, p. 243.

spectre of general "over-production" and of a "labor-saved" industrial order.) Improvement in the technique of production means increased production of wealth.

Now, what is the effect of such an increase upon rent?

> The effect of labor-saving improvements will be to extend the demand for land, and wherever the limit of the quality of land in use is reached, to bring into cultivation lands of less natural productiveness, or to extend cultivation on the same lands to a point of lower natural productiveness. And thus, while the primary effect of labor-saving improvements is to increase the power of labor, the secondary effect is to extend cultivation, and, where this lowers the margin of cultivation, to increase rent. . . . Wealth in all its forms being the product of labor applied to land or the products of land, any increase in the power of labor, the demand for wealth being unsatisfied, will be utilized in procuring more wealth, and thus increase the demand for land.[58]

Increased production of wealth has the same effect upon land values and rent as increase in population or in social life; it creates demand for land and therefore raises rent. This contention of George may well be considered by those who hope that further increase in scientific technique applied to industry, new sources of fuel or additional improvement in the machinery of production and transportation, will ultimately solve economic problems. For George, the one effect of any such conceivable improvement was clearly to increase the production of wealth and thereby increase rent. That is the reason for his eternal insistence that the solutions of economic problems can be sought for only in the dimension of the distribution, and not in that of the production of wealth.

This paradoxical function of machinery in increasing production, raising rent and therefore lowering wages, was, for George, the cause of labor's short-sighted attacks upon labor-saving devices. Labor-saving devices in themselves, he argued, mean increased production, but increasing produc-

[58] *Progress and Poverty,* pp. 243, 247.

tion (that is, general production) can never catch up with an expanding, dynamic demand, and so such devices should not injure labor. It is their effect on rent, he feels, that alone makes them of not unmixed good.

And this is the reason why George had no faith in any half-hearted measures in the solution of economic problems. Even free trade—which has always been connected with his taxation proposals and whose literature must include his *Protection or Free Trade* as a classic perhaps unsurpassed in the clarity and persuasiveness of its arguments—even free trade he regarded as essentially incomplete without any change in the distributive process. It also could do nothing more than increase the production of wealth and therefore raise rent.

A third cause for the increase of rent is land speculation, a phenomenon so typical and familiar that it perhaps does not need to be discussed here. As George phrases it:

> That cause is the confident expectation of the future enhancement of land values, which arises in all progressive countries from the steady increase of rent, and which leads to speculation, or the holding of land for a higher price than it would then otherwise bring. . . . The confident expectation of increased prices produces, to a greater or less extent, the effects of a combination among land holders, and tends to the withholding of land from use, in expectation of higher prices, thus forcing the margin of cultivation farther than required by the necessities of production.[59]

George thus concludes the "dynamics" of the problem. He felt that "statically" he had shown how rent absorbs a share of the produce which it had no part in creating. It arose because of the strategic position of land in production; upon Ricardo's law of rent depended the entire distributive process.

[59] *Progress and Poverty,* pp. 253–254. George's explanation of periodic industrial depression, of the business cycle, was in terms of land speculation. (Book V, Chap. I.) The speculative advance in land values (what Paul Blanshard calls the "land racket") cuts down the earnings of labor and capital, curtails consumption, decreases production and communicates the paralysis through all the interlacings of industry and commerce.

And now, he has pointed out that every increase in population, in social organization, in the production of wealth, has but the effect of increasing rent.

Therefore, the inevitable conclusion: "The reason why, in spite of the increase of productive power, wages constantly 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."[60] This was the dynamic aspect of the mischievous relation of rent to the other factors of distribution. The forces in economic equilibrium had disclosed the functional connection of rent to wages and interest, and now, setting these processes into movement, George feels that such a significant relationship is even more vividly manifested. Rent was unearned both statically and dynamically; on the one hand, because it was a value created not by productivity, labor, or by any tangible contribution to wealth, but solely by the privation of land supply; and on the other, because its growth and increase were due to social forces, and accrued to the individual simply as the result of monopoly land ownership, not as the return for any expression of productive enterprise. Rent was unearned, and therefore its payment was a drain upon earned income. It contributed nothing to the product—nothing except the permission to produce—and yet it had to be paid out of the product; in fact, every increase in the product still further increased its share, since so much more precious was that permission to produce.

This, then, was the cause that George pointed out for the persistence of poverty amid advancing wealth. The benefits that increasing production and increasing social organization bring are intercepted; that is why civilized man finds his fellows crushed into a degradation that becomes more ghastly as it becomes more familiar—and thus less noticed. Because

[60] *Progress and Poverty,* p. 280.

of the monopoly of land, increasing progress and prosperity could bring in their train only further poverty and social evil. And this tragically ludicrous coexistence of progress and poverty (a phenomenon that must proffer a challenge to any mind sensitive to social maladjustment) had, for George, the comparatively simple economic explanation that has been traced in these pages. As he summarizes it:

> The simple theory which I have outlined (if indeed it can be called a theory which is but the recognition of the most obvious relations) explains this conjunction of poverty with wealth, of low wages with high productive power, of degradation amid enlightenment, of virtual slavery in political liberty. . . . It explains why interest and wages are higher in new than in older communities, though the average, as well as the aggregate, production of wealth is less. It explains why improvements which increase the productive power of labor and capital increase the reward of neither. It explains what is commonly called the conflict between labor and capital, while proving the real harmony of interest between them. . . . It explains the vice and misery which show themselves amid dense population, without attributing to the laws of the All-Wise and All-Beneficent defects which belong only to the short-sighted and selfish enactments of men.[61]

That such an explanation was in accordance with all the facts, George was convinced. Inductively, at this point,[62] he sought to correlate the progression of rent with the companion increase of civilizing factors and misery, "but it were as well to cite historical illustrations of the attraction of gravitation. The principle is as universal and as obvious. That rent *must* reduce wages is as clear as that the greater the subtractor the less the remainder. That rent *does* reduce wages, any one, wherever situated, can see by merely looking around him." [63] This relationship, however, was primarily a logical one, as, for that matter, were all the relations of political

[61] *Progress and Poverty,* pp. 284–285.
[62] *Ibid.,* Book V, Chap. II.
[63] *Ibid.,* pp. 289–290.

economy. The examples were clearly at hand, but that was only as it should be. In fact, hypothetical cases themselves would suffice.

Take, for instance, as George did, some emerging no-man's land in the English Channel, and establish, or rather postulate, that land there is to remain unappropriated and of free access—productive land, of course. What would happen to wages in Great Britain? What to rent? What to social conditions in general? The answers to such questions, George held, were as logically certain as the most valid of syllogisms. Wages must rise, rent fall, and social conditions improve. On the other hand, make some little village into a great and glorious city, what would be the result if present economic conditions still remained in effect? Would wages be any higher in that expanded town? Rent? "In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse." Wages and social conditions would be in no way benefited, since all the increase in the production of wealth would be overtaken by the rise in economic rent. The "natural laws" of distribution being what they were, the unearned increment of rent must place itself in opposition to the other economic elements; the return to land must infringe upon the returns to labor and capital. And in this prosaic statement of an economic phenomenon lay hidden all the misery that George saw festering in the city slums.

In all our long investigation we have been advancing to this simple truth: That as land is necessary to the exertion of labor in the production of wealth, to command the land which is necessary to labor, is to command all the fruits of labor save enough to enable labor to exist. We have been advancing as through an enemy's country, in which every step must be secured, every position fortified, and every by-path explored; for this simple truth, in its application to social and political problems, is hid from the great masses of men partly by its very simplicity, and in greater part by widespread fallacies and erroneous habits of thought which lead them to look in every direction but the right one for an explanation of the evils which oppress and threaten the civilized world. . . . It is not in the relations of capital and labor; it is not in the pressure of population against subsistence, that an explanation of the unequal development of our civilization is to be found. The great cause of inequality in the distribution of wealth is inequality in the ownership of land. *The ownership of land is the great fundamental fact which ultimately determines the social, the political, and consequently the intellectual and moral conditions of a people. . . .* Material progress cannot rid us of our dependence upon land; it can but add to the power of producing wealth from land; and hence, when land is monopolized, it might go on to infinity without increasing wages or improving the condition of those who have but their labor. It can but add to the value of land and the power which its possession gives. Everywhere, in all times, among all people, the possession of land is the base of aristocracy, the foundation of great fortunes, the source of power. As said the Brahmins, ages ago—"To whomsoever the soil at any time belongs, to him belong the fruits of it. White parasols and elephants mad with pride are the flowers of a grant of land." [64]

What, then, is the solution? George's is simple and complete. "We must make land common property." Thus from a discussion of processes (economics) George now turns to the presentation of solutions (politics).

We have traced the unequal distribution of wealth, which is the curse and menace of modern civilization, to the institution of private property in land. We have seen that so long as this institution exists no increase in productive power can permanently benefit the masses; but, on the contrary, must tend still further to depress their condition . . .

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 commands they

[64] *Progress and Poverty,* pp. 292–294. (Italics mine.)

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 . . .

We must make land common property.[65]

It must be stated at this point, clearly and emphatically, that George's "common property" in land did not mean common ownership in land. That is to say, George was in no sense a land nationalist and did not suggest, as is so often mistakenly attributed to him—even by academic economists—that land was to be owned by the State, or that it should be held in joint ownership by the citizens, or that there should be any essential change in our present system of land tenure. All such concepts were distinctly repudiated by him.[66] It is a

[65] *Progress and Poverty,* p. 326.

[66] For example, in *Protection or Free Trade,* he states specifically that: "To treat land as a common, where no one could claim the exclusive use of any particular piece, would be practicable only where men lived in movable tents and made no permanent improvements, and would effectually prevent any advance beyond such a state. No one would sow a crop, or build a house, or open a mine, or plant an orchard, or cut a drain, so long as any one else could come in and turn him out of the land in which or on which such improvements must be fixed. Thus it is absolutely necessary to the proper use and improvement of land that society should secure to the user and improver safe possession. This point is constantly raised by those who resent any questioning of our present treatment of land. They seek to befog the issue by persistently treating every proposition to secure equal right to land as though it were a proposition to secure an equal division of land, and attempt to defend private property in land by setting forth the necessity of securing safe possession to the improver . . . We can leave land now being used in the secure possession of those using it, and leave land now unused to be taken possession of by those who wish to make use of it . . ." (Pp. 279–281.) And in other places George is no less explicit in his condemnation of the crudities of agrarian communism. Is not the fear of land nationalization met by a sane thought such as this?— "Everything could go on as now, and yet the common right to land be fully recognized by appropriating rent to the common benefit. There is a lot in the center of San Francisco to which the common rights of the people of that city are yet legally recognized. This lot is not cut up into infinitesimal pieces nor yet is it an unused waste. It is covered with fine buildings, the property of private individuals, that stand there in perfect security. The only difference between this lot and those around it, is that the rent of the one goes into the common school fund, the rent of others into private pockets. What is to prevent the land of a whole country being held by the people of the country in this way?" (*Progress and Poverty,* pp. 397–398.)

grossly inaccurate version of his proposals that attacks them under the labels of "nationalization" or "communism." Instead, George's interpretation of making land "common property" involved a distinctly novel methodological technique, one that has come to be indissolubly associated with his name; he was confident that his method would make land "common property," but, at the same time, retain all the advantages of the private administration of land.

> I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel.[67]

That kernel, of course, will be economic rent, the rent of land, the private retention of which, George has tried to point out, is the inequitable factor in the distribution of wealth. Therefore there was only one way to make land "common property." That was to socialize economic rent. *"It is not necessary to confiscate land; it is only necessary to confiscate rent. . . .* What I therefore propose . . . is *to appropriate rent by taxation . . . to abolish all taxation save that upon land values."*[68] Here, then, is the solution that George had been developing in his long examination of the economic process. Land values were to flow into the hands of society instead of into those of private individuals. A product purely social must be retained by society. Economic rent, the rent of land, is a completely social product, the only completely social product; wealth and capital are not. Economic rent, that creature of social forces and the barometer of social progress, must become completely social; it must be collected, by

[67] *Ibid.,* p. 403. [68] *Ibid.,* pp. 403–404. (Italics are George's.)

society, through the agency of taxation. *This is the "single tax."*

The promised effects of such a solution cannot be discussed in an exposition such as this.[69] It may be pointed out, however, that the effects of George's proposal would be implicitly a part of his complete deductive system. That is, they must be handled as corollaries of George's pattern of distribution; they are implied by his treatment of the distributive process. The effects, in other words, must lie characteristically in his suggested redirection of the flow of wealth, and depend, therefore, almost entirely upon the crucial rôle played by rent. Rent is the focus of the problem, of the solution, and of the effects of that solution. Wages and interest, it may be remembered, have been fixed, for George, by the marginal line of rent, and rent has been paid out of the legitimate return to wages and interest. With rent socialized, however, labor and capital would receive their full return. Rent would no longer retain its privileged position that enabled it to prey upon the other factors of production. Rent had distorted the "natural" process of distribution. Make rent public property, and wages and interest must rise. Make rent public property, and it will defray all the legitimate expenses of social organization, and this will permit all of wages and interest to remain in the possession of labor and capital.

Yet George did not rest the major justification of his solution on any such essentially pragmatic test. The most crucial of all sanctions was for him the ethical sanction, and in no uncertain fashion he placed the acceptance or rejection of his economic philosophy squarely upon its moral justifications. This is undoubtedly his most unequivocal statement of that moral emphasis:

> When it is proposed to abolish private property in land the first question that will arise is that of justice. Though often warped

[69] See also *infra,* pp. 518–523.

by habit, superstition, and selfishness into the most distorted forms, the sentiment of justice is yet fundamental to the human mind, and whatever dispute arouses the passions of men, the conflict is sure to rage, not so much as to the question, "Is it wise?" as to the question, "Is it right?"

This tendency of popular discussions to take an ethical form has a cause. It springs from a law of the human mind; it rests upon a vague and instinctive recognition of what is probably the deepest truth we can grasp. That alone is wise which is just; that alone is enduring which is right. In the narrow scale of individual actions and individual life this truth may be often obscured, but in the wider field of national life it everywhere stands out.

I bow to this arbitrament, and accept this test. If our inquiry into the cause which makes low wages and pauperism the accompaniments of material progress has led us to a correct conclusion, it will bear translation from terms of political economy into terms of ethics, and as the source of social evils show a wrong. If it will not do this, it is disproved. If it will do this, it is proved by the final decision. If private property in land be just, then is the remedy I propose a false one; if, on the contrary, private property in land be unjust, then is this remedy the true one.[70]

It therefore becomes necessary to examine George's ethical justification of the socialization of economic rent, for no exposition of his economic system would be complete without a presentation and discussion of his labor theory of property.

If it is to be in ethical terms that George justifies the socialization of rent, to what will he appeal as the fundamental moral basis for his insistence upon the unearned character of the income arising from land? That appeal, it may be guessed, will be to the authority of natural rights. More specifically, it will be with an appeal to the natural right of property that George presents the dichotomy of earned and unearned income.

The argument is a familiar one: Man has a natural right

[70] *Progress and Poverty,* p. 331.

to himself, to the exercise of his powers, and therefore to the product of his labor. He owns himself (or, at least, "should" own himself, for the whole doctrine of natural rights, as will be suggested,[71] may be phrased not so much in metaphysical, categorical terms as in those of an ethical, hypothetical vocabulary), and hence he owns his product. Here is introduced, of course, a complete labor explanation and justification of property,[72] an approach that was accepted by George as whole-heartedly as he embraced the companion labor theory of value. The original and the only source of property, for George, was man's exclusive right to himself and therefore to the products of his labor. "As nature gives only to labor, the exertion of labor in production is the only title to exclusive possession."

At this point, it is perhaps necessary, in order to avoid too hasty criticism, to recognize that labor theories of property are now generally anathema, and that their academic unpopularity is even greater than that accorded to labor theories of value.[73] The "social utility" theory of property, in contrast to such labor theories, need only be mentioned as the most acceptable of current doctrines. While, of course, there can be no overambitious attempt here to tilt at the social utility theory or to justify a labor approach, still it

[71] See *infra,* pp. 491 ff.

[72] This, of course, will recall the familiar position of Locke.

[73] And yet Professor Davenport could write: "I believe that the principle at the heart of the single tax agitation—that the fiscal revenues should be derived from the social estates (the regalia principle in ultimate essence), *from sources to which the justifications of private property do not attach—is right and vastly important*. . . . As *ethical* basis, whatever other basis there may conceivably be for private property, the single taxer *logically finds nothing but the right of the individual to himself and to the results of his activity—the simple recognition of the meaning of personality and of the ethical relations which it prescribes.* That one has produced an item of wealth, or has it by the voluntary transfer of some one that has produced it, affords the sole ethical claim to it. This is doubtless a labor theory of the ethical right of property. Nothing, therefore, which is natural bounty can rightly have been allowed to serve as a source of individual income, to fall into the category of individual ownership." (From the article, "The Theoretical Issues in the Single Tax," mentioned previously, p. 1. Italics mine.)

must be suggested that the attacks upon the various labor theories seem largely to have failed to grasp the significant ethical foundations upon which they depend. That type of foundation is the insistence that the concept of property must have something more than a legal sanction, and that that something more must be ethical or psychological in character. Such ethical justification has been found by many theorists to lie in the output of human labor, in the results of individual strivings. To them, all wealth is clearly the product of the labor of individuals, expressed in whatever form it may be, and hence the ownership of wealth must imply some justification in terms of that expended labor. Labor sets the sought-after ethical or psychological standard, and such a standard seems to be absent from the historical, legalistic exposition that is a part of social utility theories. The labor theorist feels that the social utility approach is likely to fall into the suave equanimity of the evolutionary thesis to which, of course, it is definitely related. A statement that property is a product of historical forces, that it is the last stage of a slow, tedious process, is too often interpreted as *prima facie* evidence of the fact that it is thereby socially useful, or, at least, that to challenge it would be to tamper with the onmoving mechanism of a painful social evolution. That which has arrived does not necessarily bear a warrant that it is of social service, and if it does bear such a warrant, then, it is argued by the labor theorist, a judgment value is introduced, and the social utility theory is transformed from an historical to an ethical approach (which seems to be just what the proponents of that theory are trying to avoid).

In other words, criticism of labor theories of property appears often to have ignored the ethical motivation at the root of such approaches, and to have concentrated upon arguments which are mainly technical in character. For example, there is this major criticism of every labor theory.

All production is completely social, and the individual's output is swallowed up in the social product. Because of the complexity and social organization of economic processes, it is archaic even to speak of "individual" labor or "individual" production, much less of "individual" property. Any particular contribution becomes an inextricable and indeterminable part of the social fabric. Furthermore, the "individual" in making a possible contribution is so dependent upon social coöperation that in no sense can he as an individual be considered as producing anything; he is merely an incidental factor in the productive machine. The individual himself is not an isolated entity but a definite social product. Yet even waiving that more metaphysical difficulty, the economic facts of specialization and division of labor and complicated distribution lead the economist to question the very existence of any possible basis for a labor theory of property. He can find no "individual," no "individual labor," and therefore no labor right to property.

This type of argument seems a graphic illustration of what is felt to be at least two annoying characteristics of modern economics: One (to digress, for a moment, from the underlying ethical emphasis of these pages) is the increasing tendency on the part of the science to complicate both economic phenomena and economic explanations, to magnify details. Take this particular attack upon an individual basis of production. Is it anything more than the apotheosis of numbers? The concept of labor (and the word "concept" is used advisedly despite its philosophic tinge) is one that signifies the expenditure of human exertion in the production of wealth. It is a concept that, if interpreted, as it must be, in a qualitative rather than a quantitative dimension, is clear, valid and serviceable. That is to say, the expenditure of human exertion, no matter how diversified or specialized or socialized it may become, must be considered as fundamentally and essentially psychological in character. This exertion of labor that is required for the functioning of economic processes is the exertion or labor of biological entities, of "individuals"—the term will be retained as intelligible if not altogether acceptable. Labor is the elemental factor in production, but it is not some hypostasized labor; it is the sum total of individual exertions. It is a "distributive" and not a "collective" term. Granted that the details and complexities of production are enormously involved, and also that there are major technical difficulties present in determining both the individual's contribution to and his return from the social product; still, any failure to realize that by labor is meant the activity of a human being, of a psychological unit, seems a serious one. The difference between intricate and simple production, between large- and small-scale production is surely a significant difference, but it is hardly sufficient to eliminate consideration of the factor at the basis of all production, i. e., labor, human, individual labor. Labor is certainly as psychological as demand. Both can be presented in terms of "round numbers," as vast social functions, but each has a common denominator in the exertions and wants of working, desiring individuals. And this is what is meant—or, at least, what is believed to be meant—by labor theories of property. The "socialized labor" or "labor complexity" approach does not seem an effective challenge to such a contention. It describes labor perhaps but it does not remove it; it explains but does not explain away. It paints labor as large and complex, yet that largeness and complexity are simply expressions or forms of that human exertion to which the labor theorist appeals. In short, the argument that discards a labor element as the basis of property (or of anything else) because the labor involved in economic production is so inextricable and socially dependent, seems to be directed along the now customary channel in economics of ignoring universals in the glare of particulars.

The other perplexing attitude of contemporary economics that is illustrated in this attack upon a labor theory of property will return us to the ethical question. That attitude seems to be the strict literalness with which the science approaches any suggestion of ethical judgment.[74] A labor theory of property, for instance, is repudiated by economics because of its "technical" difficulties, when the fact is that the essence of such an approach is not technological at all; it is a sincere attempt at valuation. Property must be justified as well as accepted, and the labor theorist is striving to find a criterion, a sanction. It would, of course, be quite unfair to state that modern economics is not interested in ethical judgments, but it is perhaps not wrong to feel that the descriptive emphasis has become so dominant that values may seem all but mythological. If not mythological, they appear at any rate (except to the more pragmatic of economic theorists) nothing more than the remnants of a metaphysical era. But a labor theory of property must not be taken in too literal or metaphysical a sense, and that seems to be what economists have done. It is a doctrine of "should" and "ought"—just as was the approach of Rodbertus to his labor theory of value—and its interpretation must invoke some degree of instrumentalism. May it not be said, to suggest a possible compromise approach, that the real test or measure of labor value is contribution to social utility? That is, cannot a labor theory of property be modified so as to include the social use of that which is produced, so that merely working, e. g., piling up sand in the desert, does not constitute a property claim? The labor which is the basis of property must be labor that meets the needs of society. This, at least, is a conceivable reconciliation of these two theories, one that avoids the

[74] For this whole matter see *infra,* Chap. IX.

divorce of the genetic from the functional approaches. There is no intention here of elaborating this point any further, especially since it will be handled in a later chapter, but it is necessary to mention one other thought. That will be the recognition that this whole discussion does not by any means imply an instrumentalist interpretation of George's own doctrine of natural rights, especially the natural labor right of property. Undoubtedly there is the temptation, especially for one sympathetic to social instrumentalism, to make such an interpretation, but it is realized that George's phrasing of natural rights is in terms of absolute values. His descriptive emphasis is too strong to be explained as presenting nothing more than a reformulation of ethical concepts in terms of an economic vocabulary, and his absolutistic approach appears too rigorous to be suggestive of any experimentalist technique. But that criticism of absolutism does not necessarily carry over to every labor theory of property.

In fact, it must be recognized that there is the possibility of a twofold interpretation of the whole place of ethics in George's work. One would insist that George's entire scheme of economic reasoning was but a corollary of his system of ethics, or rather that his approach to economics was in terms of an underlying and more fundamental dimension of morals. That interpretation would look upon his appeal to natural rights, specifically the natural right to property founded upon a labor basis, as an attempt to rephrase, in the light of ethics, the more traditional "metaphysical" status of such rights. In other words, George's entire philosophy, it would be held, was an ethical philosophy with economics acting as but the instrument for the achievement of the ethical goals that were always the motivating vision shining before his work. On the other hand, there is an emphasis that regards George's exposition as largely descriptive, and that looks upon his appeal to ethics as an attempt to defend his political solution by rational sanctions. The point mentioned a few pages back, referring to the contrast between processes (economics) and solutions (politics) would be stressed by such an interpretation. It would be argued that George's examination of the economic structure was essentially a descriptive examination of what he felt to be the natural processes of production and distribution, and required none of the apologetics of ethics, but the solution which demanded (politically) a conscious change in our economic organization must be justified in terms of ethical sanctions; hence his appeal to moral criteria. George, in other words, according to this view, was trying to reconcile his political solution with the terms of current philosophy, so that *if* the right to the product of labor exists, the right to property in land does not. Of course, even this latter approach could in no way challenge what has been stated in the opening chapter as the dominant "ethical" orientation in George's work, namely, the conviction that the economic and social background provided the conditioning element in man's moral life; it is simply the belief of such an approach that ethics *qua* ethics did not play a conscious part in George's economic analysis.

It does not seem necessary, in this particular connection, to enter further into that type of conflicting interpretation, especially since George's ethical sanction for the socialization of rent has not yet been given exposition. Granted a premise such as the labor theory of property, that exposition must be evident. With such a premise George can draw a great dualistic classification of property, a classification that clearly separates landed property from property in wealth, i. e., property in the products of labor. The one, property in land, can have no ethical justification, since it has no labor basis. Yet, by that very fact, it may be argued by George that land value, or economic rent, *does* belong to society, since to society is due its creation, just as to the individual there is due the product of his labor. Not only from this negative standpoint is the private ownership of land unjustified, but George feels that it generates a positive injustice in its appropriation of the one source from which labor must operate. Land is not produced by labor but labor must produce from land, and the ownership of land therefore means the control of labor. Landed property thus involves a double injustice.

This right of ownership that springs from labor excludes the possibility of any other right of ownership. If a man be rightfully entitled to the produce of his labor, then no one can be rightfully entitled to the ownership of anything which is not the produce of his labor, or the product of some one else from whom the right has passed to him. If production gives to the producer the right to exclusive possession and enjoyment, there can rightfully be no exclusive possession and enjoyment of anything not the production of labor, and the recognition of private property in land is a wrong . . . When non-producers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied.

There is no escape from this position. To affirm that a man can rightfully claim exclusive ownership in his own labor when embodied in material things is to deny that any one can rightfully claim exclusive ownership in land. . . .

The essential character of the one class of things (capital) is that they embody labor, are brought into being by human exertion, their existence or non-existence, their increase or diminution, depending on man. The essential character of the other class of things (land) is that they do not embody labor, and exist irrespective of human exertion and irrespective of man; they are the field or environment in which man finds himself; the storehouse from which his needs must be supplied, the raw material upon which and the forces with which alone his labor can act.

The moment this distinction is realized, that moment is it seen that the sanction which natural justice gives to one species of property is denied to the other; that the rightfulness which attaches to individual property in the produce of labor implies the wrongfulness of individual property in land; that, whereas the recognition of the one places all men upon equal terms, securing to each the due reward of his labor, the recognition of the other is the denial of the equal rights of men, permitting those who do not labor to take the natural reward of those who do.[75]

The natural rights argument, then, to which George appeals involved more than this right of a man to the product of his labor, and more than the inferred failure of landed property thereby to measure up to a labor criterion. It introduces, in addition, the metaphysical and ethical position that by the very fact of man's presence he acquires certain privileges and demands that are violated by the individual appropriation of land. The ownership of land meant the ownership of men, "for the right to the produce of labor cannot be enjoyed without the right to the free use of the opportunities offered by nature, and to admit the right of property in these is to deny the right of property in the produce of labor." [76] This was a corollary of George's insistence upon the dependency of labor on land. Men are slaves whether their bodies are actually owned, or whether their opportunities to labor are exploited by other individuals. There was, for him, a necessary connection between labor and land, between production and the source of production; hence control of land, of the source of production, implied control of production. Private property in land was of the same ethical character as private property in men.

For as labor cannot produce without the use of land, the denial of the equal right to the use of land is necessarily the denial of the right of labor to its own produce. If one man can command the land upon which others must produce, he can appropriate the

[75] *Progress and Poverty,* pp. 334–336.
[76] *Ibid.,* p. 334.

produce of their labor as the price of his permission to labor. . . . If chattel slavery be unjust, then is private property in land unjust.[77]

A point that should be suggested here is the insistence that this selection by George of land and labor as the original and primary economic elements (a selection, to refer back to a previous distinction, which places capital in a secondary position) must introduce the more strictly philosophical problem of nature as physical and as human. There is a very neat logical consistency present in George's selection of "nature," e. g., "natural laws" and "natural rights," as his philosophical basis. Nature in its physical aspect was land (land meaning, of course, all of man's physical environment); in its human aspect Nature was labor. All economic processes could be reduced to the fundamental operation of one of these elements upon the other. Whether or not such a logical classification within "nature" is appealing to modern economics, it must be recognized as a distinction that reaches into the very heart of the age-old problem of man's relationship to his physical surroundings, and one, moreover, that attempts to translate that interrelation from its comfortable place in metaphysics to the realm of political economy. It is this concept of the double aspect of nature that, perhaps, is the thought at the basis of all "physiocracies," and it is here suggested as one that offers a more ambitious and profound foundation for labor theories of property than has usually been granted them.

In this labor theory of property, therefore, and in the argument from natural rights, George found his ethical sanction for the socialization of rent—a sanction which, as has been pointed out, may be interpreted as a consciously attempted justification of a political program, or as the statement of a fundamental ethical-economic process. That ethical justifi-

[77] *Ibid.*, pp. 339; 345.

cation (or description) is one that has been based upon an ambitious evaluation of property forms, an evaluation directed largely by the completely social character of the factor of land value. The attribute of social is one that applies so specifically and characteristically and significantly to the element of earth surface value that the inclusion of land value in the categories of "individual" and "private" seemed to George as the major economic paradox. He therefore emphasized a property distinction, social in origin and ethical in phrasing, that could point to the unique status of land and thus to the justice of rent socialization proposals.

Before concluding this discussion of ethical sanctions it is of course necessary to recognize that perhaps the most bitter attacks upon George's economic proposals have likewise been formulated in ethical terms. George has been designated as "such a Preacher of Unrighteousness as the world has never before seen," and his proposals have met with the most amazingly savage reception in some quarters because of their "profligate conclusions" and "the unutterable meanness of their gigantic villainy." However, to mention a more sober ethical criticism of George's suggestions, one that is representative of a good bit of the unsympathetic approach to his work, there may be introduced the controversial matter of compensation. The words of Professor Davenport may be considered typical:

> Confiscation, at any rate, a program which shall impose on any casual present owner of original natural bounty the penalty for a general and institutional blunder, appears to me to be an incredibly unethical position for a school of thinkers whose essential doctrine is one of practical ethics. . . . The general condemnation—my condemnation also—of the single-tax demand for the confiscation of past increment rests substantially on the conviction that an institutional situation—long established and generally recognized rules of the competitive game—should constitute a social obligation to protect the player who proceeds in conformity with

the rule and in reliance upon it. If some change needs be made, if a reform is to come, the society that established the institution, rather than the individual who uncritically acquiesced in it, must bear the costs of getting over to the better way.[78]

The answer of George to this argument based on the landowner's good faith is typical of the rigorous, uncompromising nature of his general approach. In this matter of compensation or of socializing only future rent, the major defect, for him, was the "impossibility of bridging over by any compromise the radical difference between wrong and right." Land is social opportunity or it is not. Land should be administered in the interest of society, or it should not.

If the land of any country belongs to the people of that country, what right, in morality and justice, have the individuals called land owners to the rent? If the land belongs to the people, why in the name of morality and justice should the people pay its salable value for their own? . . . Justice in men's mouths is cringingly humble when she first begins a protest against a time-honored wrong, and we of the English-speaking nations still wear the collar of the Saxon thrall, and have been educated to look upon the "vested rights" of land owners with all the superstitious reverence that ancient Egyptians looked upon the crocodile.[79]

Private appropriation of rent, for George, is robbery, not robbery of the past but robbery of the present. Every bit

[78] "Theoretical Issues in the Single Tax," mentioned above; pp. 2, 7. See also pp. 8 ff.

This matter of the difficulty in doing justice to those who have invested in land has made even some of those who have realized the significance of land's socially unearned increment, such as the Mills and Herbert Spencer, advocate not so much compensation as the socialization only of future unearned income. (See also the discussion of "increment taxes," *infra*, Chap. VIII, *passim*.) The same idea is expressed by Davenport: "I believe also that all times have been propitious times, the present a right time no less than any earlier time, for establishing the provision that future increments of earning power from natural resources shall not be permitted to fall into the hands of private owners." (*Ibid.*, p. 1.) Compare also the statements of other present-day economists, particularly Professor Taussig: *Principles of Economics* (New York, Macmillan, 1924 ed.), Vol. II, especially pp. 108 ff., and also pp. 81 and 106.

[79] *Progress and Poverty*, pp. 361–362; 360.

of creative enterprise pays it tribute. It takes its toll from each stage of production. Why should robbery be paid to cease its depredations? "Because I was robbed yesterday, and the day before, and the day before that, is it any reason that I should conclude that the robber has acquired a vested right to rob me?"[80] That legal possession of land has been recognized is no answer, according to George, to the moral accusations that he has brought against landed property, for the claim of compensation, he points out, is on moral grounds. The State perhaps may be morally obligated to compensate—at least that argument can be made—but it is clearly not legally obligated, since the State would not be invalidating any contractual agreement; it would simply be withdrawing its support from the continuance of an expected practice.[81] It is on a moral basis alone that compensation can be pressed, and if property in land has no ethical justification, as George feels he has demonstrated, then compensation for land whose value is to be taken in taxation has no moral justification.

But compensation would be as little expedient as it would be moral. George insists that the payment of the landowner (obviously through the medium of funds raised by taxation or bonds) would be only a continuation, at least for the present and the immediate future, of the policy of benefiting the "owner" of land out of the pockets of the rest of the population.

> Just in proportion as the interests of the land holders are conserved, just in that proportion must general interests and general rights be disregarded, and if land holders are to lose nothing of their special privileges, the people at large can gain nothing. To buy up individual property rights would merely be to give the

[80] *Progress and Poverty,* p. 363.

[81] Legal theorists have always made a distinction between property in land and property in labor products; there is always the State as the prime landowner.

land holders in another form a claim of the same kind and amount that their possession of land now gives them; it would be to raise for them by taxation the same proportion of the earnings of labor and capital that they are now enabled to appropriate in rent.[82]

Not only would gain from the abolition of the private appropriation of rent be reserved for the future, but in addition that postponement would be lengthened by the inclusion of the expectation of future increase in land values in the present market price. Compensation, for George, would thus defeat the very purpose of the socialization of rent.

Questions of compensation, however, can obviously arise only after the more primary ethical character of landed property has been determined—and determined negatively.[83] This is illustrated in Professor Davenport's article in which the failure of George's proposals to square with the landowner's good faith in existing property institutions is cited as its most damaging moral characteristic; such an accusation, however, is made only after there has been at least a partial recognition of the soundness of the ethical attacks upon land as a category of private and individual wealth. In contrast with Davenport's contention that the good faith of the "player of the game" is the chief barrier to what otherwise might be an acceptable ethical basis for the single tax, the more usual moral attack upon George's scheme, as repre-

[82] *Progress and Poverty,* p. 358.

[83] As George puts it: "The idea of compensation is raised and has importance only where it serves as a secondary defense of private property in land. If a man believes in private property in land, it is needless to address to him any argument for the necessity of compensation on its abolition. . . . But if he has come to doubt its justice and to favor its abolition, then the raising of the question of compensation, as though it were a new and separate moral question, may serve the purpose of a second embankment or second ditch in military defense. . . . Thus the idea of compensation with which we are concerned is the idea of compensation for the abolition of something in itself conceded to be wrong." (*A Perplexed Philosopher,* pp. 221–222.)

sented, for example, by Professor Seligman,[84] really never calls upon this secondary defense of good faith or implied compensation, since the first-line ethical trenches, it is held, have not yet been stormed. Thus, once the topic of compensation has been introduced an advance clearly has been made, and it would almost appear that a demand for compensation or for respecting the good faith of the owner of land might be welcomed by the follower of George, for it would definitely indicate that the opposition was perhaps ready for a change.

The most helpful attitude, undoubtedly, with which to approach a matter such as compensation is to treat it, not in the uncompromising fashion of George, but with the realization that it constitutes one of those points of adjustment that would be required by any drastic social change, and that a detailed and intelligent discussion of it must follow, not precede, the more fundamental question of the acceptability of private property in land.

This whole matter of compensation has been presented as an example of one of the more usual ethical attacks upon George's doctrines, although it has been seen that it is not a fundamental moral attack. If George's proposals are to be branded as essentially immoral, there must first be understood and met his ethical distinction between earned and unearned income. The claim that all recognized property institutions must be granted the same status, or the introduction of the argument that other wealth and income besides that accruing from land is unearned, are largely legalistic rather than ethical matters. To meet George's demands, the attack must at least be directed in terms of his labor theory of property, in terms, that is, of the recognition of some form of moral standard, and not in those of legal expediency.

[84] See particularly *Essays in Taxation* (New York, Macmillan, 10th ed., 1928), pp. 79 ff.

That type of standard, for George, determined that income arising from land was social and therefore individually unearned, and thus the focus of his ethical judgment is definitely placed within his basic twofold property distinction. This, for many, may be an unacceptable location, but if it is to be answered it must at least be met on its own ground. Ethical objections which introduce other dimensions may be significant in the light of other property distinctions, but they neglect the dualism that George has attempted to establish between the categories of earned and unearned.

The ethical sanctions that lay behind his proposal to socialize rent were George's first consideration. He could perhaps have stressed the tragic inefficiency of permitting the vast increment created upon land by the press and activity of men to be diverted to the possession of a fortunate few, thereby forcing social agencies to support themselves, not by tapping this product of social processes, but by levying toll upon the product of labor. Or he could have dwelled upon the comic but unæsthetic claim of man to "own" the earth. But he reserved his major emphasis for an ethical approach. "That alone is wise which is just; that alone is enduring which is right." Expediency depended upon ethics. It will be necessary, however, to say a word also in reference to the fiscal, "expedient" sanctions that George found as justification for his single tax.

His proposal to socialize rent was in terms of taxation, and therefore there must be raised immediately the perplexing question as to what constitutes the "canons of taxation." Disputes in this field almost rival the classic economic controversies over wealth, value and property, and, of course, there can be no attempt here to do anything more than suggest the place in that type of dispute occupied by George's taxation proposals.

Perhaps the most significant and typical cleavage occurring within taxation theory—typical and significant, at least, from the standpoint of the present discussion—is that which ranges "benefit" or "privilege" theories on the one side, and what may be termed "political" or "functional" theories on the other. According to the one, which possibly may be more appropriately designated as classical, the only legitimate justification for taxation is found in the fact that social organization definitely brings about certain benefits and privileges that accrue to individuals. There is, as it were, a social service that confers aids upon individuals through the existence of the economies made possible by a political structure, and therefore, the argument runs, the fiscal support of government should be drawn from such individual benefits, presumably in proportion to the social service that is rendered. The opposing type of theory is simply the more or less cold-blooded recognition that, as it has been put, we pay taxes because "the State is part of us." Taxation is an integral function of a political organization. It has a "physical" justification as a process and needs no ethical backing such as that proposed by benefit or privilege approaches. The problem of taxation is an *ad hoc* problem and requires none of the apologetics of ethics. Hence, the apportionment of taxation is not to be determined by any benefit technique but by direct and arbitrary (it is admitted) measures, such, for example, as the ability to pay.

It is quite evident that George's taxation proposals must be ranked under the general classification of benefit or privilege theories. Land values are social benefits, the privileges that result from the interaction of social forces, and therefore they should be the sole basis and source of taxation. Ground rent represents the precise degree to which society has coöperated to produce values; it is the measure of social progress. The rent of land is an exact measure of the unearned privileges that accrue to the owner of land through political and economic organization, and therefore it is consummately fitting that such rent be applied to defray the expenses of the political organization. In fact, this is the only ethical basis that George finds for the very existence of taxation. Taxation, just as everything else, must be justified and not merely accepted, and the only justification was that social fiscal requirements be met out of a social product. There was a supreme neatness in the application of economic rent to the category of taxation. Here was a fund that no individual was instrumental in creating, yet it reverted in our present economic order to individuals; taxation was intended for social purposes, yet in our present economic order society depended upon the contributions (rather sacrificial offerings) of individuals out of individual earnings, without attempting significantly or appreciably to tap the fund that society itself produced. Apply social increment to social purposes, and George felt the taxation problem was clearly and simply solved.

This benefit conception of taxation is explicitly formulated by George in his fourth canon of taxation, i. e., "That it [taxation] bear equally—so as to give no citizen an advantage or put any at a disadvantage, as compared with others," [85] to which he adds, "the tax upon land values is . . . the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses." [86] He here criticizes Adam Smith's earliest "ability to pay" theory, that "the subjects of every State ought to contribute toward the support of the Government as nearly as possible in pro-

[85] *Progress and Poverty,* p. 406. [86] *Ibid.,* pp. 418–419.

portion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the State," and endeavors to show that the only type of revenue or value enjoyed "under the protection of the State" is that which owes its existence to social organization; that is to say, the only type of revenue or value which is solely dependent upon government is that which is *not* created by labor. It is of course true that all property and all value, all revenue and all labor, are dependent in a vital sense upon social organization, but, as was mentioned in another connection, such a dependence is so broadly obvious that its recognition is rather truistic; it is simply the recognition that without an economic order there would be no economic order, hence none of the economic categories. Labor values would certainly not be present *qua* values were they divorced from social organization, but they would still represent the expenditure of human exertion irrespective of their background. On the other hand, land values, according to George, alone were enjoyed "under the protection of the State," since they were completely the product of society; therefore, the incomes arising from land values alone "ought to contribute toward the support of the Government as nearly as possible in proportion to their respective abilities."

That a tax on land values would coincide with the benefits and privileges that society confers upon individuals, benefits and privileges that are directly and precisely expressed by such values, was not by any means, however, the sole practical advantage that George found in his plan to socialize rent by taxation. There were three other "canons" that he felt were essential fiscal criteria by which taxation proposals must be judged. They were:

> That it [the tax] bear as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid and the community maintained.

That it be easily and cheaply collected, and fall as directly as may be upon the ultimate payers—so as to take from the people as little as possible in addition to what it yields the Government.

That it be certain—so as to give the least opportunity for tyranny or corruption on the part of officials, and the least temptation to law-breaking and evasion on the part of the taxpayers.[87]

The taxation of land values, tried by such canons—along with that of benefit and equality—was held by George to be secure and expedient; it was sanctioned fiscally as well as ethically.

As to George's first canon, it must be clear that there is a vital distinction between a tax upon a social increment such as that of the value of land, and taxes which fall upon production or upon the income or wealth arising from production. The latter type, which, of course, makes up the great bulk of our revenue system, must necessarily hinder productive enterprise. The "power of destruction" that is inherent in taxation may be accounted for by its restrictive and inhibitory tendencies upon production. Taxes which fall upon either the processes or the products of labor must tend to discourage labor, must curtail the production of wealth. They raise an artificial barrier that must be hurdled by the forces involved in the creation of goods. Taxes on production are a drain upon production. A tax on land values, however, not only fails to hinder production, but acts as a definite stimulant. Land value is not a labor-produced value; its creation is an automatic and gratuitous function of society, and therefore its disposition in terms of taxation could have no negative effect upon the processes involved in the production of wealth by labor. If taxation is to bear as lightly as possible upon production and if society is to cease crippling itself by the continued sapping of wealth through taxation, then the social collection of revenue must be shifted, is

[87] *Progress and Poverty,* p. 406.

George's warning, from that levied against the product of labor to that which makes use of the social fund of land values.[88]

A tax must be easily and cheaply collected and it must be direct, i. e., must fall upon the ultimate payers without any shifting of incidence, is George's second canon. That a tax upon land values cannot be shifted is admitted by almost every economist, including George's most bitter critics. The value of land depends upon its relation to marginal land, or, to put it more simply, upon the supply of available land in proportion to the demand; and as a tax upon land in no way can decrease the supply of land, the owner of land cannot add the tax to the price or to the rent of land. Land taxes cannot enter into rent as an item of increase, since rent is determined antecedently to such taxation and by factors in which a tax does not play a part. This unshiftability of a land tax is almost universally recognized as one of its significant advantages, although a similar unanimity, however, has not been accorded to George's contention that a tax on land values may be simply and efficiently administered—[89]

[88] "Taxes levied upon the value of land cannot check production in the slightest degree, until they exceed rent, or the value of land, taken annually, for unlike taxes upon commodities, or exchange, or capital, or any of the tools or processes of production, they do not bear upon production. The value of land does not express the reward of production, as does the value of crops, of cattle, of buildings, or any of the things which are styled personal property and improvements. It expresses the exchange value of monopoly. It is not in any case the creation of the individual who owns the land; it is created by the growth of the community. Hence the community can take it all without in any way lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State without reducing the wages of labor or the reward of capital one iota; without increasing the price of a single commodity, or making production in any way more difficult. . . . Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away." (*Progress and Poverty,* pp. 410–412.)

[89] It is not within the scope of this exposition to present or attempt to answer the technical, fiscal objections to George's canons of taxation. Such objections may be found in any economic text, although for a suggestion of objections which are a bit removed from the trite and usual approach, there may be mentioned Professor Davenport's otherwise sympathetic article

that is his third canon, certainty. George feels that a tax on rent could be accurately assessed, and that it would thereby remove the ludicrous corruption and perjury, international in proportion, that are so integral a part of import duties, internal revenues, and income and general property taxes.

In concluding this mention of George's "canons of taxation," those fiscal sanctions behind his revenue system, it may be in point to suggest that in a real sense *his single tax is not a tax at all.* A tax definitely connotes some levy, characteristically of an arbitrary and opportunistic nature, that government is forced to make upon the productive powers of industry in order to support itself. Taxation implies a process of self-mutilation; the popular reaction to it as a necessary evil (to use the most polite of expressions) is perhaps largely a correct characterization. The idea of George, however, was clearly to remove from society the onus that taxation of any kind imposes; it was an attempt to make automatic and self-operative the process of defraying social expenditures. Economic rent was to be directed into public instead of private repositories, and was to be employed in meeting public needs instead of swelling private gains. There was essentially no taxation involved here, that is, no taxation in terms of governmental interference. Instead there was to be simply a direct flow of revenue from the social source of land value to that agency which was responsible for the financing of social needs. It is true that such an agency would be, largely, our present form of government, and also that the flow of revenue would be through the existing channels of taxation; the technical functioning of George's proposal would obviously be by means of a taxation system. But it seems definite that there is a clear distinction between a "single tax" in the light

(op. cit.). George himself attempts very briefly to meet some of the more usual objections (see especially Chap. IV of Book VIII of *Progress and Poverty*), particularly the one involving the difficulty of separating land value from the value of improvements.

of George's interpretation, and a "single tax" [90] which might be tested solely as a variety of our present tax species. The former is a tax simply in structure; its essence and function, however, are something quite different from simply an improvised system of taxation, and it must not be judged solely by criteria which are limited to those of a fiscal nature. George's vision was rather, in the words of Professor Davenport, "not a society single-taxed, but a society free from all

[90] One objection to George's fiscal proposals that may be discussed briefly in this connection is that directed against the "singleness" character of his tax. A major difficulty brought forward by economists is that any "single" tax constitutes a poor fiscal policy. No matter what be the nature of the revenue, academic experts point out, inelasticity is a damaging quality of any tax that is imposed to the exclusion of all others. In fact, in many of the standard arguments against the socialization of rent, it is this "singleness" that attracts the greater share of criticism. Even where there is a tacit approval of a tax on land values—which is found in almost every discussion of the subject—there is always made the sharp distinction between such a tax on land values and a "single" tax, and the arguments in favor of the one are never allowed to carry over for the other. This type of separation ignores the point that is being made above, i. e., that George's proposals involve something more than a taxation scheme; they are essentially agencies for social reform and not simply taxation variations. They are of a piece, for example, with Hobson's continued insistence that all forms of "social surplus," of unearned increment, be amenable to social uses through the agency of taxation. Such a suggestion is much more than a contribution to taxation discussion.

The more specific fiscal attacks upon the inelasticity of any single tax point out that a system of taxation must be able to expand and contract to meet the variable demand for revenue, and that therefore any fiscal income must depend upon diversified incidence of taxation. Government should not have to rely upon one source for its income. Some critics suggest that the revenue derived from land values would be insufficient to defray the expenses of society, and certainly would be unable to meet emergency demands such as those of war. Others, however, hold that the collection of the total ground rent would create a large surplus that would provide a tempting field for corrupt practices! But in either case, the general criticism is that a system of taxation must be elastic. It may be mentioned, however, that land values, for example, of the City of New York are more than sufficient to meet its governmental expenditures. The assessed valuation of land in New York City (1932) is approximately nine billion dollars, which on a 5 per cent capitalization indicates that 450 million dollars of the annual rent of land (actual and potential) is retained by the owners of land; while the city collects, at the average tax rate of 2.68 per cent for all boroughs, 240 million dollars of the annual rent of land. This discloses an actual and potential annual land rent in the City of New York of 690 million dollars. The budget of New York City, admittedly extravagant, is 631 million dollars. Proponents of the single tax claim that the abolition of taxes on buildings and improvements, together with the abolition of income, tariff and excise taxes,

taxes of any sort"—(to which he adds, "a goal well within the reach of a wise and provident public policy.")[91] This is not to say, of course, that the single tax of George either is not susceptible to testing by fiscal sanctions or that it is condemned by them; the attempt has been made to relate his proposal to certain clear canons of taxation. The point that is being made here is rather that the proposal to socialize rent definitely transcends the taxation dimension. Indeed, the phrase "rent socialization" would seem a more felicitous one than "single tax," since it perhaps would connote something larger than mere fiscal characteristics.

And this type of socialization, for George, was the only variety required to produce a healthy economic order. The diverting of rent from individual to social termini afforded the necessary compromise between George's fierce demand for "individualism" and his equally zealous insistence upon a socially directed economic system. Such a compromise may recall the point that was mentioned in another connec-

will immediately reflect itself in an increase in land values and therefore in an increase in land rent and that rent will then be equal to the requirements of Federal, State and local governments. And it does not seem necessary to discuss the converse argument that a surplus would prove dangerous. As for the general inelastic character of a single tax on land values and the fact that occasional emergencies would have to be met, it may be admitted—although such admission would hardly be accepted by the more orthodox of George's followers—that a land value tax would permit of the levying of other taxes when serious expansion of revenue was demanded. That is to say, it is felt that the value of a proposal to socialize rent should not be clouded by the possibility that its inelastic character as a tax might not be adjustable to all exigencies. However, the single taxer will point out that in a fundamental sense a sole tax on land values is highly elastic since it varies directly with the progress and demands of any taxpaying and tax-requiring community.

[91] (*Op. cit.*, p. 1.) The same point, i. e., that the single tax is "not a tax at all," was made by Professor Davenport in an address on "The Taxation of Unearned Increment" delivered before the National Conference on State and Local Taxation at Columbus, Ohio, November, 1907. The address was later printed as a pamphlet by the National Tax Association.

(In the former article in *The American Economic Review,* he concludes his paper with these gracious words: "Not less perhaps for us single taxers of the looser observance than for our fellows of the stricter faith, is it to be desired that we continually exercise ourselves in the amenities of discussion." P. 30.)

tion referring to George's interpretation of "common property in land." It was suggested then that his method offered something radically different from the programs of land nationalization or agrarian communism with which his name has so often been linked. George's taxation proposals sought to retain the nominal individual ownership of land, while at the same time they attempted to direct the economic product of land into social channels. Now, it must be realized that the collection of the annual ground rent of land by the State through taxation agencies would have the literal effect of destroying even individual "ownership," since the purchase price of land would really vanish, and "sale" and "purchase" of land would have little or no significance. But George's contention was that individual "ownership" and individual "administration" of land were vitally dissimilar. Private property in land instead of being essential for, was inconsistent with, the best use of land. The thesis that George essays to defend in opening his discussion of "the application of the remedy" [92] is that the security required for human labor upon land was not that which resulted from absolute ownership of land, but that which was the product of the inviolability of improvements. Security for the *product* of labor, not security for mere land, the product of nothing human, was essential for the unimpeded expenditure of human effort.

> There is a delusion resulting from the tendency to confound the accidental with the essential—a delusion which the law writers have done their best to extend, and political economists generally have acquiesced in, rather than endeavored to expose—that private property in land is necessary to the proper use of land, and that again to make land common property would be to destroy civilization and revert to barbarism.[93]

[92] *Progress and Poverty,* Book VIII, particularly Chap. I.
[93] *Ibid.,* p. 395.

That delusion was similar to an old Chinese custom, as reported by Charles Lamb, the custom of burning down dwellings in order to secure the ineffable delicacies of roast pig. But though a sage was necessary to teach Ho-ti and his disciples that arson and cookery were two generically different categories, it requires no sage, argues George, to point out that ownership and use are as clearly separable. Is not the ubiquitous phenomenon of tenant cultivation a definite refutation (a refutation so clear as to be perhaps ignored) of the belief that private property in land is necessary to the proper use of land?[94] "Would not all this land be cultivated and improved just as well if the rent went to the State or municipality, as now, when it goes to private individuals? If no private ownership in land were acknowledged, but all land were held in this way, the occupier or user paying rent to the State, would not land be used and improved as well and securely as now?"[95] Ownership is one thing and use another. Under George's plan individuals could indeed "own" land—although that type of "ownership" would be technical and legalistic, virtual not factual—but the use of land involves another dimension.

What is necessary for the unrestricted use of land is that the improvements upon land, improvements of labor, and not the land itself, be made secure for the individual.[96] A man

[94] Buildings in large cities are erected by investors on long-term leases, twenty-one, forty-two, ninety-nine years, with the knowledge that at the end of that time the building reverts to the landowner. These are investments which involve millions of dollars. Would such investors be any less disposed to build if the land remained "theirs" to use permanently upon the annual payment of rent in taxes?

[95] *Progress and Poverty,* p. 396.

[96] "It is not necessary to say to a man, 'this land is yours,' in order to induce him to cultivate it or improve it. It is only necessary to say to him, 'whatever your labor or capital produces on this land shall be yours.' Give a man security that he may reap, and he will sow; assure him the possession of the house he wants to build, and he will build it. These are the natural rewards of labor. It is for the sake of the reaping that men sow; it is for the sake of possessing houses that men build. The ownership of land has nothing to do with it." (*Progress and Poverty,* p. 396.)

must be guaranteed that the fruits of his labor are secure, and with that guarantee safe, George is sure that no other is needed. It is not the magic of property but the magic of security to labor that is the stimulus for productive effort. Property itself, in George's approach, is nothing but the legal recognition of such security to labor; that is, property can alone rightfully inhere in the products of human exertion. Men would not refuse to produce nor would civilization revert to barbarism were the essence of private property in land extracted through the socialization of rent. As long as man can use land and profit through its use, it matters not where the ownership is located. The paradoxical fact, maintains George, is that private property instead of contributing to the use of land is actually a deterrent, and stands in the way of the proper administration of Nature's bounty to man. Land is held out of use by its owners either for speculative purposes or because of inability to make improvements, or out of mere caprice. Were land taxed to its full yearly rental value, it would be necessarily forced into use, and George feels that the fact of its ownership being "common" instead of "individual" would definitely forward, and not retard, the full and correct employment of land. "If the best use of land be the test, then private property in land is condemned, as it is condemned by every other consideration. It is as wasteful and uncertain a mode of securing the proper use of land as the burning down of houses is of roasting pigs." [97]

George thus attempts to socialize rent and to retain, at the same time, the individualized use of land. This compromise is a significant one. Not merely will it provide the necessity for contrasting his work with socialism itself, but it will point the way for what he felt would be the economic effects of his solution. Those effects will necessarily reside in that

[97] *Progress and Poverty,* p. 400.

"coöperated" mutual realm where society administers that which belongs to society, and the individual, considered as a creature possessing "ethical" natural rights, retains that property which has been justified in terms of a labor sanction.

To conclude, then, George's economic solution, it will be seen that in the private ownership of land, more specifically in the private appropriation of land values, George located the genesis of the persistence of poverty amid advancing wealth and progress. In the social collection of ground rent through taxation, he located the solution of that economic paradox. It was a solution that he hoped would be not merely a saner approach to our very muddled tax system; it was directed rather to straightening the mischievous tangle in the distribution of wealth. That is why George attempted to elaborate, in classical, deductive terms, a completely integrated interpretation of the science of economics. Poverty was not an *ad hoc* problem. It was the symptom of economic disease. That disease was a form of strangulation; the factors in the distribution of wealth, particularly wages, had been effectively throttled by the operations of rent. The "single tax" was not an *ad hoc* solution. It was the attempt to direct the flow of economic processes into more "natural" channels.