

On Monopoly, Labor and Capital

Henry George testified as part of the investigation conducted in 1883 by the Senate Committee Upon the Relations Between Labor and Capital. For this portion of the testimony, George is questioned by Senator Wilkinson Call of Florida (1834-1910).

Senator Call (SC): You have been engaged for some years, I believe, in looking into the labor question, the condition of the laboring population, and the relations of labor and capital, have you not?

Henry George (HG): For some time, with a great deal of attention.

SC: We should be glad to have a statement from you in your own way of any facts that may be within your knowledge in regard to the condition of labor in its relations to capital, and any suggestions of remedies which you think would bring about an improved condition of things.

HG: As for specific facts I presume you could get them with much more advantage from other persons, from those who are familiar with each locality and the particular facts relating to it. The general fact, however, is that there exists among the laboring classes of the United States a great

and growing feeling of dissatisfaction and discontent. As to whether the condition of the laboring classes in the United States is getting any worse, that is a difficult and complex question. I am inclined to think that it is; but whether it is or not, the feeling of dissatisfaction is evidently increasing. It is certainly becoming more and more difficult for a man in any particular occupation to become his own employer.

The tendency of business of all kinds, both in production and in exchange, is concentration, to the massing of large capital, and to the massing of men. The inventions and improvements of all kinds that have done so much to change all the aspects of production, and which are still going on, tend to require a greater and greater division of labor, the employment of more and more capital, and this makes it more and more difficult for a man who has nothing but his labor to become his own employer, or to rise to a position of independence in his craft or occupation.

SC: Can you state any economic reasons why that is the case?

HG: I do not believe that there is any conflict of interest between labor and capital, using those

terms in their large sense. I believe the conflict is really between labor and monopoly. Capital is the instrument and tool of labor, and under conditions of freedom there would be as much competition for the employment of capital as for the employment of labor. When men speak of the aggressions of capital and of the conflict between labor and capital I think they generally have in mind aggregated capital, and aggregated capital which is in some way or other a monopoly more or less close. The earnings of capital, purely as capital, are always measured by the rate of interest. The return to capital for its employment, risk being as nearly as possible eliminated, is interest, and interest has certainly, for some time past, been falling, until now it is lower than it ever has been in this country before. The large businesses which yield great returns have in them always, I think, some element of monopoly.

Do you wish me to go right on and give my views generally, or do you desire me to limit myself to answers to your questions?

SC: I wish you would first give us the economic reasons why there are such aggregations of capital. I would like also to have you explain the sense in which you use the term "monopoly" when you speak of these aggregations of capital.

HG: I use the term "monopoly" in the sense of a peculiar privilege or power of doing certain things which other persons have not. There are various kinds of monopolies. As, for instance, the monopolies given by the patent laws which give to the inventor or to his assigns the exclusive right to use a particular invention or process. There are certain businesses that are in their nature monopolies. For instance, in a little village if one puts up a hotel which is sufficient to accommodate all the travel there, he will have a virtual monopoly of that business, for the reason that no one else will put up another to compete with him, knowing that it would result in the loss of money; and for that reason our common law recognizes a peculiar obligation on the part of the innkeeper; he is not allowed to discriminate as between those who come to him for lodging or food. Again, a railroad is in its nature a monopoly. Where one line of road can do the business, no one else is going to build another alongside of it, and, as we see in our railroad system, the competition of railroad companies is only between

what they call "competing points" where two or three roads come together, and as to these the tendency is to do away with competition by contract or pooling. The telegraph business is in its nature a monopoly; and so with various others. Then again, there is a certain power of monopoly that comes with the aggregation of large capital in a business. A man who controls a very large amount of capital can succeed by underselling and by other methods, in driving out his smaller competitors and very often in concentrating the business in his own hands.

SC: You see the term in a broader sense then, than that of a monopoly created by law. You include in it any exclusive right, whether created by facts and circumstances or by law?

HG: Yes. As I have said, there are businesses which are in their very nature monopolies. The two most striking examples of that are the railroad and the telegraph.

SC: In your opinion, what are the economic reasons why business tends to become concentrated and why all industries have a tendency to aggregation in the hands of a few?

HG: I think that is the universal tendency of all progress. It is because larger and larger capitals are required and because labor becomes more and more divided.

For instance, when boots and shoes are made by hand the only capital required is a lap-stone and a little kit of tools, and any man who has learned the trade and can get a piece of leather can sit down and make a pair of shoes. He can do it in his own house and can finish his product there and sell it. But when a machine is invented to be used in that business, the shoemaker requires capital enough to purchase that machine, and, as more and more machines are invented, more and more capital is needed, while the skill required becomes less and less. I believe you have it in testimony here that in the process of shoemaking now there are sixty-four different branches, thereby requiring that number of costly machines and differentiating the trade into that number of subdivisions...

Machinery, in my opinion, ought to be an advantage to labor. Its primary effect is simply

to increase the product of labor, to add to the power of labor, and enable it to produce more. One would suppose, and in fact it was supposed at the beginning of the era of modern inventions, that the effect of the introduction of machinery would be to very greatly improve the condition of the laboring classes and largely to raise wages. I think it quite certain that its effect has not been that; that, while very many articles have been greatly cheapened in cost and in price, wherever there has been an increase in the wages of labor it can be traced to something else; generally to the efforts of the laborers themselves, by the formation of trades unions and organizations which have wrested from their employers a higher rate of wages, or to improvements in government, or improvements in intelligence, or improvement in morals. I think that whoever will thoroughly examine the facts will come to the conclusion that John Stuart Mill is right when he says that "all the labor-saving machinery that has hitherto been invented has not lessened the toil of a single human being."

While, on the other hand, by permitting and requiring this great subdivision of labor and dispensing to a great extent with skill on the part of the laborer, it has reduced him to a far more dependent condition than that which he occupied before. That is illustrated by the case we were speaking of a while ago. The old-fashioned shoemaker, having learned his trade and purchased his kit of tools, was his own master. If he did not find work in one place he could find it in another place. He had the means of earning a livelihood wherever he could find people who wanted shoes. But now the shoemaker must find a great factory and an employer with a large amount of capital. Without such an employer he is utterly helpless: he cannot make a shoe; he can only make one tenth or one sixty-fourth part of a shoe, or whatever the proportion may be. It is the same way with all other trades into which machinery has largely entered. The effect of the introduction of machinery in any trade is to dispense with skill and to make the laborer more helpless. I think you all understand that effect of machinery.

SC: Your idea is that the introduction of machinery in the trades tends to prevent a man from mastering the whole of his trade -- that he learns a part of the trade instead of the whole

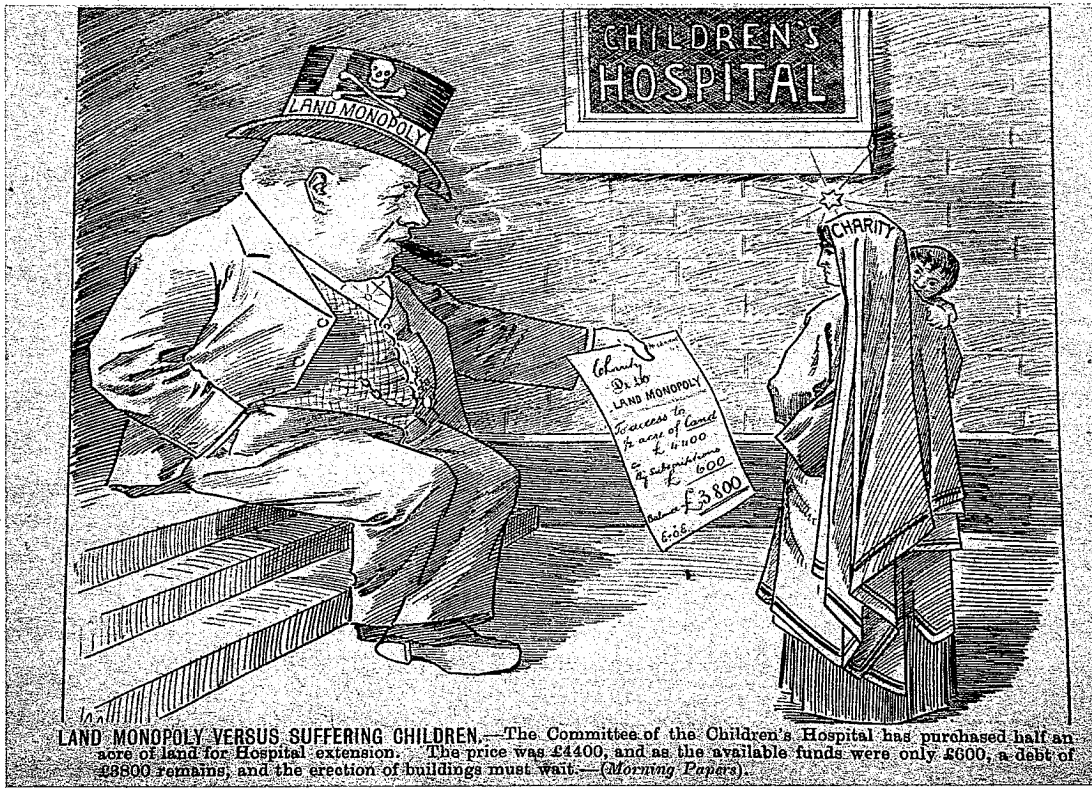
trade?

HG: Yes. That in itself might not be a disadvantage: but it is a disadvantage under present conditions; those conditions being that the laborers are driven by competition with each other to seek employment on any terms. They must find it; they cannot wait. Ultimately, I believe the trouble to come from the fact that the natural field of employment, the primary source of wealth, the land, has been monopolized and labor is shut off from it.

Wages in all occupations have a certain relation to each other: fixed by various circumstances. such as the desirability of the employment; the continuity of the work: the ease or difficulty of learning it; the scarcity of the peculiar powers required, and so on; but in a large sense they must all depend upon the wages in the widest occupation. That occupation in this country is agriculture, and everywhere throughout the world the largest occupations are those which concern themselves directly and primarily with the soil. Where there is free access to the soil, wages in any employment cannot sink lower than that which, upon an average, a man can make by applying himself to the soil -- to those natural opportunities of labor which it affords. When the soil is monopolized and free access to it ceases, then wages may be driven to the lowest point on which the laborer can live.

The fact that in new countries wages, generally speaking, are higher than they are in old countries, is simply because in those new countries, as we call them, the soil has not yet passed fully into private hands. As access to the land is closed, the competition between laborers for employment from a master becomes more intense, and wages are steadily forced down to the lowest amount on which the laborer can live.

In a state of freedom the introduction of machinery could but add to wages. It would increase the productive power of labor, and the competition with each other of those having such machinery and desiring to employ labor would suffice to give the laborer his full share of the improvement. Where natural opportunities are closed up, however, the advantages resulting from the use of machinery, minus that part retained by monopolies arising from its use, must ultimately go to the owners

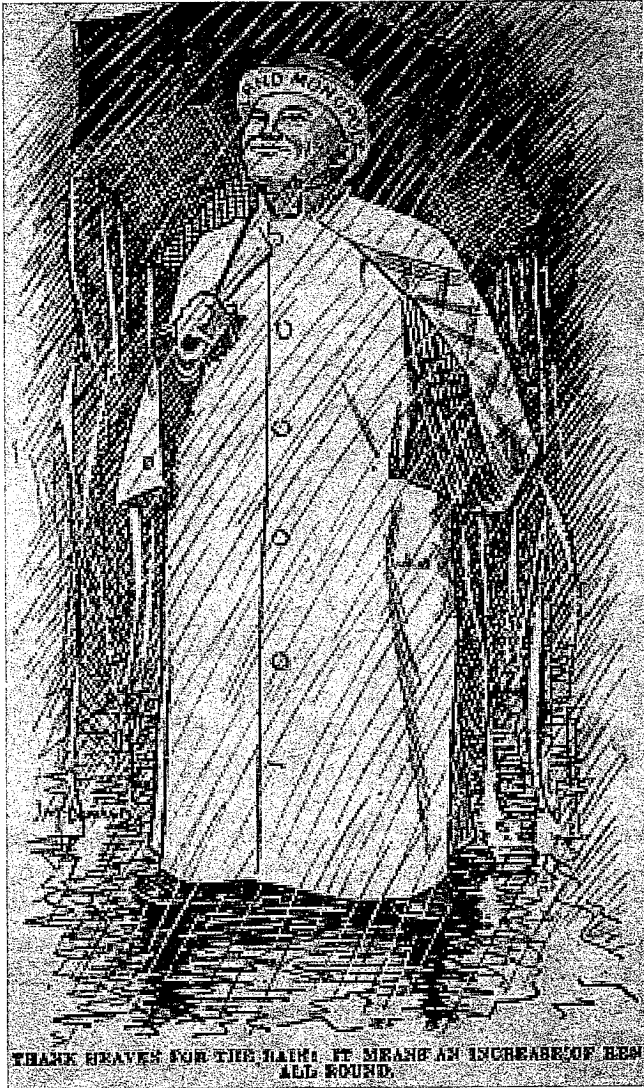


of land, either in higher rents or higher prices. You can see that very readily if you consider a community in which one person or a small number of persons had full possession of the land. In such a case no one could work upon the land or live upon it save upon their terms. Those who had no land, having no means of employment, would have to compete with each other for the privilege of working for those who had the land. And wages would, of course, steadily sink to the point at which a man could barely live.

Now, if you imagine a labor-saving invention introduced there, no matter how much it might add to the productiveness of labor, the landlord could necessarily claim the whole advantage, just as he could claim any advantage arising from increased fertility of the soil. If inventions were carried to the farthest imaginable point, so that labor could be entirely dispensed with in the production of wealth, the raw material must still be obtained from the land, and therefore the landowners would have all the wealth that could be produced, and would be absolutely independent of labor. There would be no use for anybody else, save as their servants or as pensioners on their bounty. This point is of course unattainable, but towards it labor-saving inventions tend, and their general effect is to raise the price of land. This is illustrated in the effect of railroads. Railroads

very much reduce the cost of transportation, but that does not add anywhere to the wages of labor, nor yet, generally, to the profits of capital. It simply adds to the value of land. Where a railroad comes wages do not increase; interest does not rise; but land goes up in value.

All human production in the last analysis is the union of labor with land; the combination, transmutation or modification of materials furnished by nature so as to adapt them for the use of man. Therefore where land is monopolized labor becomes helpless. Where one man owns the land he must necessarily be the master of all the other men that live upon it. Where one class own the land they must necessarily be the ruling class. Those who have no land must work for those who have it. In a ruder state of society, such as that which existed in Poland and in many other countries of the world, the system of serfdom resulted simply from the ownership of the land. The laborer was a serf because he must get his living out of the land which another man owned. In a state of society like ours, where the land is very largely divided up, you do not see this so clearly; but you can see it, on one side, in the large sums which the owners of land are enabled to obtain without doing anything themselves, and on the other, in the conditions which exist among the lowest class of laborers.



Henry George is continuing to be patient with Senator Henry W. Blair of New Hampshire (1834-1920), a conservative Republican.

Senator Blair (SB): But it is the power to combine that land with human labor and with wood, with brick, with mortar, with various other things, which in combination constitute a building that renders it valuable.

HG: The power to erect a house on it?

SB: The power to have a house erected upon it; the power to convert it to an available purpose.

HG: Not [at] all. If you had a piece of land in the interior of Africa you could erect a house on it?

SB: You would not have the power of utilization in that case; you would have only the power of waste. Land has no value until you can utilize it.

HG: But you can utilize it. You will find in small towns large edifices as good as many in Paris or New York. But you do not find the erection of those edifices gives equal value to the land underneath. What gives value to the lot is that its owner has the power to command a large revenue from it. No matter how rich land may be, no matter how well situated it may be, or how available it may be, it is worth absolutely nothing until somebody is willing to pay a premium for its use. That constitutes the value of land. Now the value of a horse, or of clothes, or of anything else comes from the human labor expended in producing it, in creating it, to speak metaphorically; but no human labor created the land. It existed before we came into the world and it will exist after we are gone. It is the field of our exertion. That is the difference between land and other kinds of property....

SB: I do not understand how you make your distinction between the land itself as property and the superstructure which is upon it, or between the land and the implements that are essential in order to carry on production for the supply of human wants. In other words, I think that in claiming that land should be owned in common you substantially claim that all property which supplies human wants should be held in common.

HG: Not at all. As a matter of right, or as a matter of expediency, whichever way you take it, there is a very clear and broad distinction. That distinction is that this property which is the result of labor is properly the reward of labor. You rightfully own your coat; I rightfully own mine, because I have got it from the man who made it and have paid him for it. Nobody can show me a title of that kind to land. So far as the question of expediency goes, to make property which is the result of labor common would be to destroy the incentive to production. If I had to divide whatever I produced with everybody I would have very little or almost no inducement to produce anything. To take from a man that which is the result of his own labor, his own exertion, is to check his desire to labor. But, no matter how much you might make the value of land common, you could not check the production of land; you could not make land any less valuable. It would still have all the properties that it had before.

Our present system of taxation, for instance, is

a discouragement to the production of wealth. We tax a man according to what he has done, according to what he has added to the wealth of the community. Now, it is really a good thing to add to the wealth of the community. No matter how selfish a man may be he cannot keep it all to himself. The more there is, the more, other things being equal, we can all get; and it ought to be the effort of everybody to stimulate production as far as possible. But instead of that we tax men for producing; we tax a man for getting rich; we tax a man for his economy. What we ought to do is to tax man according to the natural opportunities which they have and do not use. Take that building over there. According to my notion that building is an ornament and a convenience to the city. It does not injure anybody. It is better that there should be a building there than an unsightly vacant lot; therefore I would not tax the man one cent for putting up that building, but I would tax him upon the value of the land upon which the building stands. Under such a system of taxation the man who has that fine building upon his lot would not pay any more taxes than the man who has this vacant lot with the ugly fence around it, and the effect would be to stimulate building, and to induce the holders of the land to take a lower price for it or to let it to somebody who would use it.

SB: You would still tax upon the value of the land, you say. Upon its value at what time? Upon the value in a state of nature, or upon the value with all the surrounding improvements?

HG: Upon the value at the time the taxation was imposed. For instance, I would tax it in 1883 according to the value of the land in 1883 if the particular building upon it were swept away by fire.

SB: Then all the land, occupied or unoccupied, would be taxed upon that primary valuation?

HG: Certainly. Here you have an enormous population crowded onto one-half of this island. The population is denser in these downtown districts around us here than anywhere else in the world.

Senator Call chimes in: Except in the Eastern countries.

HG: They do not build in our way in the Eastern

countries. They build low there. Notwithstanding this crowding, if you take a ride up on the Sixth Avenue Railroad you will find any quantity of land in a state of nature, but if you want to build a house upon it you will be met by the owner who will demand \$5,000 or \$10,000 or \$25,000 for a lot. You pay that and put up your house, and then along comes the tax gatherer who taxes you for the house, for the improvement you have made, for the increased accommodation you have furnished for the people of this city as well as for yourself, and in all probability he taxes you more on the value of the house or on the value of the land on which the house stands than he taxes the other land beside it which is lying vacant. I think that is the general rule all over the United States, that the occupied land, especially where it is in the hands of small owners, is taxed even on its value as land, higher than that which is lying beside it unused. We ought, on the contrary, to discourage the dog-in-the-manger business, these people who are doing nothing themselves to improve the land and are preventing others from doing anything.

SB: I was going to ask you whether you would confine taxation of occupied land to the value of the land before it was occupied?

HG: Not at all. I would tax it whether it was occupied or not so long as it had a value.

SB: Would you tax any other forms of property?

HG: I would not. I do not think it would be necessary. I would say to the people, "Produce all you can. The more everybody produces the more there will be to divide, and the more each can get for his share."

Senator James George of Mississippi: In your theory you disconnect the improvements entirely from the land?

HG: Certainly.

SB: And you would make the land common property?

HG: That would be in substance making it common, but I would not in form make it common. I would let the present holders call it their land, just as they do now.