

CHAPTER 4

THE SUBSTANCE OF *PROGRESS AND POVERTY*

The puzzling association of progress with poverty which he noticed all around him was the fundamental premise of George's book.

"At the beginning of this marvelous era," he wrote in *Introductory—The Problem*, "it was natural to expect, and it was expected, that labor-saving inventions would lighten the toil and improve the condition of the laborer . . . (and) would make real poverty a thing of the past. . . .

"Now, however we are coming into collision with facts which there can be no mistaking. From all parts of the civilized world come complaints . . . of want and suffering and anxiety among the working class. . . . It is at last becoming evident that the enormous increase in productive power which has marked the present century . . . has no tendency to extirpate poverty or to lighten the burdens of those compelled to toil.

"This association of poverty with progress is the great enigma of our times. . . . So long as all the increased wealth which modern progress brings goes but to build up great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real, and cannot be permanent."

If this description seems overdrawn, it must be remembered that George lived at a time when little relief to poverty was in evidence. There was no federal income tax, and public out-

lays for the poor were limited. *Progress and Poverty* was composed towards the end of the depression of 1873-78—the “Terrible Seventies”—and the suffering of those at the bottom of the economic scale was plain for all to see.

Nevertheless, some forms of government aid and private charity did exist, as well as a little rudimentary union power; and so George was careful to explain exactly what he meant:

“A free competitive society . . . is the condition in which in tracing out the principles of political economy is always to be assumed. . . . I do not mean that the condition of the lowest class has nowhere nor in anything been improved, but that there is nowhere any improvement which can be credited to increased productive power.”¹

In other words, considering just the workings of the marketplace, it was evident that the tendency of material progress was not to help the poor: “Nay, more, that it is still further to depress the condition of the lowest class.”

It was to solve this paradox that *Progress and Poverty* was written.

The author’s first concern was to define his economic terms:

The two primary factors of production are land and labor. Labor is human exertion, and when applied to land produces objects of human utility which constitute wealth. “Land” as an economic term means not only the ground, but the entire natural world including water and air. The “rent” of a piece of land is its potential annual income.

Some favorable attribute either of resource or location provides the starting point for the value of land. It may be desirable because it contains iron, bears timber, sustains wildlife, because it is good for crops or is situated at the confluence of rivers.

For the natural desirability of land to be converted into economic value there must be some limitation of it in relation to human demand. A fertile field will have no price if there is other land as good nearby to be had for the taking.

The value of land is to be sharply distinguished from that of the buildings upon it:

"A house and the lot on which it stands are alike property . . . and are alike classed by the lawyers as real estate. Yet in nature and relations they differ widely. . . . The essential character of the one class of things is that they embody labor. . . . The essential characters of the other class of things is that they do not embody labor . . . they are the field or environment in which man finds himself; the storehouse from which his needs must be supplied."²

The value of land does not depend on the exertions of individual landowners. But it is influenced by the merged efforts of countless people who have built roads, factories, who have supplied water mains, police protection and all the concrete features and intangible resources which make one place more desirable to live in than another. It is society which through its activities enhances the natural worth of land.

In a long, poetic passage known as the Tale of the Savannah (a grassy plain), the author illustrates this gradual creation of land values:³

"Here, let us imagine, is an unbounded Savannah, stretching off in unbroken sameness of grass and flower, tree and mill, till the traveler tires of the monotony. Along comes the wagon of the first immigrant. Where to settle he cannot tell. . . . Soon there comes another immigrant. Although every quarter section of the boundless plain is as good as every other quarter section, he is not beset by any embarrassment as to where to settle. . . . There is one place that is clearly better for him than any other place, and that is where there is already a settler and he may have a neighbor . . . two men may help each other do things that one man could never do . . .

"Then come a cobbler, a carpenter, a harness-maker, a doctor, and a little church soon arises. Satisfactions become possible that in the solitary state were impossible. . . . At the wedding, there are others to admire and enjoy; in the house of death, there are watchers; by the open grave, stands human sympathy to sustain the mourners. . . .

"Population still keeps on increasing, giving greater and greater utility to the land, and more and more wealth to its owner. The town has grown into a city—a St. Louis, a Chicago

or a San Francisco . . . one of the great ganglions of the human world."

As civilization progresses, not only does increasing population accelerate the rise of land values. Technological progress, too, causes land's worth to increase, as more of it is pressed into use to meet the demands of material production made possible by the new inventions. A third factor in the rise of land values is speculation: those who withhold land in the expectation of a future increase in value make available land artificially scarce; and this raises the price on that which is available.

Land has a different dynamism in the economic process from anything else having exchange value. For if the demand for a labor-product rises, it is normally possible to control its price by making more of it, since the greater supply will induce a fall in price. But since land is fixed in quantity by nature, it is impossible to lower its price by increasing the supply. Hence the greater the demand for land the more its value rises.

Under current laws, the receipts from land accrue to the people who hold title to it. Yet neither in its aspect as a gift of nature nor in its aspect as a gift of society is the value of land attributable to individual owners. This phenomenon of rising land values unjustly accruing to them is the root cause of the relative poverty of producers. For since landowners, as such, contribute nothing to production, the swelling receipts, or "*rent*," which they get from their land must be deducted from the total fruits of production, leaving that much less for *wages* and *interest*, which are the returns to laborers and entrepreneurs respectively.

"The increase of rent explains why wages and interest do not increase. . . . 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."⁴

George did not mean that wages never rose *absolutely* with increasing progress, but that rent *proportionately* took a greater share; and he claimed this was exemplified in actual fact.

The power of landlords to take over the fruits of production

is seen most strikingly in backward countries where all the land suitable for crops or mining is held by relatively few owners. Tenants are often charged the greater part of the yield of the soil, solely for the privilege of working upon it.

In industrially advanced countries the extortive powers of landlords are not so extreme and obvious. Nonetheless they exist. Owners of desirable sites or natural resources can force the men who produce to forfeit part of their earnings merely to pay for the ground they work on or the raw materials they use. Not only tenant farmers, but merchants, manufacturers and employers of many kinds must pay substantial land costs, and to that extent diminish the amount left over with which to reward themselves and pay wages to their employees.

George was not alone in conceiving of rent as possessing a unique potency to distort the natural flow of the distribution of wealth. Various economic scholars before him, notably the British classicists John Stuart Mill, Adam Smith, and David Ricardo, also held to this view. Ricardo's "iron law of wages" affirmed that with the pressure of increasing population driving up rents, wages would be reduced to the minimum necessary for workers to exist.

The difference between these economists and George was that he clearly denied both the justification and the necessity for the institution of unqualified private property in land:

"If we are all here by the equal permission of the Creator, we are all here with an equal title to the enjoyment of his bounty. . . . There is on earth no power which can rightfully make a grant of exclusive ownership in land. . . . For what are we but tenants for a day? Have we made the earth, that we should determine the rights of those who after us shall tenant it in their turn?"⁵

To combat the tendency of rent to cause the maldistribution of wealth, George proposed what to him was the only true remedy:

"There is but one way to remove an evil and that is, to remove its cause. . . . *We must make land common property.*"⁶

The next step was to decide upon a method. In speaking of

"common property" George was referring in economic terminology to the financial value of land, not necessarily to its tenure. And so first he explained how he would *not* apply his remedy:

"We should satisfy the law of justice, we should meet all economic requirements, by at one stroke abolishing all private titles, declaring all land public property, and letting it out to the highest bidders. . . . But such a plan, though perfectly feasible, does not seem to us the best. . . . To do that would involve a needless shock to present customs and habits of thought—which is to be avoided."⁷

A better way was to leave land in private possession, but to appropriate its monetary value for the public treasury:

"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 buy and sell and bequeath and devise it. We may safely leave them the shell if we take the kernel. *It is not necessary to confiscate land*; it is only necessary to confiscate rent. . . ."⁸

"We already take some rent in taxation. We have only to make some changes in our modes of taxation to take it all.

"What I, therefore, propose as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital . . . abolish poverty, give remunerative employment to whoever wishes it . . . is—to appropriate rent by taxation."⁹

To do this would not only produce an immense fund of revenue for the public good. More significantly, increasing supplies of land would be made available for production since idle land, its value taxed as highly as if it were used, would be forced into use. Land speculation would receive its death blow, since its profitability would be annulled by the tax, and the selling price of land would fall. All this would open up new opportunities to laborers and entrepreneurs, who with cheaper access to land would no longer have to hand over a large proportion of their earnings to landowners, and whose incomes would thus greatly increase.

There was now one more step to George's theory: from the proposal to appropriate rent by taxation to the proposal that

this should be the only source of taxation. This step was easily taken by him because he—most of the time—thought that land-rent would not only equal but amount to *more than* all current sources of revenue combined. The transition to the new system could thus be smoothly made:

"Now, insomuch as the taxation of rent, or land values, must necessarily be increased just as we abolish other taxes, we may put the proposition into practical form by proposing—*To abolish all taxation save that upon land values.*"¹⁰

Having reached the conclusion that all ordinary taxes could be eliminated, George saw great advantages to this proposal in its own right. Foremost among these was the liberating effect it would have on production.

"To abolish the taxation which, acting and reacting, now hampers every wheel of exchange and presses upon every form of industry, would be like removing an immense weight from a powerful spring. Imbued with fresh energy, production would start into new life. . . ."¹¹

"The mode of taxation is quite as important as the amount. As a small burden badly placed may distress a horse that could carry with ease a much larger one properly adjusted, so a people may be impoverished . . . by taxation which, if levied another way, could be borne with ease. . . ."¹²

"Taxes upon manufactures . . . commerce . . . capital . . . improvements . . . have a tendency to reduce the production of wealth, and should never be resorted to when it is possible to raise money by taxes which do not check production."¹³

Besides bearing lightly on production, the land tax was superior to others from a practical point of view. It could be easily collected, and was not subject to the frauds so prevalent in current tax procedures; for land "may be assessed and collected with a definiteness that partakes of the immovable unconcealable character of the land itself."¹⁴

All the foregoing makes up the main trunk of George's ar-

gument. The book also contains tributary discussions by which he sought to clear away popular objections to his interpretation, or to his remedy.

A prevalent doctrine that countered his explanation of poverty was the *Malthusian theory*, which held that increasing population tends to outrun the means of subsistence, and can be checked only by famine and wars. This gloomy belief George completely rejected. He stated that advancing civilization, with its new inventions and more efficient division of labor, could effect an increase in production even greater than any increase in population.¹⁵

The most common objection to George's proposal itself was *unfairness to landowners*: both because they might have personally invested in developing their land, and because, having brought land in good faith, they were entitled to compensation for any forfeiture of its expected profits.

As to the first dilemma, George said that fertilized or otherwise improved land should be allowed to yield enough temporary profit to owners to repay them for their investment, but that after a passage of time, such improvements would have "lapsed into land" and be part of its intrinsic value.¹⁶

The question of *compensation* was more significant and thorny. George held that since private profit from land was such an essential injustice, owners had no more claim to compensation if a change in law cancelled their profits than did an innocent purchaser of land legally adjudged to belong to another.¹⁷ As a practical matter, however, he averred that many landowners under his proposal would actually be compensated since they would be relieved of taxes on their buildings and personal property.¹⁸

Many implicit objections to the land-tax theory took the form of proposing alternate solutions to poverty that seemed more promising. The four such measures probably of most interest to modern readers are *union power*, the *progressive income tax*, the *curbing of monopolies other than landowning*, and *state control*.

What was George's answer to these proposed remedies?

The *unions* of his era were not strong, yet they did have some

power to raise wages. George—himself a member of a printers' union—recognizes this, but thought this capacity limited, and the social cost of strikes too high:

"The struggle of endurance involved in a strike is really . . . a war, and, like all war, it lessens wealth. And the organization for it must, like the organization for war, be tyrannical. . . . These combinations are, therefore, necessarily destructive of the very things which workmen seek to gain through them—wealth and freedom."¹⁹

Of the *graduated income tax*, which was being considered in his day, he wrote:

"The object at which it aims, the reduction or prevention of immense concentrations of wealth, is good; but this means involves . . . temptations to bribery, and perjury, and all other means of evasion . . . and, finally, just in proportion as the tax accomplishes its effect, a lessening in the incentive to the accumulation of wealth, which is one of the strong forces of industrial progress."²⁰

The curbing of monopolies other than land was a policy George approved. The difference between him and those who think such curbs get at the chief root of economic maldistribution, was that he thought the land monopoly far more pernicious and fundamental. Yet he had a great deal to say against such conglomerations of power, especially those "natural monopolies" which involve not only capitalist enterprise but ownership of land. Railways, telegraph lines—anything where geographic factors make it impractical to have competing companies occupying the same space—he said should at the least be strongly regulated, and preferably owned by the government.²¹

As to *state control*, in its sense of rigid socialism, George thought it a remedy worse than the disease, leading to political deterioration:

"We have passed out of the socialism of the tribal state, and cannot re-enter it again except by a retrogression that would involve anarchy and perhaps barbarism."²²

George's primary analysis was economic. But his conclusions

harmonized with commonly held moral perceptions, and to him it was natural that this should be so, for he saw the universe as guided by eternal principles that were the same in every sphere. That profit from owning pieces of the earth ought to be abolished was confirmed, he felt, not only by rules of economic causation, but by an innate spiritual faculty of the human mind.:

"Though often warped 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 discussion to take an ethical form has a cause . . . 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."²³

In the final Book of *Progress and Poverty*, George, leaving economics behind, seeks to determine "The Law of Human Progress."

The theory of the survival of the fittest through hereditary transmission cannot account for progress, he says—for over and over again, flowering civilizations have come to a stop. Why has this happened?

Differences in civilizations do not inhere in individuals, but in the matrices of accrued knowledge from which the societies draw their strength. It is mental power which creates these environments. But there is a limit to the mental work men can do, and this power devoted to progress is that which is left over after non-progressive purposes, consisting in inner and outer conflicts, have been attended to.

While association and its accompanying division of labor is the first ingredient of progress, equality or justice—that is, recognition of moral law—is the second. For it diminishes the need for wasteful conflict, freeing that much more mental power for higher development. Thus *association in equality* is the law of human progress.²⁴

As a society becomes more complex, however, and its mem-

bers more interdependent, there arises a collective, centralizing power lodged in a portion of the community. This unequal distribution of power and resultant conflict tends to check the force by which society would otherwise advance. It is in this way that retrogression succeeds progress—unless social adjustments are made to promote justice.²⁵

Since the dominant class who concentrate power in their hands will soon also try to concentrate ownership of land, one of the chief adjustments necessary to continued progress is the public appropriation of land values.

"The law of human progress, what is it but the moral law? Just as social adjustments promote justice . . . must civilization advance. Just as they fail in this, must advancing civilization come to a halt and recede. Political economy and social science cannot teach any lessons that are not embraced in the simple truths that were taught to poor fisherman and Jewish peasants by One who eighteen hundred years ago was crucified. . . ."²⁶

George's substantiation that economic law corroborated moral law produced an unexpected result in his personal outlook: it restored his belief in immortality. In a brief conclusion to his book he wrote in a passage unique in a book on economics:

"Out of this inquiry has come to me something I did not think to find, and a faith that was dead revives. . . .

"It is difficult to reconcile the idea of human immortality with the idea that nature wastes men by constantly bringing them into being where there is no room for them. It is impossible to reconcile the idea that the wretchedness and degradation which are the lot of such a large proportion of human kind result from his enactments. . . .

"Now, in the inquiry through which we have passed . . . we have seen that the waste of human powers and the prodigality of human suffering do not spring from natural laws, but from the ignorance and selfishness of men in refusing to conform to natural laws. . . . Thus the nightmare which is banishing from the modern world the belief in a future life is destroyed. . . . And, thus, hope springs up."²⁷

Henry George always had hope. He felt that even the most

engrained of institutions could be altered if it were once understood that they were wrongful and unwise. He was not only an economist and philosopher, but a man of sanguine practical intentions, and *Progress and Poverty* was a call to action.