

THE UNIQUENESS OF HENRY GEORGE

—M. JENSEN

Almost all economists, from Adam Smith to (and including) Henry George and Karl Marx, agree with Ricardo's **natural law of rent of land**: "**Rent** is the **difference** between the production on the best land in use, and the product of equal energy on the least productive land in use" **Rent of land** is the first cost of production.

"Wages (and interest, for interest is really the wages of capital) is that product (or portion of wealth) left after the rent of land is paid." As rent goes up, the portion left for wages (and interest) goes down.

Few dispute the logic of these conclusions. The dispute, and sometimes conflict and war, comes over **how the rent of land, wages, and interest are distributed**.

Here Henry George was unique. He differed from both Adam Smith and Karl Marx. Adam Smith would **individualize** rent, wages and interest; all three would go into private (individual and corporate) hands, i.e., Capitalism. Karl Marx would **socialize** rent of land wages and interest; all three would go into government hands, i.e., Communism.

Henry George would **socialize only** the rent of land (i.e., its fertility value and its site value.) Henry George would not socialize or nationalize land itself. Title to land would remain in the users' hands, and they would determine its use. They would pay only rent of land to the community or local government. **All wages and interest would remain in private hands.**

Because the laws of rent and wages are central in basic economics, the **Green Revolution** gives a step-by-step development of these natural economic laws, in the following columns.

THE EFFECT OF LAND SPECULATION ON WAGES AND EMPLOYMENT

(The following is based on, and generously quoted from, **Economics Simplified** by Bowen and Rusby.)

Increased production, advances in the arts and sciences, improved methods and machinery—none of these can **cause** low wages or unemployment. (The **natural** result of these things is increased employment and higher wages.) Yet any one of them can (and frequently does), under present day conditions, occur

at the same time as low wages and unemployment. Because of this association, it is very easy—unless one is familiar with economic principles—to regard this as "cause and effect."

The use of more effective methods and machinery, for example, makes possible an increased production of wealth per capita, from any given land, thus **tending to increase** wages and employment. Even if this tendency were offset by gradually resorting to lower grades of land (so that rents go up, while the portion of production left for wages goes down), benefits from increased production would **normally** go directly to wages, counterbalancing the loss due to the gradual use of poorer land.

But the **gradual** bringing into use of poorer and poorer land as actual necessity compels its use, is **not** the process which has been followed. The original pioneers did not, (nor do people now), acquire such land as they needed for actual use. Since it is seen that in spite of occasional recessions, land in any growing community tends to increase in value, many seek to secure more land than they need for their own use. They hope that by holding the land for a future rise in price, they may realize a profit.

Let us use figures 1 and 2 below to illustrate the effect of holding **unused** land. In these figures, "grade = 100" symbolizes land that produces 100 units (bushels or tons, for example) for a given amount of labor or energy expended. Then "80" is the grade of land that produces only 80 of the same units for the same labor or energy. Manifestly, those who must use "80" land are in a less desirable position. To equalize this situation, "rent" is made a community product, for the benefit of **all** land users.

In figure 1, "rent = 20" symbolizes an amount equal to 20 times the value of each unit—(e.g., \$1,000/ton of soybeans might be the value of each unit)—to be paid to the whole community by the users of the better land. This is because the **difference** between production on the best land **in use** and the least productive land **in use**, is 20 units. "Wages = 80" would then symbolize 80 times \$1,000 (for each of the 80 "tons of soybeans" produced on the "grade 80" land.) Thus **equalized wages** ("80") for equal labor and energy expended, would result on all the land, after rent ("20") is paid by the users of the best ("100") land.

Let us suppose that five families come into a country to settle, and that there is enough of the best ("100") grade of land to support only three families. If each family takes up only such land as it can **use**, we would have a condition illustrated in Figure 1: three families on the "100" land, and two families on less productive land, here designated as "80" land. Here the total amount of rent for the community of five families would be "60", and the total wages for the whole community would be "400".

figure 1

100	80	60	40	20	(below 20)
USED	USED				
100	80	60	40	20	(below 20)
USED	USED				
100	80	60	40	20	(below 20)
USED					

total rent = $3 \times 20 = 60$ (paid by users of "100" land).
 total wages = $(100 + 100 + 100 + 80 + 80) - 60 \text{ 'rent'} = 400$.

But suppose the first family to arrive pre-empts **all** the best ("100") land, instead of only one-third of it; the second family takes **all** of the "80" land; the third family takes **all** of the "60" land; the fourth family all of the "40" land. When the fifth family arrives there is nothing available for them better than the fifth grade, which will produce only 20 units, with the same labor and energy expended that produce 100, 80, 60, and 40 units, respectively, on their neighbors' land. We would then have the condition illustrated in Figure 2. This time the total amount of rent for the community of five families would be "200", and the total wages for the whole community would be only "100".

figure 2

100	80	60	40	20
USED	USED	USED	USED	USED
100	80	60	40	20
H	E L D	I	D L	E
100	80	60	40	20

total rent = $80 + 60 + 40 + 20 = 200$ (paid by users of all land except '20' land);
 total wages = $100 + 80 + 60 + 40 + 20 - 200 \text{ 'rent'} = 100$
 or
 total wages = $20 + 20 + 20 + 20 + 20 = 100$ (identical)

Most of the land will be idle. Total production will be low because many producers are forced to use the poorer grades of land. Since "wages" are determined by what a person can make working for oneself on the best land available to him/her, basic wages will be down to "20"! The combined wages will amount to only "20" x 5, or "100"!

This is the Frankenstein—this increasing struggle to get a living—which society has set up and fostered, until now it threatens to destroy civilization itself.

When all the better grade lands in any country are taken up, and producers are compelled to work on poor land, this result must follow: rents will absorb most of the product, with both production and wages correspondingly low.

This is the condition which confronts us today. Land speculation, the holding of land out of use or put to partial use, has pushed our people to the very edge of the desert, or actually into it, in search of an opportunity to make a living, while a great part of our most productive lands are held out of use, or are inadequately used. This has raised rents all over the country enormously above what they naturally would

be, and has forced wages down. This explains why, with practically unlimited resources, we have millions of unemployed, with low wages the rule and not the exception; and also why Labor, out of its own wages, cannot buy all the things which Labor produces.

If the five families referred to in these illustrations had taken up only such land as they could use, as in Figure 1, rents would not be unnaturally high. The sum of the natural rents resulting from the people's need for land would be 60. But because so much land is held out of use, as in Figure 2, a speculative rent is added to the natural rent, bringing the total rent to 200.

While increased population may also raise rents, the natural effect is to increase production and to raise wages greatly in excess of the increase in rents; for they can never cause rents to increase until they have increased production and wages. But holding of land out of use never increases production, never raises wages; it only raises rents at the expense of producers and laborers. Because it pushes producers out to poorer and poorer land, where their efforts will produce less, it lowers production, lowers wages, and brings with it not one extenuating blessing—nothing but unemployment, a lowered standard of living, and a growing hardship in the struggle for existence.

At first glance it might seem that the effect of land speculation on rent and wages as shown in Figure 2 were exaggerated. But in fact this illustration only begins to tell the tale. The difference between the productivity on the best land in use and the poorest land in the United States is much greater than 5 to 1, as represented in this figure. Today we do not have any "20" free land—we have no more free land at all. Instead of everyone having a place to work, even on some poor land, we have millions out of work with nowhere at all to employ themselves.

On every hand one finds the evils of land speculation. In Saskatchewan, where it requires two men, four horses and four days to take a load of baled hay to the railroad and return, it was necessary to camp out one night in each direction. They were making the poorest kind of living. On being asked why they had come so far to farm when there were thousands of acres of vacant virgin soil near the railroad, they replied, "Oh, they want \$300 an acre for that land; we got this for \$10, and we could pay no more."

Results of land speculation are the same in town and city, where some of the most easily accessible land and most valued sites are either quite vacant or inadequately occupied by what are termed 'taxpayers'. The highly speculative prices at which these lands are held, force business men to the outskirts, though their efforts produce less there.

It would be difficult it not impossible to find a locality, in this, or in any other civilized country, where land speculation does not interfere with production.

Labor using capital, (where capital is defined as the tools, equipment, factories, trucks, buildings, etc., used to produce wealth), produces all wealth, but labor cannot create the materials out of which wealth comes. It can get what it needs only from the land, then, with or without the aid of capital, change its form or location to make wealth fit some human desire.

Labor must have land before it can employ itself. Land held out of use creates an artificial scarcity. This is why every civilized country exhibits symptoms resembling those of over-population. It is not because a country does not have the resources from which its

people could be comfortably supported, but because so many of these resources are held out of use. Labor either must work the poorer lands, or must pay high prices or rent for permission to use the better grades of land. And as rents increase, labor is forced to give up a larger and larger portion of the wealth it produces—for what?

Consider this: in 1626 the whole island of Manhattan sold for goods said to have been worth \$24.00. Since then the land in downtown Manhattan has sold at the rate of over \$28,000,000 an acre. This means that a return of this tremendous sum had to come out of what was produced on the spot before the producers could have anything for themselves. Why should this be so? The capitalist supplies the building and equipment; therefore, capital is necessary and useful in production. Labor uses the capital supplied and exerts the human energy needed in production; therefore labor is useful and necessary. If Labor (using capital) produces all wealth, what does the land owner contribute?

A moment's reflection will show that the land-owner, **as such**, does absolutely nothing for which he is justified in making a charge. He does not supply the land, for **Nature** does that.

Suppose by some edict, all labor were to be abolished—men and women were prevented from doing work of any kind. The result would be that within a relatively short time, humankind would disappear from the earth. Humanity would have no food, clothing or shelter, nor any way to get any of these things. Labor is necessary if humankind is to exist.

SPECULATION IN LAND VS. SPECULATION IN LABOR PRODUCTS

Or suppose by some edict all capital were permanently abolished. Though a part (those on farms and land) of mankind might be able to exist, civilization would be turned back to barbarism. Civilization as we know it would cease. Our ability to produce as abundantly as we do now, is due to the fact that we have learned to use capital efficiently. Capital is necessary if our civilization is to continue.

But suppose that by some edict, we could abolish the system which permits a land-holder to charge another for the use of the earth, which the seller cannot or will not use. Neither civilization nor society would be injured. But to the contrary, producers would then be free to use the enormously productive lands now held idle. Speculative rents would disappear and involuntary unemployment would be impossible; production and wages would be enormously increased. Not only is land speculation unnecessary, but it is harmful to society and retards the progress of civilization.

Are the harmful results of speculation in land in any way paralleled by the results of speculation in labor products? By no means. Given free competition, any ill effects from speculation in labor products must be **very** temporary. If speculation in any given labor product raises its price, this increased price will attract others to the making or raising that article; and this increased production with free competition in marketing it, will bring the price back to a normal level.

Also wealth tends to deteriorate as soon as produced. produced. If it is not sold soon after it is produced, it tends to become worthless. Therefore speculation in a

labor product can raise its price only for a comparatively short time—until producers can bring a similar goods or other goods which will answer the same purpose to the market. And if consumers refuse to buy at the higher prices set by the speculator, even this temporary advantage it lost to him or her.

On the contrary, land is a fixed quantity. When its prices advance, no one can bring the price down again by producing more land. Nor does land need to be sold at a particular time, for it does not usually deteriorate by being held out of use—its value may increase even more when unused. Customers may refuse to buy a labor product when they believe its price is too high; but labor cannot refuse to use land. If we are to continue to exist, we must use land, however high its price may be.

Therefore any hardship caused by speculation in labor products must be trivial in comparison with the hardships caused by speculation in land.

OWNERSHIP OF LAND A PRIVILEGE

Ownership of land is simply a privilege which permits the owner to take from producers without giving anything in return. When land is either sold or rented, that which is really sold or rented is an "opportunity to work." The withholding of land from use means the withholding of potential jobs, and the price which will be charged for these opportunities to work will be "all the traffic will bear", i.e., **all** above what producers could make working for themselves on the best land free to them; or where there is no more free land, all above the subsistence level.

Western Civilization is based upon giving a service for service. The more fully this principle is observed in any community, the higher the civilization in that community. When we buy an article of wealth, we exchange the results of our labor for the labor of whoever produced the article we buy. We exchange service for service and both buyer and seller are benefitted by the transaction. But when we buy or rent land, we give up the results of our labor without getting the result of the labor of another in return, while the land-owner is enriched without working. Here, instead of there being given service for service, there is service given by one party but none by the other.

There is a very general impression that it is the capitalist who receives most of the benefits which come from material progress. The capitalist is blamed for low wages and unemployment. Our present industrial system is often called "capitalistic" in scorn and condemnation. But consider: the only return received by a capitalist, **as a capitalist**, above replacement of capital is interest. (This is his payment for supplying the capital.)

If under the present system, increased population, improved machinery or anything else, were to make it possible to produce twice as much as illustrated in figure 2, would the increase go the the capitalist? Absolutely not. Nor would it go to labor, who pay interest for the capital borrowed. Practically the whole increase would go to the land-owner, because the rental and selling value of land would increase. See figure 3. In this figure, the productive capacity of each piece of land has doubled, but while wages doubled to 200 the rent also doubled to 400.