

The Essence of Progress & Poverty

What is the essence of Progress & Poverty? To start with, it is a description of the country as it was in 1879. There was chronic unemployment in the cities, where unskilled workers were paid subsistence wages, and poverty and crime were ever present.

It's uncanny, how "the more things change, the more they seem to remain the same". He was writing at the end of what was then the worst depression in the history of the country, & It lasted five long years.

It is a clear and simple analysis of how we got where we are today, and why, no matter how much we increase education and technology, if we do not change our fundamental institutions, recessions will recur, wages will continue in their tendency to remain static, and unemployment and poverty will increase.

It is also a lesson on how we can create a common and equal opportunity. And if we do, how we can insure private property and free enterprise in the things we produce — with full employment, rising wages, and a universal sharing of all socially created values.

By referring to the realities that we are all aware of in our daily lives, George enables the reader to see for himself why, under the present institutions, it could not be any other way.

It is a fundamental analysis that shows why, in spite of all the things that were tried during the 5 years since the recession began, the United States has 4% less of its population working than it did before the recession began.

And, it only has one tenth of one percent more of its people working today than it did in 2010 when the recession was at its worst.

Those programs did nothing to improve the lives of the majority of people who work for a living.

It shows why in spite of all the bail outs and subsidies to homebuyers, nothing was done to reduce the cost of housing.

Ironic, don't you think, when you consider the fact that technology is ever decreasing the amount of labor it takes to produce food, clothing, and shelter.

But then again, the richest 20% of Americans now control nearly 90% of the value of everything that is privately owned. While the other 80% own scarcely more than 10%. The poorest 40% of American's own just 3% of those same assets.

How, you might wonder, could a book written 134 years ago address our current dilemmas? Well listen to his Introductory:

He starts: "The utilization of steam and electricity, of labor-saving machinery, of production on a grander scale, have multiplied enormously the effectiveness of labor. It was natural to expect, and it was expected, that labor-saving inventions would make real poverty a thing of the past.

Could a Priestly or a Franklin have seen, in a vision of the future, the steamship taking the place of the sailing vessel, the railway train of the wagon, the reaping machine of the scythe; could he have heard the throb of engines that in obedience to human will, and for the satisfaction of human desire, exert a power greater than that of all the men and all the beasts of burden of the earth combined; could he have realized the enormous saving in exchange and communication — what would he have inferred as to the social condition of mankind?

He would have seen the poorest worker's life a holiday, in which every high quality and noble impulse could have scope to grow. How could the vice, the crime, the ignorance, the brutality, that spring from poverty and the fear of poverty, exist where poverty had vanished. Invention after invention have neither lessened the toil, nor brought plenty to the poor. But, up to our time the new faith has hardly weakened.

Now, however, there can be no mistaking. From all parts of the civilized world come complaints of labor condemned to involuntary idleness; of capital massed and wasting; of pecuniary distress among business men; of want and suffering and anxiety among the working classes.

Evidently, beneath all such distress, we must infer a common cause. And that it is either what we call material progress or something closely connected with material progress, becomes more than an inference when

it is noted that industrial depressions are but intensification's which show themselves more clearly and strongly as material progress goes on. Some get an infinitely better and easier living, but others find it hard to get a living at all. The tramp comes with the locomotive, and alms-houses and prisons are as surely the marks of material progress as are costly dwellings, and magnificent churches. Upon streets lighted with gas and patrolled by uniformed policeman, beggars wait for the passer-by and in the shadow of college and library are gathering, the more hideous Huns and fiercer Vandals.

The average of comfort, leisure, and refinement has been raised; but in them the lowest class do not share. Not that their condition has nowhere nor in anything been improved; but that there is nowhere any improvement which can be attributed to the increase in productive power.

It is as though an immense wedge were being forced — not underneath society, but through it. Those who are above the point of separation are elevated, but those who are below — are crushed down.”

If Henry George had not lived in the United States when he did, he might not have gained his amazing insights. America, in the 19th Century, had the highest wages in the world, yet, capital and productivity were much less per person than they were in Britain and Western Europe. How could America have had such high wages, if our productivity was so low? And the answer is: free land. Who would work for someone else in Philadelphia for less than they could produce working for them self a few hundred miles to the west where the land was nearly free?

In 1803 the Louisiana Purchase more than doubled the size of the United States. in 1848 the conquest of northern Mexico added nearly as much land again.

The government would sell you 160 acre farm for \$200. Even after inflation that would only be \$4,000. This was a phenomenal opportunity for the people, and the sale of land was a major source of revenue for the federal government.

Then, starting in 1862 the homestead acts gave away 400,000 square miles of land. They gave it to families in 160 acre plots. Later, because the land was so poor, 640 acre plots. The quality was poor, and it was only

10% of the country, but it was well over half of our 700,000 square miles of arable land.

The railroads also got hundreds of millions of acres as a bounty, much of which they sold to homesteaders and land speculators.

Perhaps only 10% of the people had gotten in on the free land by 1879 when George was writing, but, with the exception of those periodic depressions, free and cheap land kept wages in America much higher than the rest of the western world.

However, what George could see, was that all the free and cheap land that had created this amazing prosperity would soon be gone — not because too many people had come to America, but because the vast majority of the land was being hoarded as an appreciating asset — which is exactly what logic would have anyone do.

It seems that no sooner were the Native Americans eliminated, than all the land was completely owned. The Anglos' had conquered nearly 700,000 square miles of arable land in America, but wages in America were clearly beginning to fall toward the level of those across the ocean from where they came.

Yes, Exclusive use of land was certainly necessary, for who would plant a crop or build a house, much less a modern factory if they couldn't put up a fence and lock the door. Title to land insures that people get to keep what they produce. But, all land is not potentially the same quality of opportunity. Therefore, the same institution that insures that people get to keep what they produce — soon gives some people an advantage over others. It's not just the variations in fertility and mineral deposits, it is also about the synergistic nature of community.

Can two people build a house more than twice as fast a one person who's working alone? We combine our efforts in lifting and carrying; we divide our efforts in specialization — one group grows food, another makes clothing, and a 3rd builds shelter. Each group develops special skill and knowledge, and they accumulate tools and machines designed for each specific job.

Far more is be produced than would result if each person were independently making their own food, clothing and shelter. The denser the

population, the greater the potential to sub-divide labor, to accumulate tools and machines for each facet of each production, and to produce in greater and greater economies of scale.

Roads, water & sewer, electric & gas, police & fire departments, infrastructure and public service — enable greater densities of people and greater sub-divisions of labor. Each worker becomes far more productive where population is dense, but, wages are determined where the land is free, and where the land is free, the population is sparse. Therefore, the greater production that results from denser populations attaches to the land.

Inventions, innovations, and new discoveries increase productivity on all land, and therefore, the natural tendency is for wages to rise with material progress. But, virtually all inventions increase productivity more on superior land. The benefits of Farm machinery increase with the fertility of the soil. Automation in countless applications increases the productivity of workers in proportion to the density of population. The elevator enables people to live and to work dozens of stories above the ground — enabling greater and greater sub-divisions of labor and economies of scale. That is to say: The value of land results from the presents of people. Every increase in the population, every addition to the infrastructure and public service which enables a denser population, and every invention that increases the results of labor more in reference to the density of population, increases the value of land.

It is for that reason and no other that people tend to acquire more land than they can reasonably use — because land tends to increase in value as communities and societies advance.

In fact, every time the population increases, and every time a machine replaces a worker, more land has to come into production. You can't put two things in the same place at the same time. The elevator enables high-rise buildings; it saves land. It grossly increases the value of land, but it doesn't discourage holding it idle for an increase in its value.

How many times can you sell a piece of land? It's not like ice-tea or televisions or automobiles, you can't make any more of it. The more it increases in value the greater the incentive there is to keep it for future gains. Therefore, No matter how much land there is, as long as it can be

owned, and as long as it keeps increasing in value, it will be owned. There will be no free land.

And when there is no free land — no free alternative place to live and work, the free market drives wages of the least skilled and educated workers everywhere to a point below which they would get hungry and weak; Production would fall; the income of their employer would fall; and ultimately, the rental income from land would fall as well. The more highly skilled and educated workers have no free alternative place to work either, but they get higher pay because employers bid against each other for their labor. Having the right number of workers with each level of skill and knowledge increases production and their income. The higher pay creates the incentive for others to learn the skills and accumulate knowledge — which increases the supply of each kind of superior worker until it meets demand. And this sets the different rates of pay for each and every occupation.

When there is no free land, the return to productive capital: buildings, machines, inventories, falls until if it fell any more people would not have enough incentive to lend it out. So, all the greater benefits of technologies, skill and knowledge — save just enough as a reward for people to develop and learn them — are taken by the owners of land, for without the materials and a place to exist, labor and capital could produce nothing. Suppose, Posit's Henry George, there were a hundred people on an island paradise — and one of them owned as his chattel slaves, the other 99. As long as the ownership of the island was fully assured to the one, would it make any difference to him or them if slavery were abolished? Would it not be the same relationship? For the only escape in either case would be to swim into the sea and drown. And would it be any different if one percent of the people on Spaceship Earth owned 100 percent of its habitable surface and natural resources?

“On the land we are born (said George), from it we live, and to it we return again — children of the soil as truly as is the blade of grass or the flower of the field. Take away from man all that belongs to land, and he is but a disembodied spirit.” And so, wages tend to remain at that point below which productivity would fall — while landowners and other monopolists get all the benefits of material progress

Under chattel slavery you had to buy the workers. It was more profitable to keep them healthy. Under wage slavery you can always hire another worker whenever they get sick or even slow down. The efforts to ameliorate this tendency of wage slavery have been government interventions like the Min. Wage, 8 hour day, the right to collective bargaining, programs that subsidize homeownership; OSHA and Workman's Compensation. However, in terms of a standard of living, wages in the U.S. have not increased since 1968. And, it is likely that the reason they increased in the preceding decades were increases in the Min. Wage and other interventions, and, the increasing success of labor unions, which were sanctioned during the Great Depression.

If, since 1968, they had continued to raise the Min. Wage enough to compensate for inflation, instead of \$7.25 it would now be over \$10.50 an hour. If it were raised to keep up with productivity, it would now be over \$21 per hour. And at that rate, no one would be steadily employed and living in extreme poverty.

So, not only are wages becoming a smaller portion of what's produced, but wages are falling as a standard of living. The latest census tells us that 12% of Americans would now be living in poverty if it weren't for the various forms of welfare. Federal, state, and local governments combined are spending a larger and larger percentage of revenue to alleviate poverty. It is now 11% of total Gov. spending, and that's not including Social Security or Medicare. Just to put it in perspective, the largest Military in the world, the United States, which spends almost as much as all other countries combined, only gets 13% of the total spending.

And what about depressions and recessions? Although an increase in productivity is always advocated as a cure, depressions and recessions always follow phenomenal increases in productivity and the income from land: the railroads in the 19th century, the assembly line and the auto in the 1920s, robotics, the computer & the internet in the 21st. The more people offer to pay for a piece of land, the greater the incentive on the part of the landowners — not to sell.

Have you ever owned an antique that was rapidly increasing in value. The faster the value goes up, the greater the incentive to wait and see what it will be worth tomorrow. This is the root cause of recessions. When not

enough land is sold for production, new workers have no place to work. And every time a machine replaces a worker, that person has to work some place else. The more workers who are not re-employed, the fewer goods and services they buy. The less they buy, the less demand there is for other workers to produce the goods and services they use-to buy. As the economy brakes down, the demand for land falls with it, Until, eventually, in the expectation of further decreases and no increases in the price that is being offered, some owners of unused land begin to sell. As more land becomes accessible, more people go to work, and the recession is over.

George witnessed the worst depression in history at the time, and it followed what was certainly the greatest increase in productive power the United States had ever seen. Again, George was at the right place at the right time. The Trans Continental Rail Road linked the vast interior of the country containing its enormous diversity of soil, climate and mineral deposits with the centers of population, manufacturing, and trade. There was still free land, but the hoarding extended the free land margin to places where the quality was so poor that that it wouldn't even support subsistence farming.

In this case, it was inventions, innovations, and new discoveries that made that free land a habitable and a potentially productive opportunity. The increase in productivity also reduced the amount that the price of all other land had to fall before it was affordable and large segments of the population could be re-employed.

The 1930s saw the worst depression in history. It followed a phenomenal increase in productivity, and it was followed by the worst war in history. The Italians conquered farmland in Ethiopia. The Japanese conquered raw materials in Manchuria; and the Germans simply wanted Living room in Poland.

It seems like it was easier to send an army into another country and make their land available — rather than pass legislation forcing your own land-hoards to sell their unused land.

It is true, land is not the only source of unearned income — that is to say: legal robbery. We've heard plenty about the monopoly profits of the pharmaceutical industry, the hundreds of billions of dollars they receive from patents — where the bulk of the research was paid for by the

government. The banksters have certainly created a lot of money out of thin air — and with it they've bought a lot of what other people worked very hard to produce. The list of such robbers goes on and on, and these robbers should definitely be stopped. But, suppose the government did manage the supply of money so there was neither inflation or deflation. It would preserve the value of contracts and obligations; and the dollar would be a consistent measure and a store of value. The government could spend new money into circulation for the benefit of the tax payer. Or, more equitably, it could give each person an equal amount of all the new money as it is needed. This would be of great benefit to our workers. But, just like musical chairs, there aren't enough jobs or houses to go around; some segment of the population will be unemployed and homeless. So, the extra money would enable each worker to accept lower wages and pay more for a place to live — rather than being among the unemployed or homeless.

“No matter how many robbers are eliminated, there is one robber that gets all that is left. And that robber is private property in land.” Our elected representatives, the overwhelming majority of them, would dearly like to alleviate poverty. Let us help the poor they say, but not by taking from the rich. Let us not destroy the incentive to invest in job creating enterprise; Let us not create envy and class warfare. Let us help the poor by making them more productive. Education and technology are the keys to prosperity.

And so we think of all the different ways that education and technologies have increased the results of labor. From monster farm machinery, the tractor-trailer and the interstate highway; from automation and robotics that assemble cars and modular homes to computers and the internet. We think of all the workers with only a high school diploma that can now operate computers and computer-driven machinery that didn't even exist a generation ago. We have far more than doubled productivity during the last 40 years — but Wages, in terms of a standard of living, have not increased at all during that same period of time.

“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.” said the Profit of San Francisco.

“Association in Equality is the law of Human Progress.” We must have equal access to the bounty of nature, for without it, no one can exist and nothing can be produced. We must have exclusive rights to the fruits of our labor. For, whether it be the government, corporations, or a common thief, our right to life is also diminished to the extent that we are robbed.

The simple, yet natural solution to poverty: unemployment, subsistence wages, and unaffordable housing, is to make land a common opportunity. Make the title to all privately held land, which includes minerals and air waves, conditional upon a payment of its annual value. The title would give complete security to keep what is produced upon the land: crops, buildings, and all other products, but the payment would remove the incentive to hold land for an increase in its value. No one would buy a piece of land, if they also had pay the full rent to the government as well.

Collecting the rental value of land for social purpose, satisfies all other people’s equal right to the same parcel of land. The rent of land will provide far more than is necessary to maintain the roads, police, parks and public education — without which the value of land would be a small fraction of what it is. It will fund national defense. And, it will fund social security and national healthcare — simply as a social dividend. The value of land results from the conscious and sub-conscious cooperation of the community and society as a whole. It can not be attributed to individual and corporate productions.

By collecting the rent, we institute a strong incentive to hold as little land as possible while producing as much as possible on it. With an end to speculation, much land would have no rental value at all. It would be good, potentially productive land, but because most of the people would be living and working on even better land in and around our cities, it would be free. This free land would offer an alternate place for labor and capital to live and produce — a place where productivity and therefore, wages, will increase in harmony with the march of invention, and elevate all wages by maintaining a free alternative opportunity for employment.

It will not be over run, because all the holders of superior land will have to pay their annual rent. And in order to do so they will be constantly competing for workers necessary to maximize productivity on the land they hold.

Levy a Single Tax on the rental value of land; eliminate all other taxes; socialize all businesses in which there cannot reasonably be competition, like the roads and railroad tracks, the pipes and wires that run along them, and the air-ways, (the electro-magnetic spectrum); and abolish all other government granted monopolies.

When we do that, it will no longer be possible to threaten people with a lay-off because of environmental regulations. Landowners will have to pay the rent, whether they have anyone working on the land or not.

And what about discrimination and bigotry? With a shortage of opportunities, every worker benefits from the exclusion of others from the competition. With an abundance of opportunities everyone will share in the greater production that results from inclusion and cooperation.

Well, Where do we start? We could Start with a partial application in Detroit and other distressed industrial cities. Eliminate all local taxes on sales, wages, and building, and collect all necessary revenue from the value of land. It will eliminate the penalty for building, working, and selling. And it will create a penalty for those who cause unemployment and a shortage of housing by not using or under-using valuable land.

The most valuable areas will be the first to experience infill. surface parking lots replaced with new construction; empty buildings rehabbed and conducting business; multi-story buildings where one and two story buildings now stand in the shadow of high-rise offices and apartments. Without any penalty for building, working, or selling, and a serious cost for those who hold land and don't, the redevelopment of the city will radiate back into the presently worthless areas creating jobs, housing and economic activity.

In the words of Henry George, "This is the law of rent: As individuals come together in communities, and society grows, integrating more and more its individual members, and making general interests and general conditions of more and more relative importance, there arises, over and above the value which individuals can create for themselves, a value which is created by the community as a whole, and which, attaching to land, becomes tangible, definite and capable of computation and appropriation.

As society grows, so grows this value, which springs from and represents in tangible form what society as a whole contributes to production, as distinguished from what is contributed by individual exertion. By virtue of natural law — all social advance necessarily contributes to the increase of this common value; to the growth of this common fund.

Here is a provision made by natural law for the increasing needs of social growth; here is an adaptation of nature by virtue of which the natural progress of society is a progress toward equality, not toward inequality; a centripetal force tending to unity, growing out of and ever balancing a centrifugal force tending to diversity.

Here is a fund belonging to society as a whole from which, without the degradation of alms, private or public, provision can be made for the weak, the helpless, the aged; from which provision can be made for the common wants of all as a matter of common right to each, and by the utilization of which society, as it advances, may pass, by natural methods and easy stages, from a rude association for purposes of defense and police, into a cooperative association, in which combined power guided by combined intelligence can give to each more than his own exertions multiplied many fold could produce.”

“The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. If that could be, it would never have been obscured. But it will find friends — those who will toil for it; suffer for it; if need be, die for it. This is the power of Truth.”

“Will it at length prevail? Ultimately, yes. But in our own times, or in times of which any memory of us remains, who shall say.”