

Progress and Poverty

Class #1 – Introduction of Henry George and his work

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Book VII – Chapter 5, Justice of the Remedy,
“Property in Land in the U.S.”

Book I – Chapters 1 and 2, Wages and Capital,
Current doctrine, terms meaning

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Progress and Poverty

An inquiry into the cause of industrial depressions and of increase of want with increase of wealth ... The Remedy

Progress and Poverty

It is important to note that this book was available 5 years after the start of the 1874 depression in the U.S.

Progress and Poverty

“I am not writing a textbook, but only attempting to discover the laws which control a great social problem” (p. 49)

Progress and Poverty

George speaks from a **community perspective** (pp. 40, 44) regarding capital and wealth; increases in land values are not increases in community wealth.

Stopping inequality does not make wealth equally distributed; there is just a better chance that it COULD be.

Concern for **“aggregate” wealth**, not individual wealth (p. 41)

There may be **relative wealth** in a community, yet with a few drops of ink it could be utterly annihilated (p. 40)

Progress and Poverty

Henry George makes socialism superfluous

Progress and Poverty

Henry George was not talking about **avoiding reading your assignments** when he described ...

desires being satisfied with the least exertion

CONTENT

Book VII, Chapter 5 – Why start here?

Introduction / Teaching Tools

Book I, Chapters 1 & 2

Seque to Book I, Chapters 3, 4, and 5 for Class #2

Book VII, Chapter 5 – Why start here?

- George's Progress and Poverty is an immense work to comprehend
- Often it helps to see where you are headed before the journey begins:

Slavery was not abolished when the 14th Amendment was ratified ... no equality to right of all to land? (p. 394)

- then, free institutions are in vain
- common schools in vain
- discoveries and inventions ***add force that presses the masses down!***

Introduction / Teaching Tools

How course is taught:

- Yes, there's a YouTube video for live-streaming and archiving, but
- You must visit WWW.HGSSS.ORG to access these slides of the Class lecture
- Beginning next week (Class #2), read Progress and Poverty before class, otherwise, questions may not be answered; rather, I may advise you to re-watch the prior lectures

Introduction / Teaching Tools

Use of 3 Teaching Tools

- Understanding (intellectual) “gutter” talk – how you are supposed to be fooled
- Hope-Crisis Continuum – seeing through the lens of domination or justice seeking
- How to Distribute Produced Wealth – Wages from exerted labor; Interest to Capitalist; Rent for Social Adjustments

Understanding *intellectual* “gutter” talk

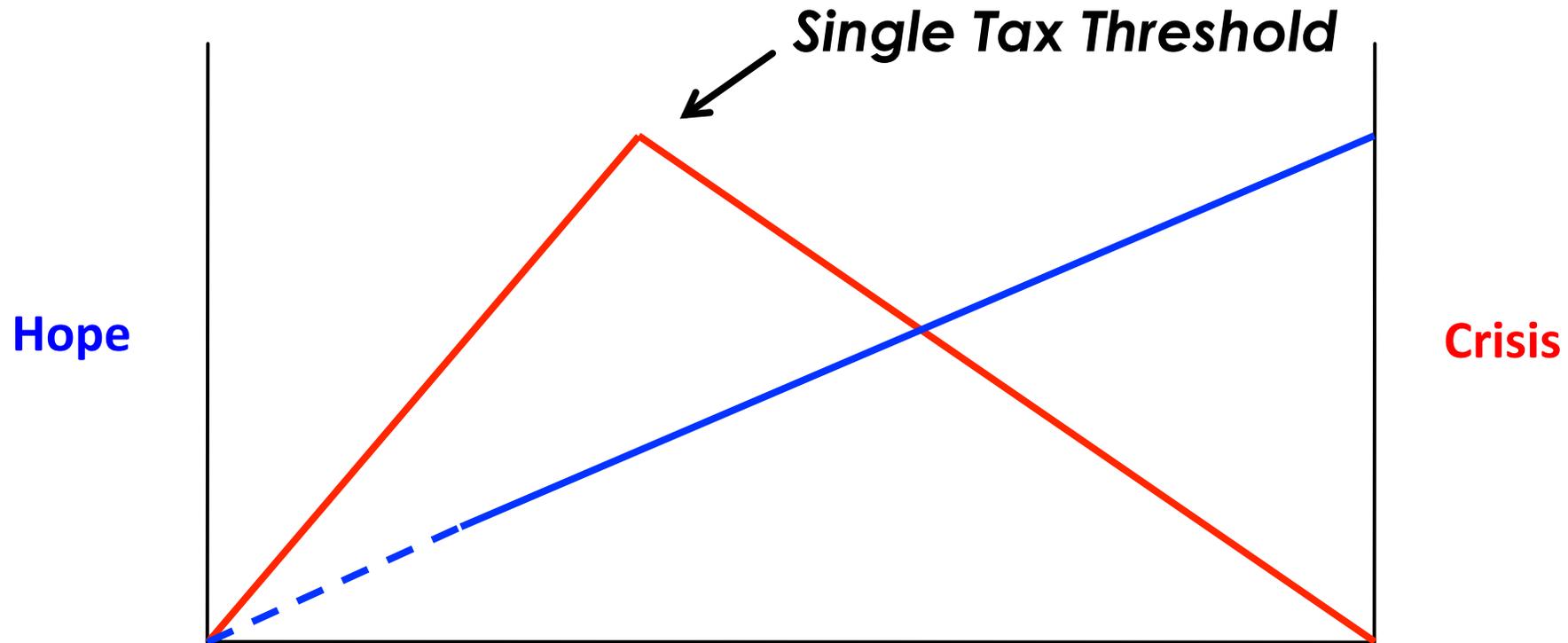
How you are supposed to be fooled

- ▶ Population increases until sustenance can't keep up
- ▶ Wages come from CAPITAL
- ▶ Trade policy as George's primary concern
- ▶ Tragedy of the Commons
- ▶ Supply and demand beyond the commercial shop level; necessary social adjustments will not be supplied until community sees that they are (for example)

Hope-Crisis Continuum

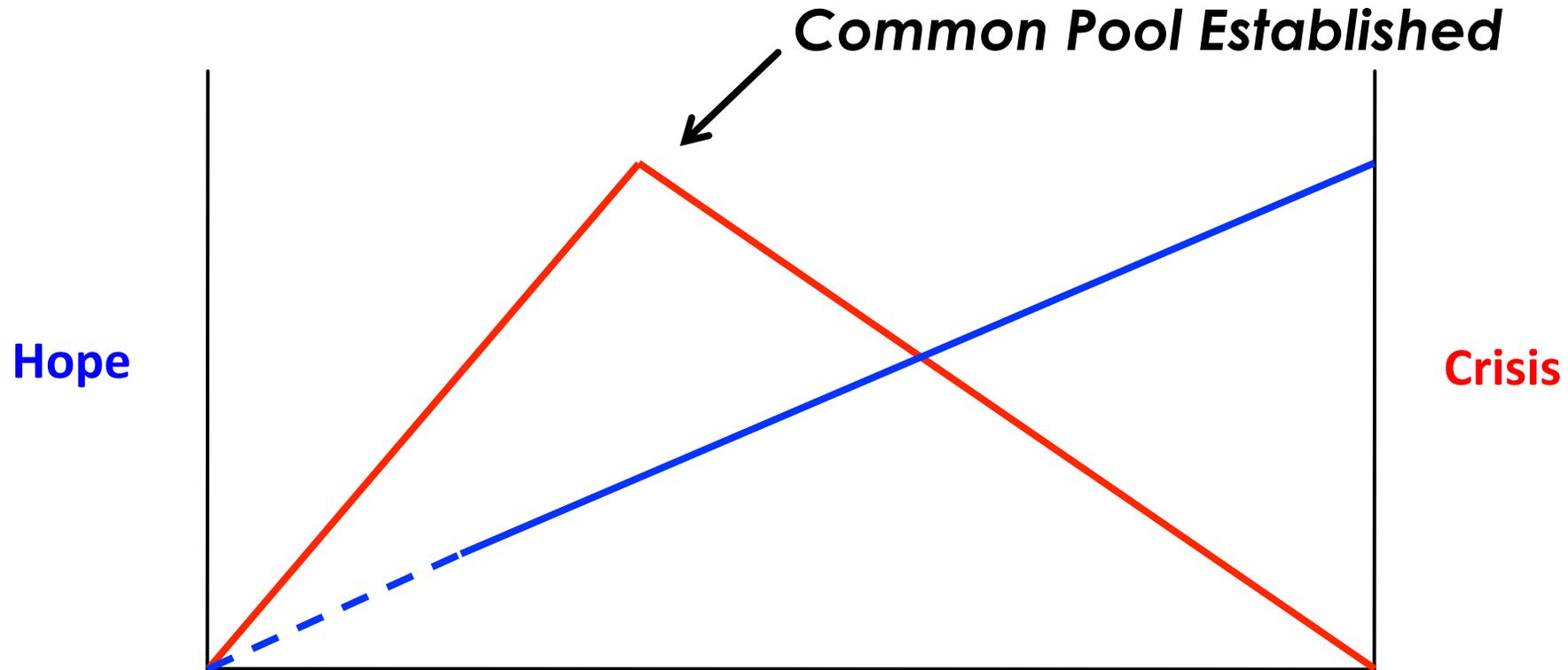
Seeing through the lens of domination or justice seeking

Hope – Crisis Continuum



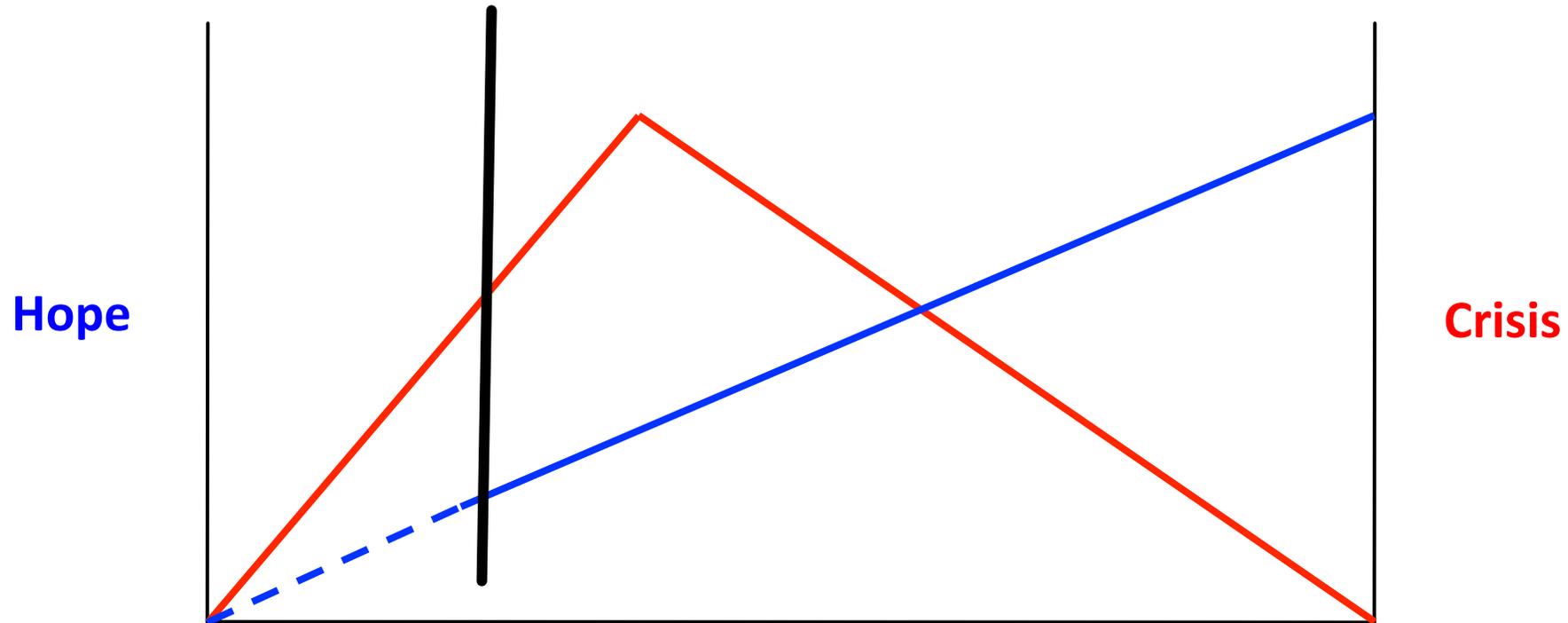
Another view of “1 step forward, 2 steps back”

Hope – Crisis Continuum



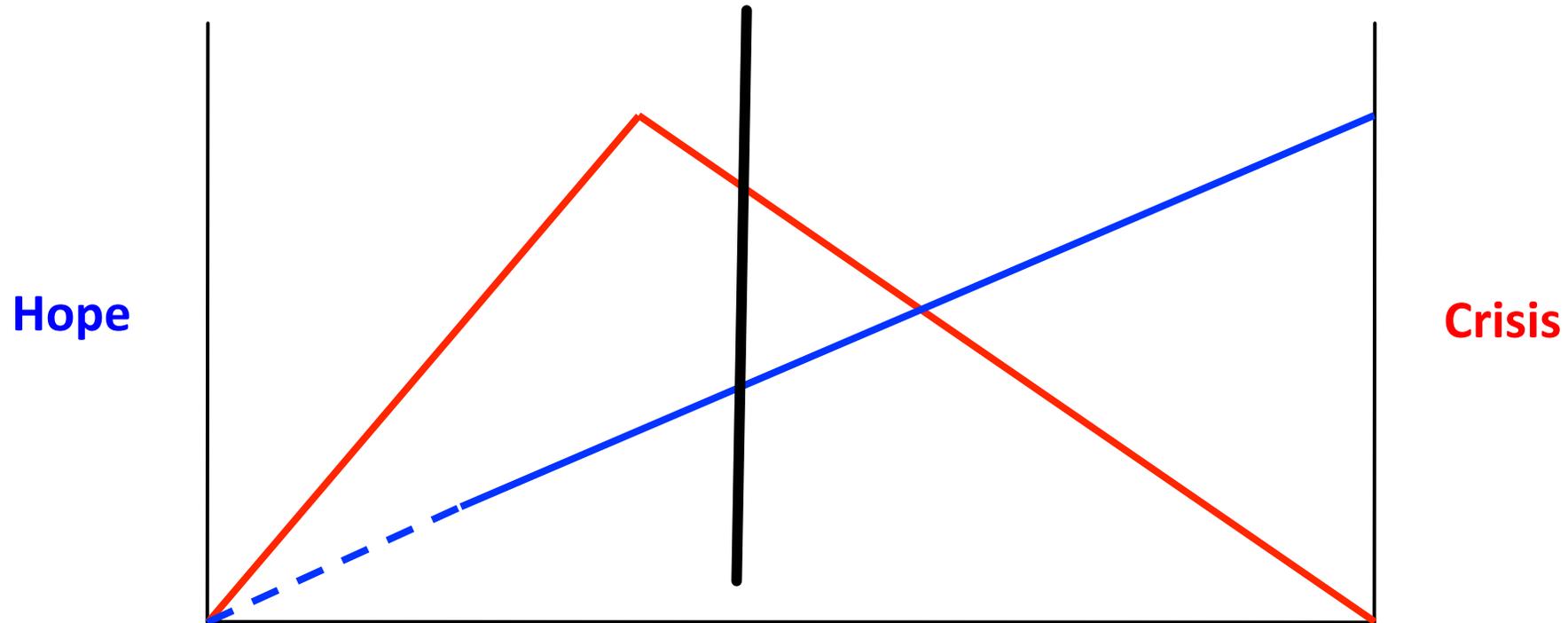
Another view of “1 step forward, 2 steps back”

Hope – Crisis Continuum



Another view of “1 step forward, 2 steps back”

Hope – Crisis Continuum

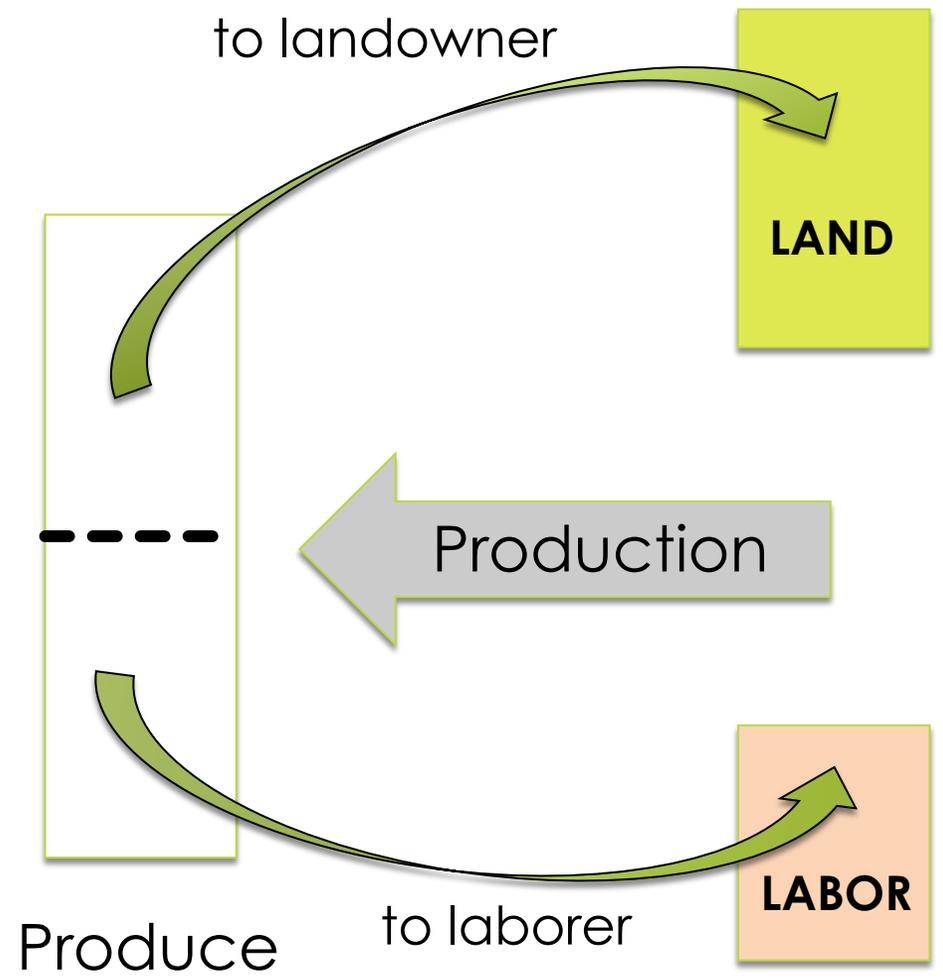


View of “1 step forward, 3 steps forward”

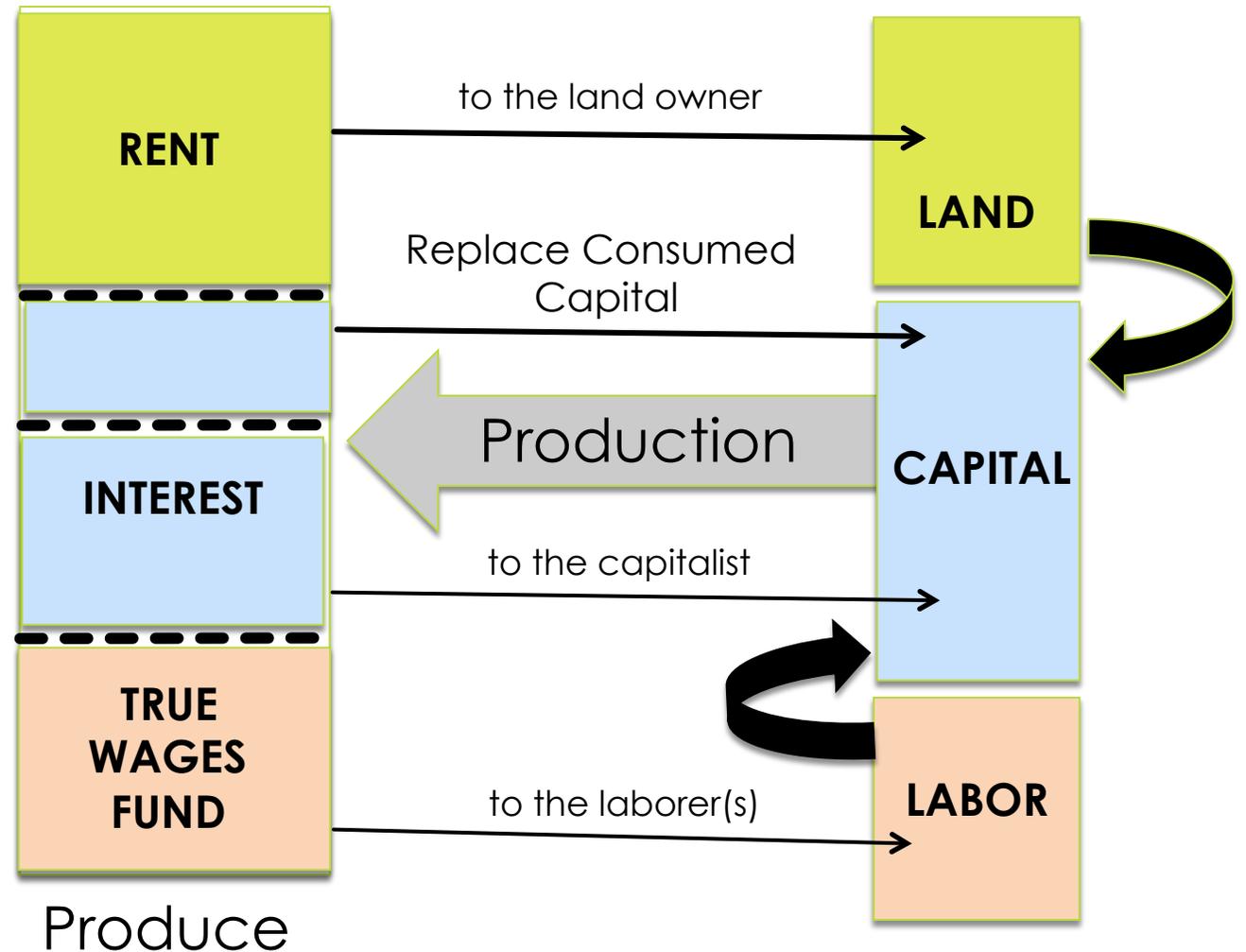
How to Distribute Produced Wealth

- ▶ Wages from Labor
- ▶ Interest to Capitalist
- ▶ Rent for Social Adjustments

AGRICULTURAL PRODUCTION w/o (or limited) CAPITAL

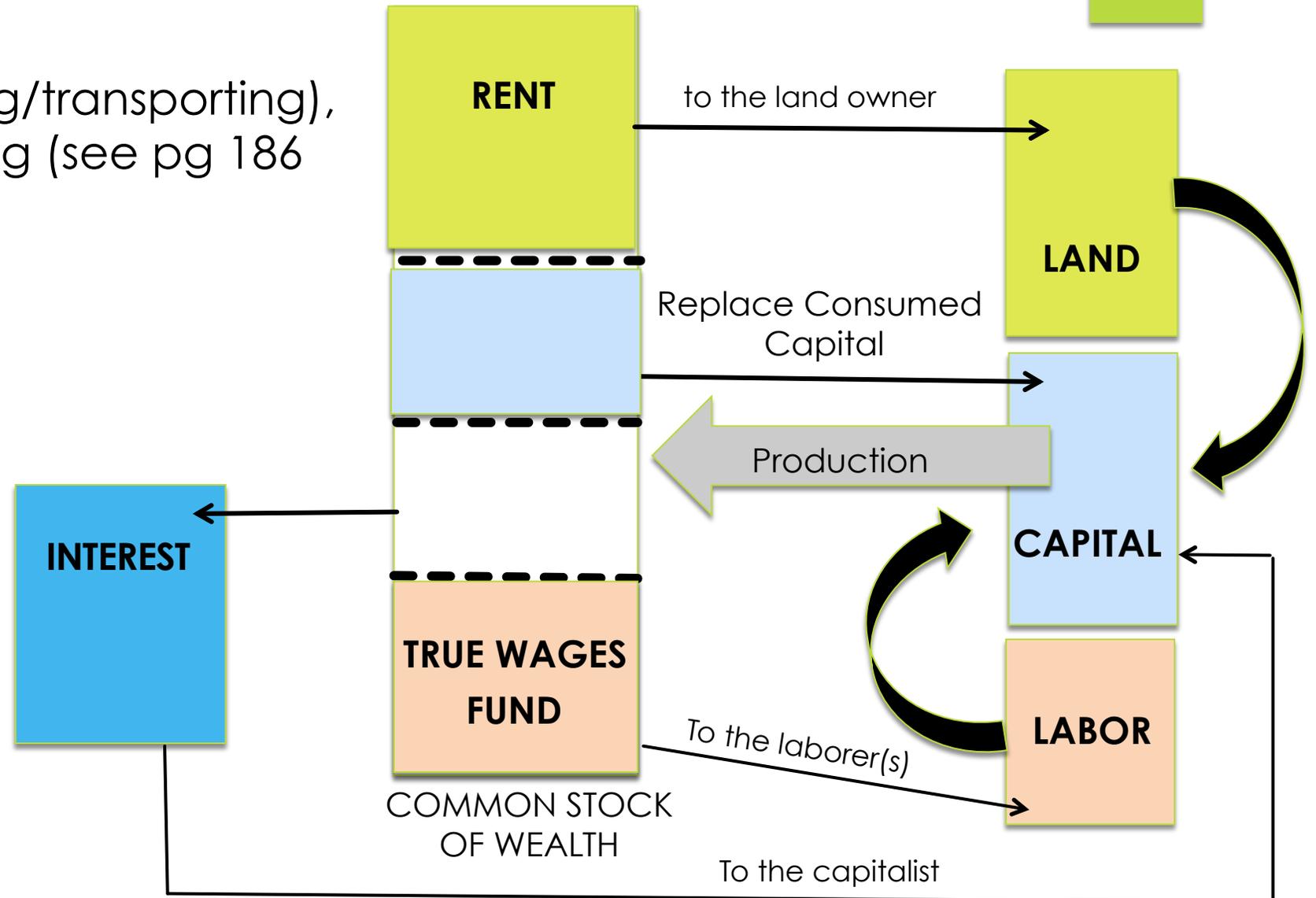


AGRICULTURAL PRODUCTION with CAPITAL



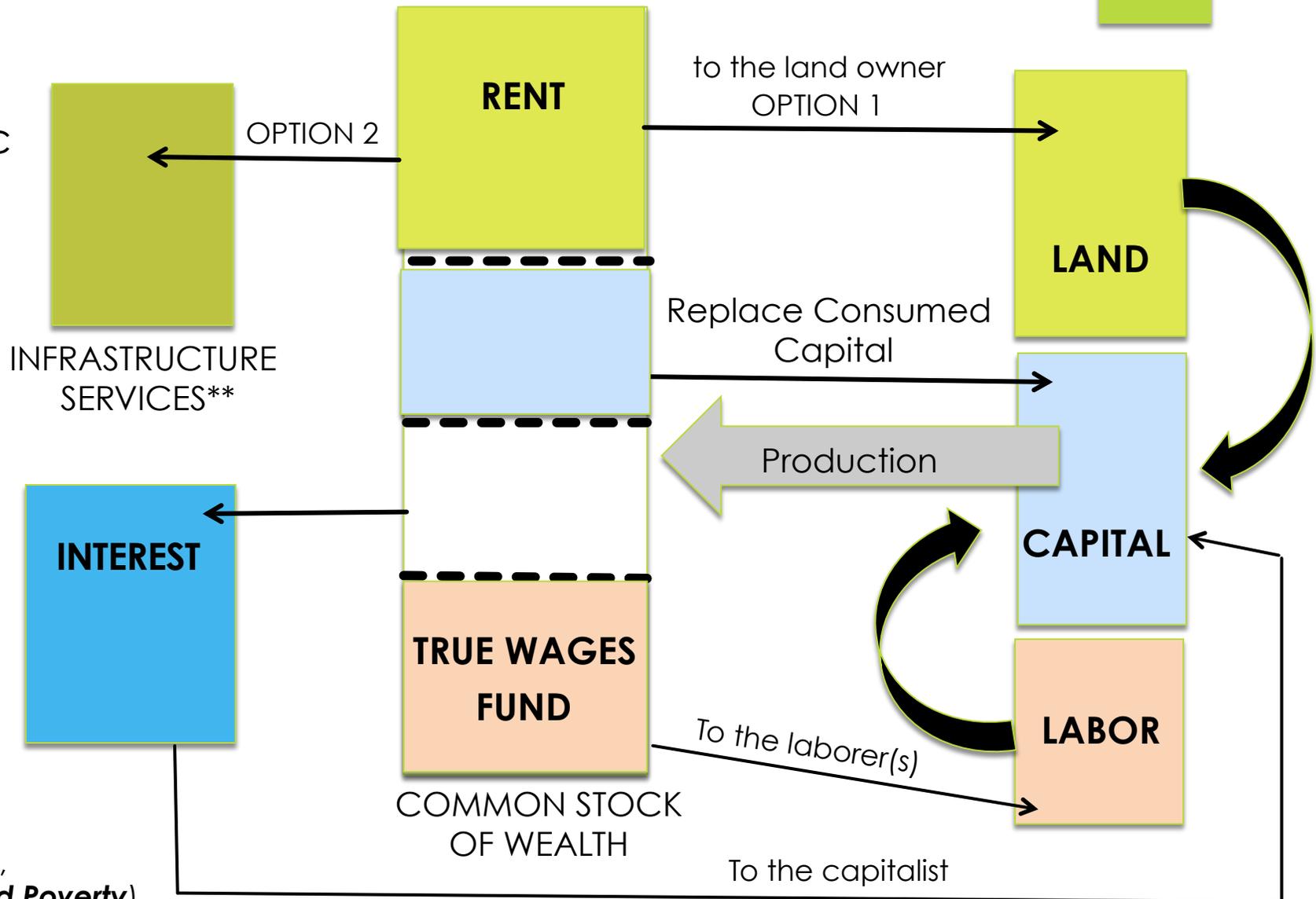
PRODUCTION* / FLOW OF WEALTH

* Adapting (manufacturing/transporting), growing, and exchanging (see pg 186 of *Progress and Poverty*)



PRODUCTION* / FLOW OF WEALTH

** Includes: Gas, water, heat, electricity, public library, public school, public health, recreation, roads, bridges, telephone, highway, post office, telegraph, railroads, deepening river bed, lighthouse, public market, issue money, and reduce appropriative power of aggregate capital. From: **Social Problems**



* Adapting (manufacturing/transporting), growing, and exchanging (**Progress and Poverty**)

RENT: Excess economic returns – *to US*



RENT

INTEREST

WAGES

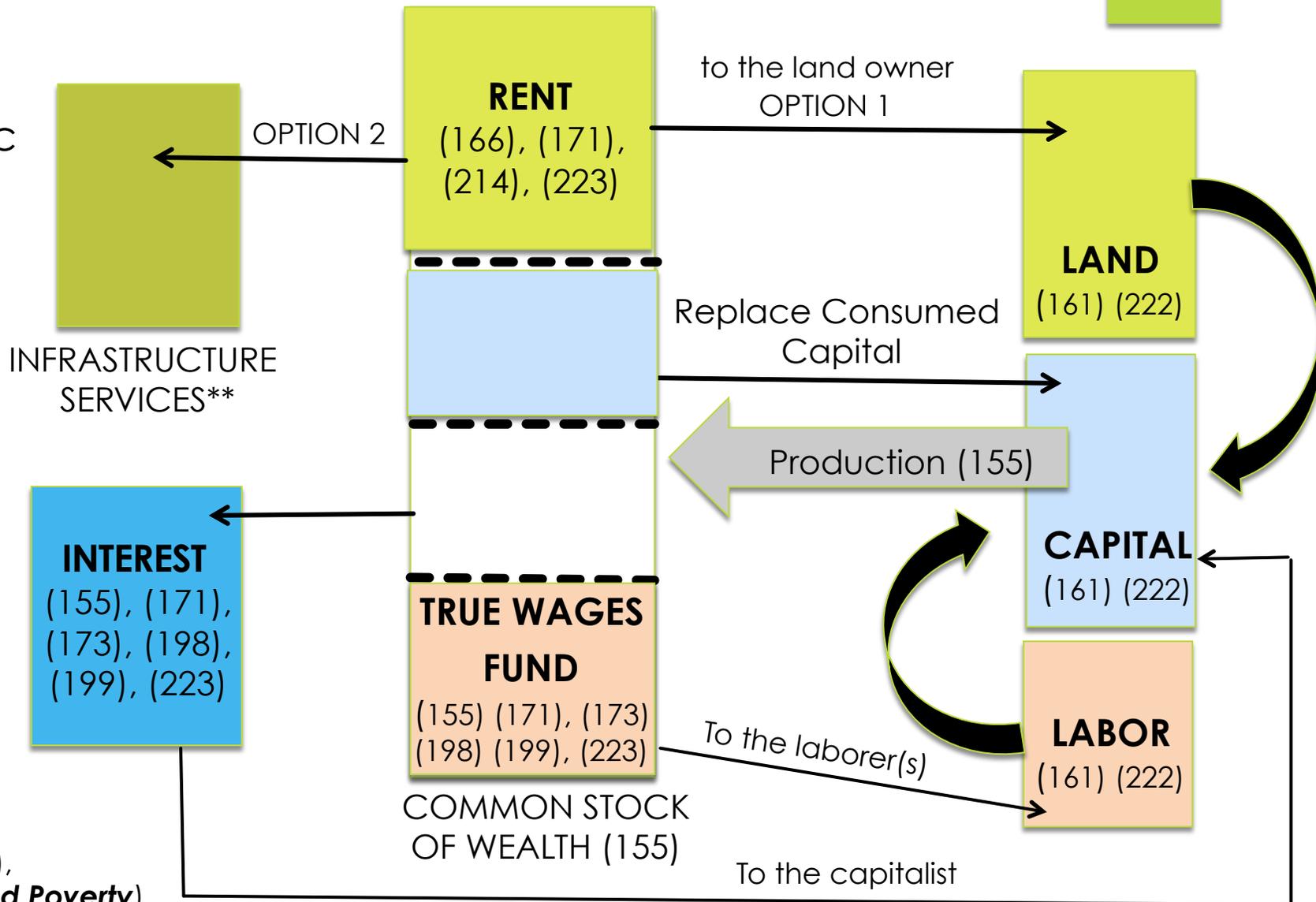


Community – in way of services
(**common pool** collective)

PRODUCTION* / FLOW OF WEALTH

25

** Includes: Gas, water, heat, electricity, public library, public school, public health, recreation, roads, bridges, telephone, highway, post office, telegraph, railroads, deepening river bed, lighthouse, public market, issue money, and reduce appropriative power of aggregate capital. From: **Social Problems** (188) (190) (178) (179) (191)



* Adapting (manufacturing/transporting), growing, and exchanging (**Progress and Poverty**)

Introduction

- 19th century saw great increase in wealth productive processes (p. 3)
- Production scale and subdivision increased, efficiency of labor increased (p. 3)
- Shouldn't benefits go to labor? Poverty a thing of past?
- An immense wedge is forced through society, not underneath it; people are elevated or crushed (p. 9)
- Poverty with Progress – great enigma of our times (p. 10)

Introduction

What do the charlatans and demagogues say (p. 11)?

- Conflicts between labor and capital
- Machines are evil
- Competition should be restrained
- Interest should be abolished
- Wealth is created with the issuance of money
- It's the duty of government to furnish capital or work

Introduction

What is political economy (p. 11)?

- Not a set of dogmas
- Explanation of a certain set of facts
- Science that seeks to trace mutual relations and to identify cause and effect
- Lays its foundations upon firm ground
- Premises are truths that have the highest sanction
- Axioms that we all recognize, to base actions of everyday life

Introduction

What is political economy (p. 12)?

- Men seek to gratify their desires with the least exertion
- An exact a science as geometry
- Seek the law that associates poverty with progress, and increase want with advancing wealth
- Thereby explain recurring seasons of industrial and commercial paralysis

Book VII, Chapter 5 – Why start here?

- Primarily concerned with the California gold rush phenomenon (p. 385)
- Easily accessible wealth forced humans to 1st principle practices or “primitive” ideas of land ownership (p. 385)
- First time in history of the Anglo-Saxon race (p. 385)
- Prevented the forestalling of land use and monopoly (p. 386)



Book VII, Chapter 5 – Why start here?

- Yet, even 140 years ago, mere **possessory claim** was sufficient to invest millions of dollars (billions today) in improvements (p. 387)
- Immense continent kept questions about justice and policy of private property in land from arising (p. 386)
- Later, there was created a new, more sinister, widespread form of slavery due to increasing, produced land scarcity (p. 387)

Book VII, Chapter 5 – Why start here?

Question: Land values in properly run cities continuously increase ... isn't this like the California placer mining of 1849?

- New gold nuggets are spit out every second of every day (land rent)
- Who can collect this proverbial gold? George says – you, and every human in society that created it!
- **Improvement benefits** go to the capitalist

Book VII, Chapter 5 – Why start here?

Question: Land values in properly run cities continuously increases ... isn't this like the California placer mining of 1849?

- Labor gets wages but where does the unearned increment of land value (every second of every day) go?
- What does society owe to the land speculator?
- Maybe we owe her/him the opportunity to use land and labor to create wealth – but nothing more; but as land owner, per se, **NOTHING** (shit or get off the pot)

Book VII, Chapter 5 – Why start here?

- As nation grew to west coast, then filled in, in between, good, available public land decreased dramatically, the same process that ruined the republics of antiquity (pp. 388, 391)
- Denying equal and inalienable right to soil, denies equal right to life and liberty (p. 388)
- Is this prudence, foresight, industry, and thrift, or gains from monopoly at the expense of labor? (p. 389)

Book VII, Chapter 5 – Why start here?

- America's national character is based on fact of cheap land (p. 389)
- Despite technological advances, masses of people cannot make a living (p. 393)
- Property in land is concentrating (p. 393)
- New England, non-resident proprietary, like Ireland with large farming districts, where $\frac{1}{4}$ to $\frac{1}{2}$ of crop is due land owner (p. 394)

Book VII, Chapter 5 – Why start here?

- All the result of natural law – harder times, lower wages, higher rates of poverty, like gravitation (p. 394)
- But humans can intervene on laws of nature, by creating institutions / social adjustments that ...

- ***BEND SOCIETY TOWARD JUSTICE***

Book I, Chapter 1, **Wages**

Book I, Chapter 1, **Wages**

- Entire chapter about prominent intellectual gutter talk about the origin of wages
- There is no “pre-determined wage fund” although this idea was accepted as truth by influential people (p. 17)
- Theory goes like this ... wages can only be paid with capital that the capitalist stores up; determined by dividing capital in hand by the number of laborers working
- **Question:** if you ran a lemonade stand, would you sell your lemons to pay wages to your sister?

Book I, Chapter 1, **Wages**

- The Malthusian theory (covered in Class #3) is what George calls “the new philosophy.” It’s the “sister” vulgar lie to the wages fund, rapidly permeating the general mind (p. 18)
- Allows for protectionists to deceive workers that it is foreign workers who are taking from this pre-determined wage fund
- Labor goes toward higher wages
- Capital goes toward higher interest
- Error arises from confusion between statics and dynamics (p.24)

Book I, Chapter 1, **Wages**

- Imagine trying to describe rocket thrust to an 19th century person ... they may understand liquid fuel and gravity, but not how the rocket's acceleration requires fuel to be throttled back during ascent
- What is called division of labor also weighs into George's thinking ... he who digs worms for the fisherman works to catch fish as much as the person holding the pole above the water (pp. 27-28)
- Returns received for exertions, beyond manual labor; e.g., professional men, managers, clerks (p. 32)

Book I, Chapter 2, **Capital**

Book I, Chapter 2, **Capital**

- Without a clear definition of terms ... cannot hope to make (George) properly understood (p. 31)
- Land, Labor, and Capital – factors IN production (p. 32)
- Variety of definitions (pp. 33-34)
 - Some include “human” capital
 - Others food, clothing, shelter
 - Some say land is capital
 - Others, that capital must be accumulated first
 - Prefers most of what Adam Smith says: that which affords a man with revenue, or **wealth devoted to procuring more wealth** (p. 37)

Book I, Chapter 2, **Capital**

- That part of wealth devoted to the aid of production (p. 42)
- The problems others have with their definition of capital is that they begin with assumptions, then deduce from a preconceived idea of how capital assists production (p.46)
- George says ... ***first ascertain what a thing is before settling what it does (p. 46)***

Book I, Chapter 2, **Money**

- Money for business and speculation IS CAPITAL (p. 46)
- Money for personal needs IS NOT CAPITAL (p. 46)
- Business “golden rule” is that money is never borrowed unless it is for capital purposes (never for O&M); if not borrowed, then worn out capital assets should be replaced, using a portion of the returns to capital

Book I, Chapter 2, **Wealth**

- Not the power of obtaining wealth such as bonds, **mortgages**, promissory notes, bank bills, or other stipulations for the transfer of wealth (p.40)
- Interesting that **mortgages are NOT WEALTH**, 10 years after the sub-prime mortgage financial crisis
- Should the “toxic” or “illiquid” assets in all those banks and insurance companies have been wiped out with a few drops of ink?
- Was that crisis just postponed for a coming, bigger crisis?

Book I, Chapter 2, **Rent**

- The return received by the landholder for use of land (p.33)

Book I, Chapter 2, **Interest**

- Return received by the capitalist for the use of capital (p.33)

Seque to Class #2

Chapter 3 – Wages produced by labor

- Labor always precedes wages (p. 57)

Chapter 4 – Maintenance of labor

- Government bonds – not wealth but power of commanding wealth

Chapter 5 – Real functions of capital

- It is not from any scarcity of capital that the poverty of the masses in civilized countries proceeds; wages are relatively the lowest where capital is most abundant

END

