

Progress and Poverty

Class #8

The Problem Solved (Book V)

The Remedy (Book VI)

Justice of the Remedy (Book VII)

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Progress and Poverty

Henry George makes socialism superfluous

Progress and Poverty

Rent: depends on the margin of cultivation, rising as it falls, and falling as it rises.

Wages: depend on the margin of cultivation, falling as it falls, and rising as it rises.

Interest: depends on the margin of cultivation, falling as it falls, and rising as it rises (*note: its ratio with wages being fixed by the net power of increase which attaches to capital*) (p. 219)

Progress and Poverty

- It's paradoxical – that the emergence of liberty from feudal bonds has been accompanied by a tendency in the treatment of land to a form of ownership which involves the enslavement of the working classes. (p. 380)

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
- Read ***Progress and Poverty*** before class, otherwise, questions may not be answered; rather, I may advise you to re-watch the prior lectures
- ***Alert: New intellectual gutter phrase – liquidate the claims of the present landholders (p. 360)***

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

Introduction

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

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

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

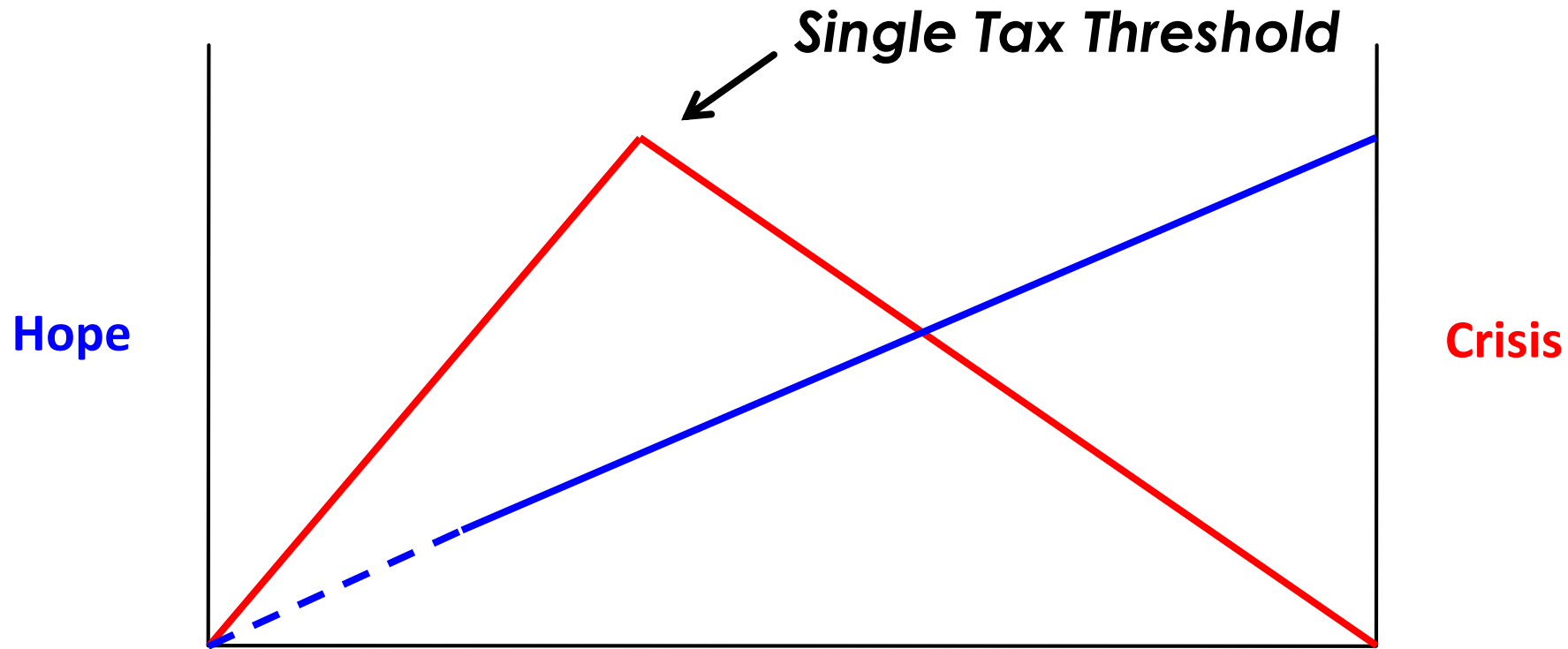
- Population increases until sustenance can't keep up
- **Wages come from CAPITAL**
- Trade policy as George's primary concern
- Tragedy of the Commons
- Supply and demand beyond the commercial shop level; necessary social adjustments will not be supplied until community sees that they are (for example)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

Hope-Crisis Continuum

12

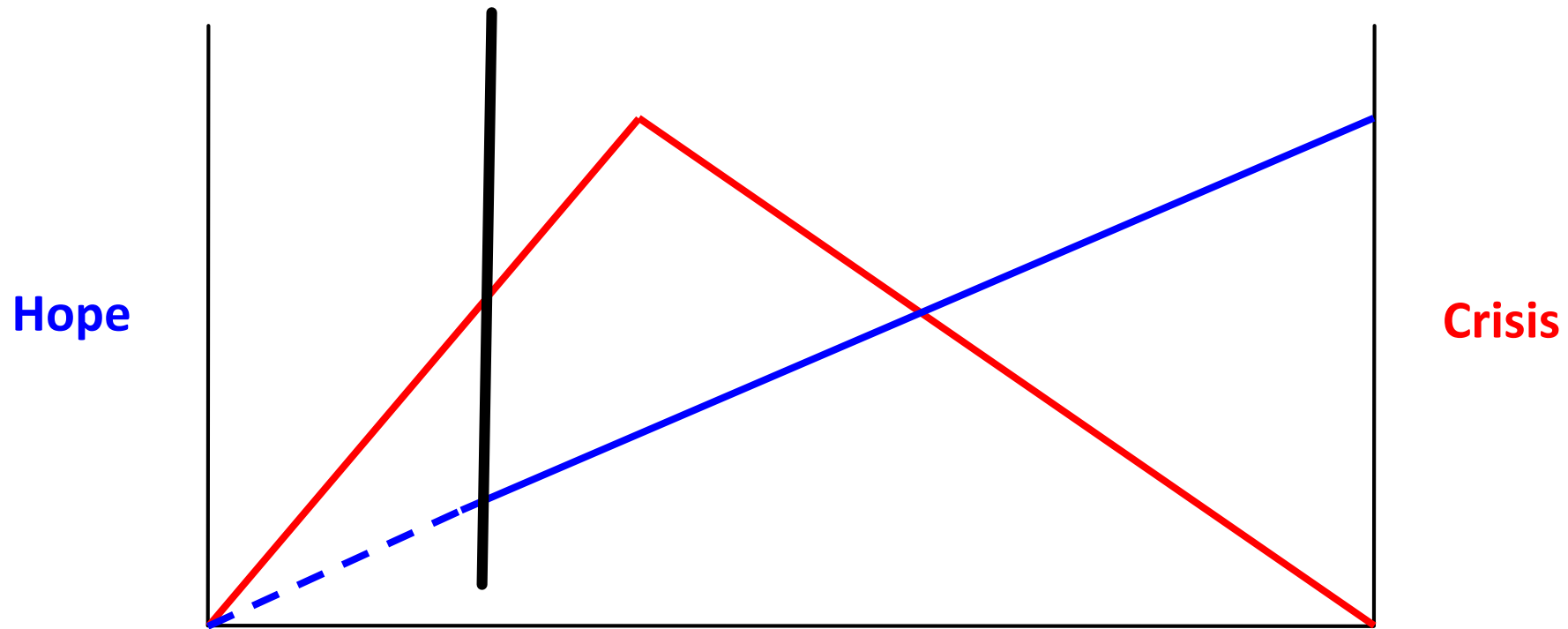
Seeing through the lens of domination or justice seeking

Hope – Crisis Continuum



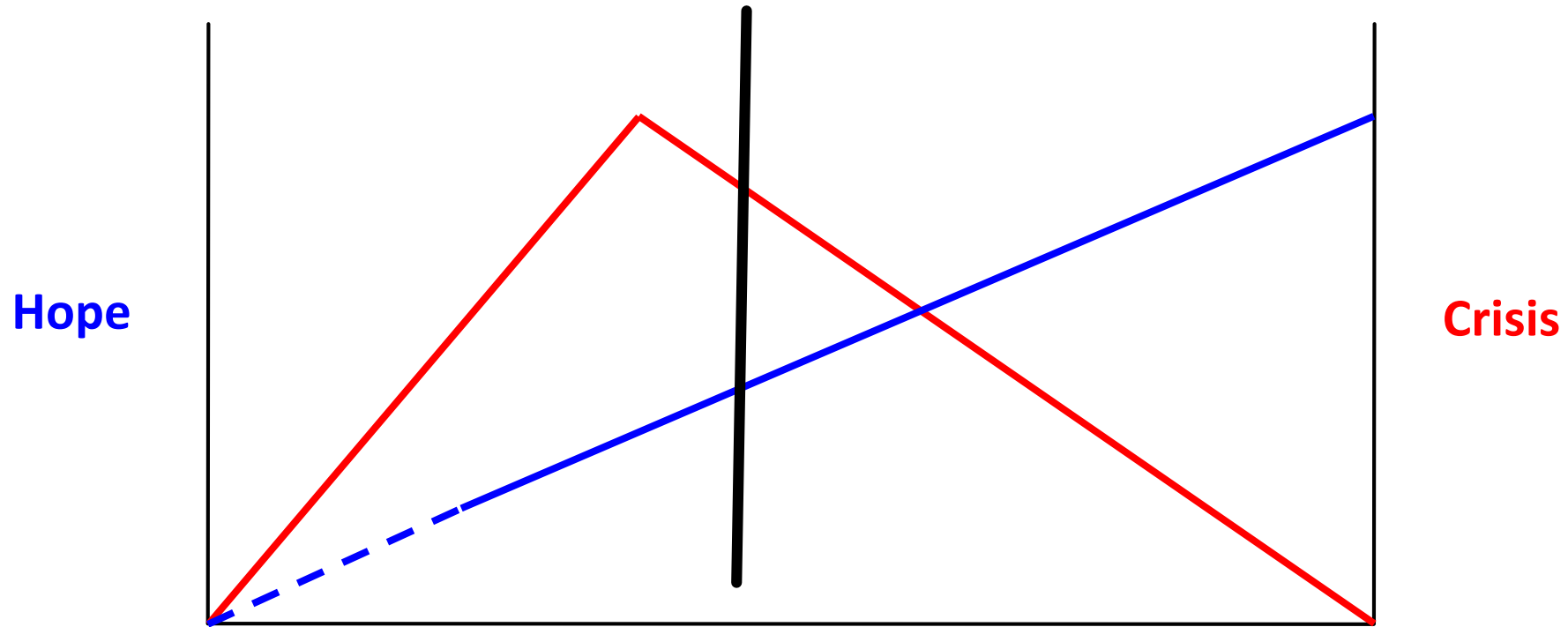
Another view of “1 step forward, 2 steps back”

Hope – Crisis Continuum



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

Hope – Crisis Continuum

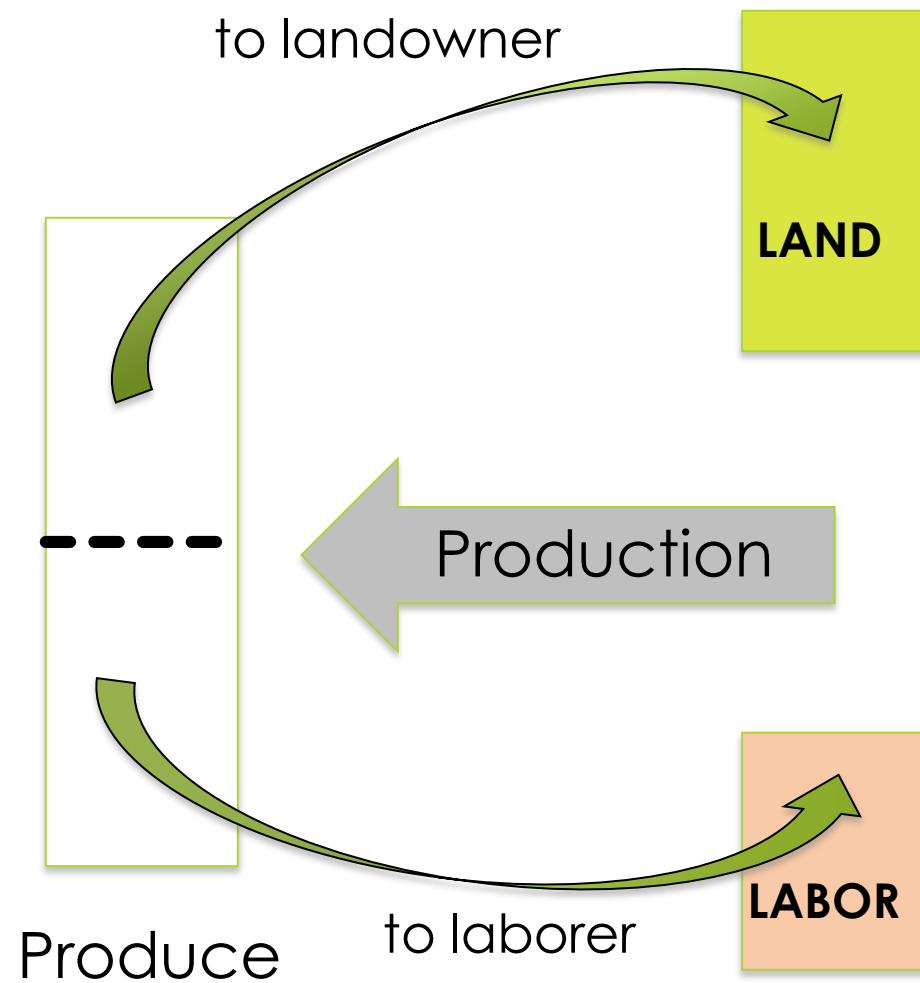


View of “1 step forward, 3 steps forward”

How to Distribute Produced Wealth

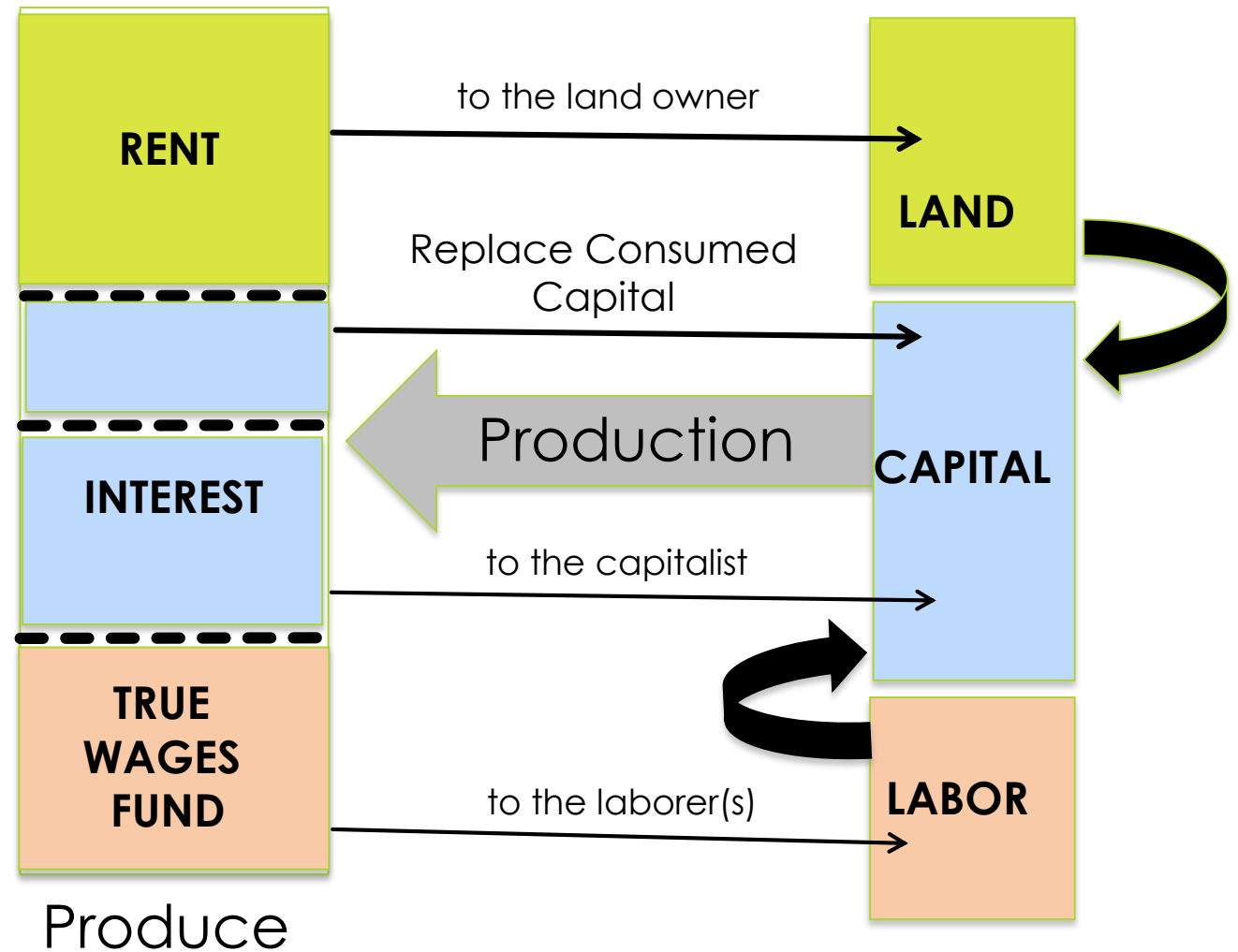
- Wages from Labor
- Interest to Capitalist
- Rent for Social Adjustments

AGRICULTURAL PRODUCTION w/o (or limited) CAPITAL



AGRICULTURAL PRODUCTION with CAPITAL

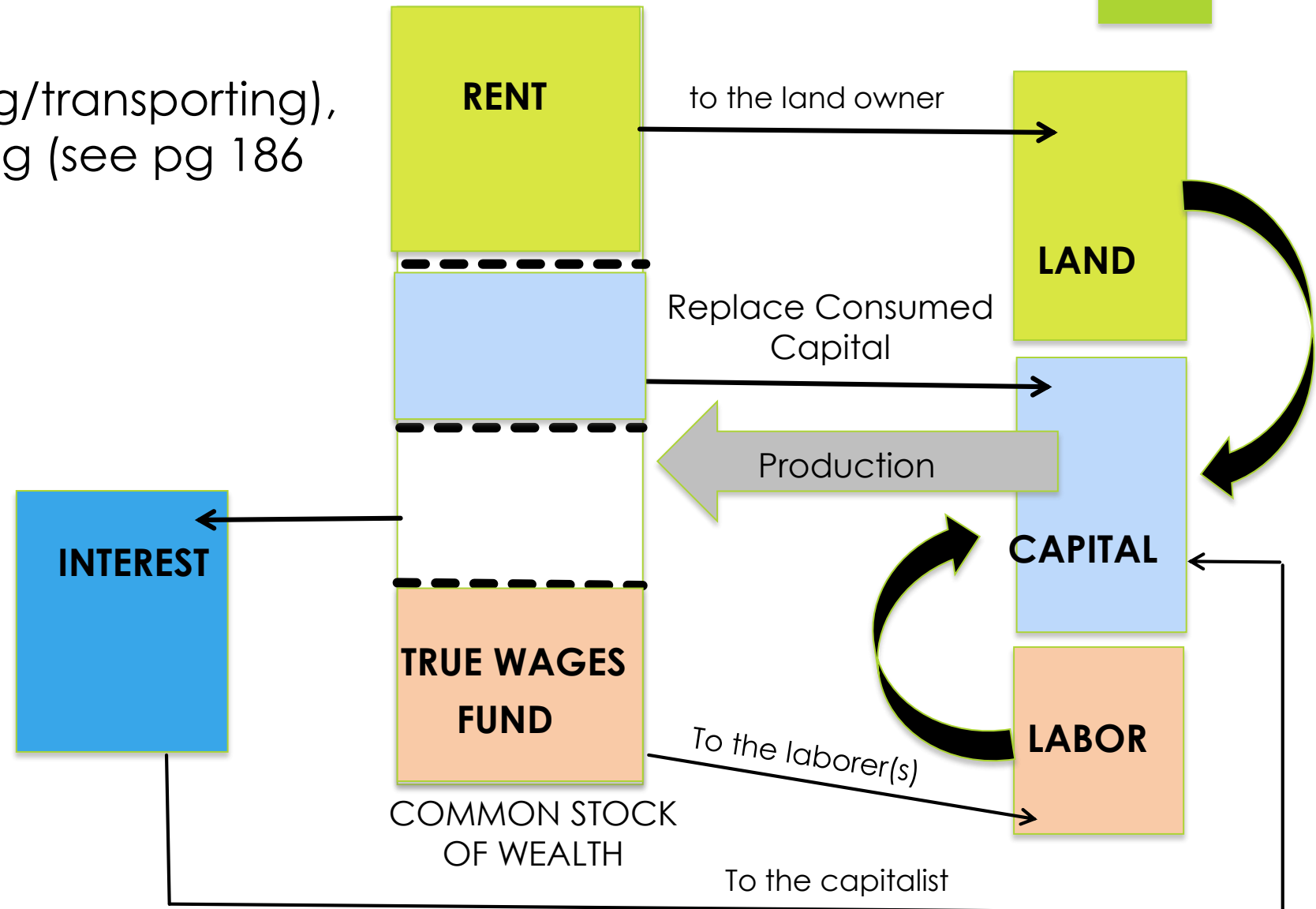
18



PRODUCTION* / FLOW OF WEALTH

19

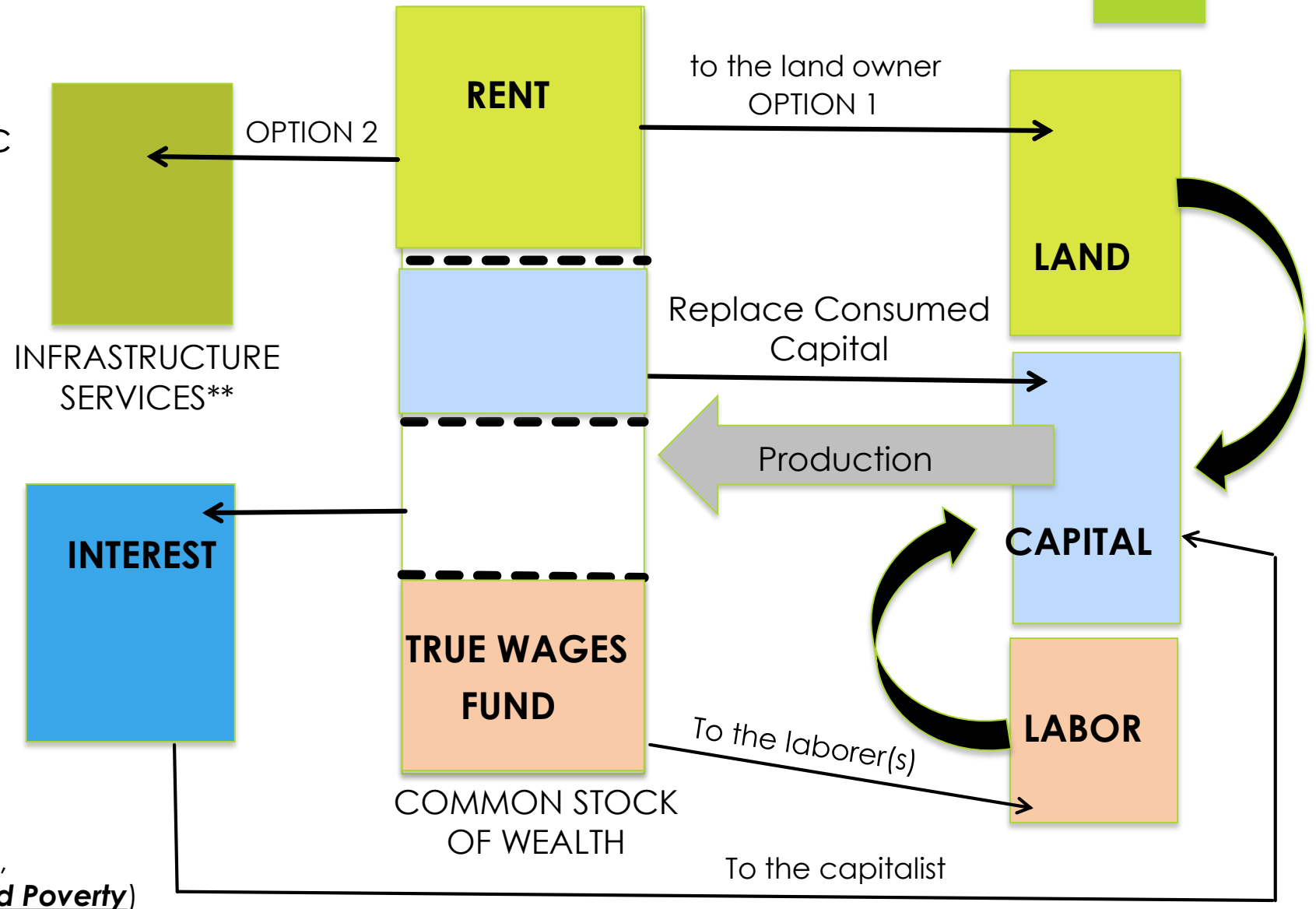
* Adapting (manufacturing/transporting), growing, and exchanging (see pg 186 of ***Progress and Poverty***)



PRODUCTION* / FLOW OF WEALTH

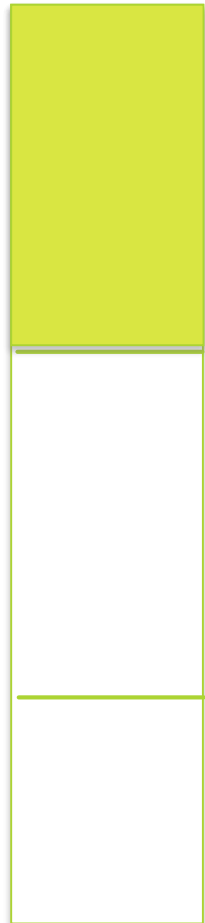
20

** 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

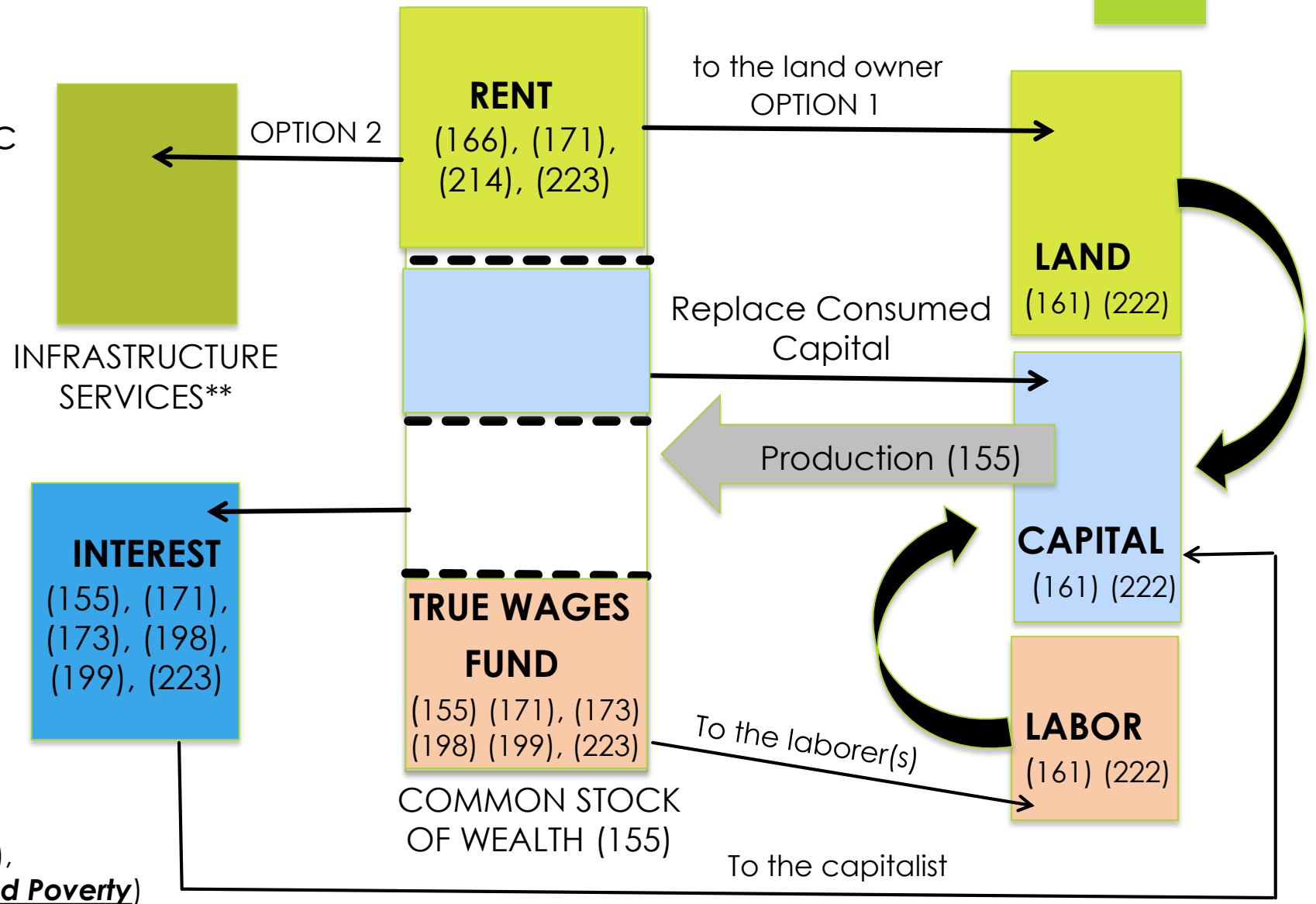


Community – in way of services
(**common pool** collective)

PRODUCTION* / FLOW OF WEALTH

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** 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)



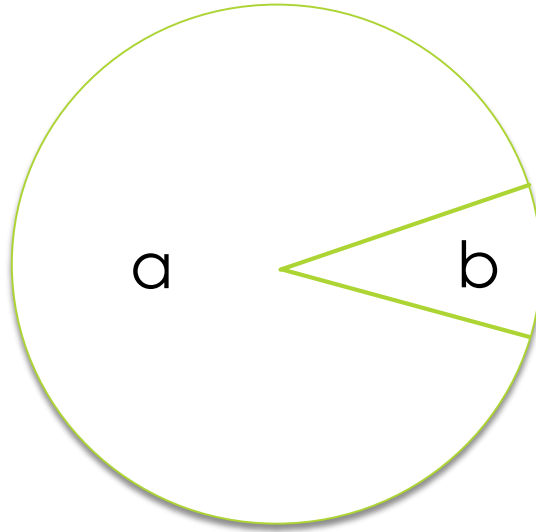
* Adapting (manufacturing/transporting), growing, and exchanging (**Progress and Poverty**)



Private sector

**Community
sector**

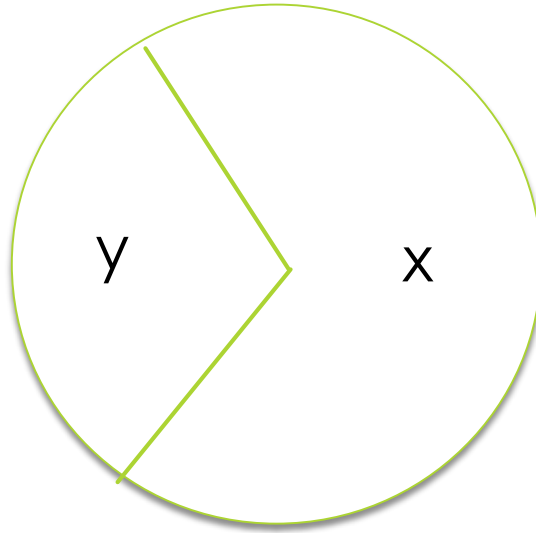
Revenues



a = mediate revenue
b = immediate revenue

Revenues for Infrastructure

Outlays

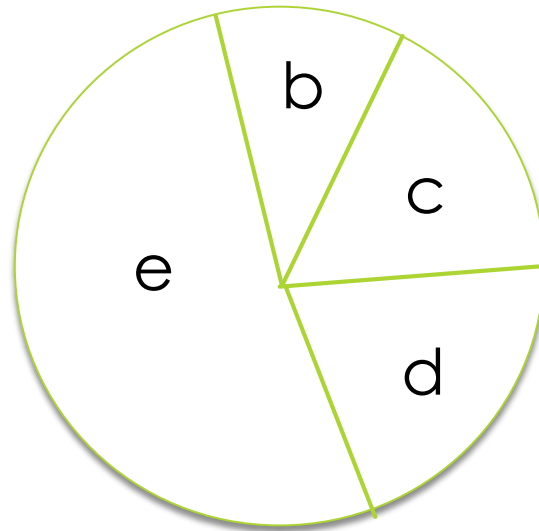


x = ordinary expenses (current services)

y = capital improvement expenses (extraordinary, capital)

Outlays for Infrastructure

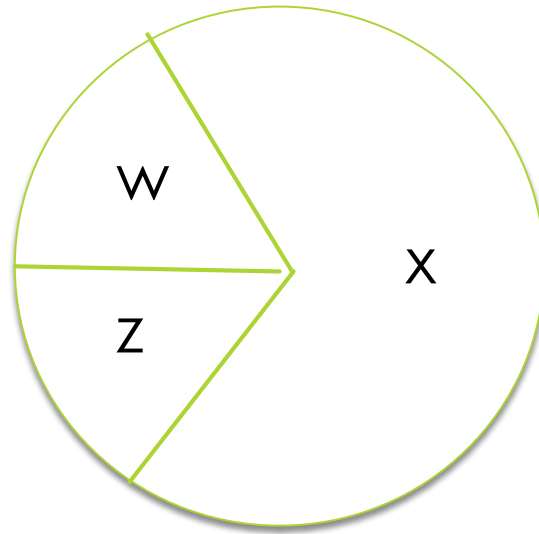
Revenues



- b = immediate revenue (private source)
- c = capital improvement funds (mediate)
- d = capital project-generated revenue (mediate)
- e = non-private source of revenue (mediate)

Mediate Revenues and Immediate Revenues

Outlays



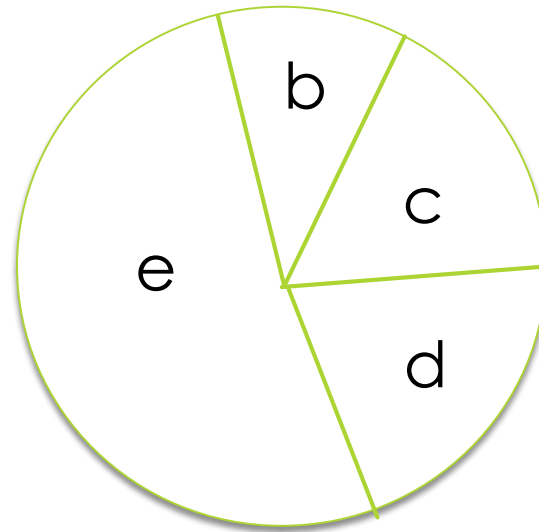
x = ordinary expenses (current services)

w = capital improvement project-related outlay

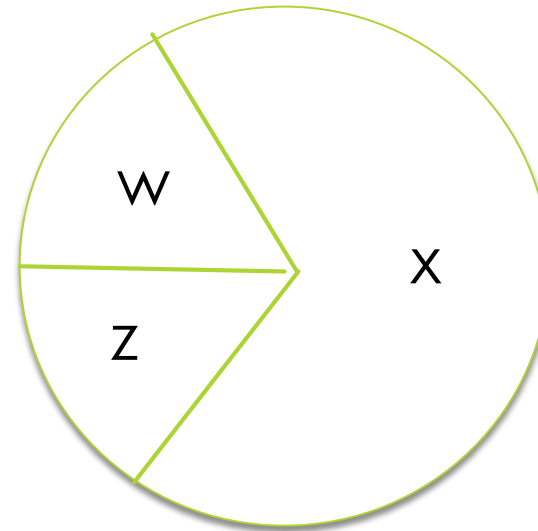
z = capital improvement debt retirement outlay

Ordinary Expenses and Extraordinary Expenses

Revenues



Outlays

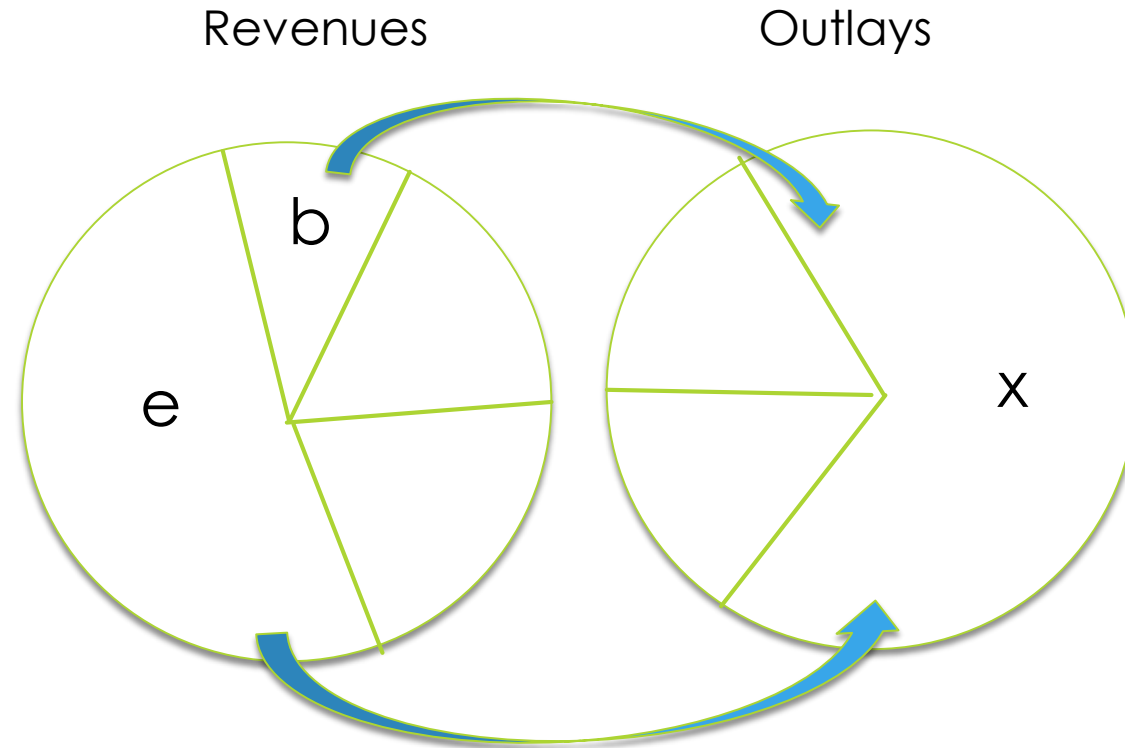


$a = e + c + d$: mediate revenue (means)
b = immediate revenue (ready means)
c = capital improvement revenue
d = capital project-generated revenue
e = non-private source of revenue

w = capital project-related outlay
x = ordinary outlay (current services)
 $y = w + z$: capital improvement outlay
z = capital debt retirement outlay

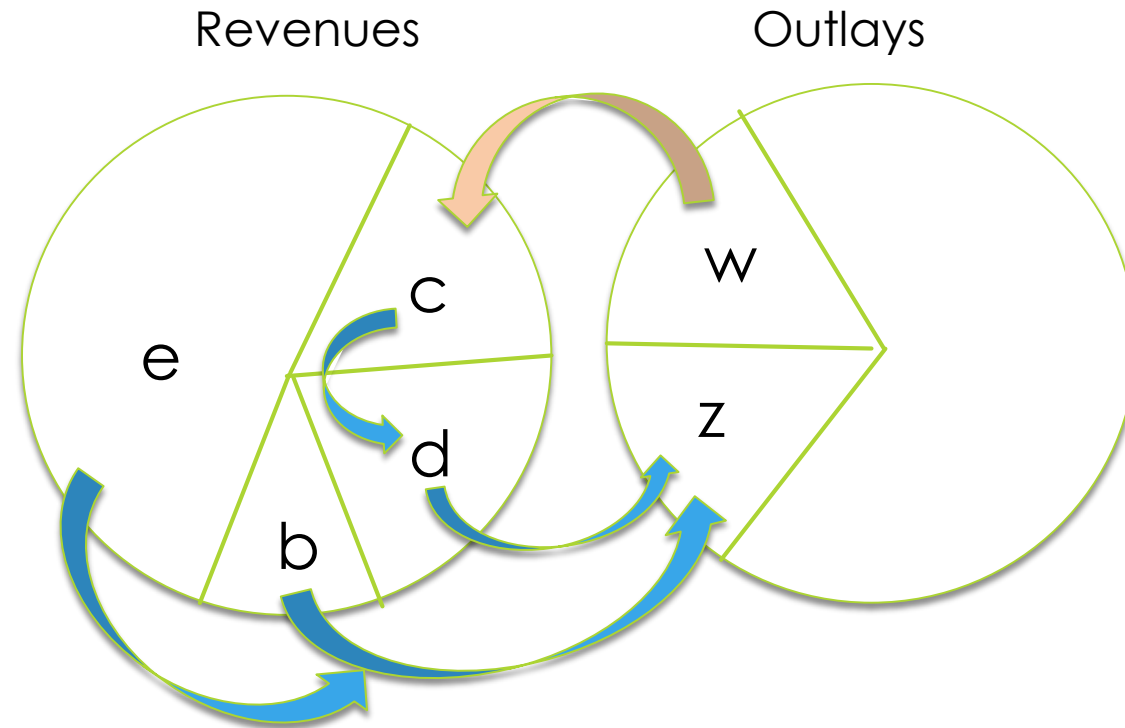
Elements of Revenue and Outlay

OM&M Spending Flows



b = immediate revenue (private source)
e = non-private source of revenue (mediate)
x = ordinary expenses (current services)

Capital Spending Flows



b = immediate revenue (ready means)
c = capital improvement revenue
d = capital project-generated revenue
e = non-private source of revenue

w = capital project-related outlay
z = capital debt retirement outlay

Progress and Poverty

Class #8 – Book V: The Problem Solved

Chapter 1: The primary cause of recurring paroxysms

Chapter 2: The persistence of poverty amid advancing wealth

How today's class begins

The results of private property in land – the effects of a principle that must act with increasing and increasing force. It is not that laborers have increased faster than capital; it is not that population is pressing against subsistence; it is not that machinery has made “work scarce;” it is not that there is any real antagonism between labor and capital – it is simply that land is becoming more valuable; that the terms on which labor can obtain access to the natural opportunities which alone enable it to produce are becoming harder and harder. Property in land is concentrating. (p. 393)

CONTENT – Book V (Summary)

George summarizes the Book (V) here:

The speculative advance of land values cuts down the earnings of labor and capital and checks production – is the main cause of periodical industrial depressions (are) increasingly liable. (p. 263)

A new cycle would then begin at a new equilibrium where, once again the speculative rent line would overtake the normal rent line, production checked, and another depression. (p. 265)

CONTENT – Book V (Summary)

We are such suckers for this cycle because, historically, they came every 70 years or so. Generational myopia.

Progress and Poverty was published 7 years after the 1872 world-wide depression.

The fact that the Georgist structural reform was not adopted in 2007-8, suggests that the last recession is not really dead, that the speculative advance of rent is still advancing.

CONTENT – Book V (Summary)

So, let's be clear for what this speculation concerns ... it is NOT speculation in things, as in a mismatch in supply or demand ... as that can be settled much like the action of a flywheel.

Rather, it is a speculation in land. The speculation is expressed as rent.

To blame this otherwise is like blaming an ocean's low tide on the withdrawal of few buckets of water. (p. 274)

CONTENT – Book V (Summary)

Society (especially laborers) should be advocating the
`increase in the productive power of labor. (p. 282)

This includes: growth of population, increase and
extension of exchanges, discoveries of science, march
of invention, spread of education, improvement of
government, amelioration of manners (considered as
material forces). (p. 283)

However, if speculation in land is not checked, the day of
reckoning awaits to drain away all these increases.

Free trade without checking speculation fails the laborer.
(p. 287)

Progress and Poverty

Class #8 – Book VI: The Remedy

Chapter 1: Insufficiency of remedies currently advocated

Chapter 2: The True Remedy

Book VI, Chapter 1

Six Classes of Remedies for Relieving Poverty

Book VI, Chapter 1 – Six Classes

Many say all we need is material progress, and poverty will go away; others say it's technology.

Let's analyze the 5 classes of remedies for ending poverty, and why each is not sufficient, then let's look at #6

Book VI, Chapter 1 – Six Classes

GREATER ECONOMY IN GOVERNMENT

Is poverty the outcome of aristocratic and monarchical institutions?

An argument could be made for England, but if all those institutions were set adrift, what do we have left?

Tammany Hall was blatant in its corruption, but labor, by and large, had no qualms with its theft because it was felt it wasn't their wealth being taken.

Economy in government is a good thing; however, as long as land is monopolized as private, wages will be less and poverty more.

Book VI, Chapter 1 – Six Classes

BETTER EDUCATION, INDUSTRY, AND THRIFT

Don't we often hear of the impoverished – apply yourself, be frugal, get training; it's your own fault, the mess you are in.

But the truth is – as land acquires a value, wages do not depend upon the real earnings or product of labor, but upon what is left to labor after rent is taken out.

Sweat shops were born of this idea; work out of your house for 16 hours a day, and get your family to pitch in.

First people of Australia are actually more intelligent of the ways of the world than laborers who know how to produce a single cog in a machine – they have liberty.

Book VI, Chapter 1 – Six Classes

UNIONS

Combinations of workers can eat into the expense of rent.

Sometimes when the erroneous idea that wages are drawn by capital is expressed, it may seem that these combinations are decreasing capital of the targeted firm.

The gain or loss is relative; it disappears when the entire community is taken into account.

However, in the long run, these combinations are destructive, as is war; they are destructive of wealth and freedom.

Rather than take recourse there, step back to a community view and work to collect the values due from use of land.

Book VI, Chapter 1 – Six Classes

CO-OPERATION

This remedy has always been promoted as a cure for poverty, but is it really?

There is co-operation in supply and co-operation in production.

In supply, co-operation reduces the cost of middlemen/exchanges.

In production, co-operation substitutes proportional wages for fixed wages, as in the whaling industry; carving up what there is on the dock according to a pre-established scheme.

Each makes it easier to produce more with less labor; unless the theft of rent is addressed, poverty cannot be lessened.

Book VI, Chapter 1 – Six Classes

GOVERNMENTAL DIRECTION AND INTERFERENCE

This concerns the effects of regulation, and in George's time, called "socialistic."

Absent governmental direction, is individual freedom.

He opposes a graduated income tax (so why did his Single Taxers in 1913 push so hard for it?)

The state of society cannot be manufactured; it must grow; it's an organism, not a machine

Book VI, Chapter 1 – Six Classes

MORE GENERAL DISTRIBUTION OF LAND

As we've been saying from the beginning of this course on Progress and Poverty, a just distribution of land goes after the source of wealth that society creates; let's recover what is the community's to have.

No remedy is worth considering that does not fall in with the natural direction of social development, and swim, so to speak, with the current of the times.

As we are seeing with the left turn of many Democrats, is Georgist thought the current of the times? What are we waiting for?

Book VI, Chapter 2

True Remedy

Book VI, Chapter 2 – True Remedy

- After a review of all remedies for the end of poverty, short of the abolition of private property – each inefficacious or impracticable.
- Poverty deepens as wealth increases, wages are forced down while productive power grows – because monopolized land is the source of all wealth.
- Making **common ownership of land** is the only thing that will end poverty – in nothing else is there the slightest hope.

Progress and Poverty

Class #8 – Book VII: Justice of the Remedy

Chapter 1: Injustice of private property in land

Chapter 2: Enslavement of laborers the ultimate result of private property in land

Chapter 3: Claim of landowners to compensation

Chapter 4: Property in land historically considered

Chapter 5: Property in land in the U.S.

Book VII, Chapter 1

Injustice of Private Property in Land

Book VII, Chapter 1 – Injustice of Priv. Prop.

50

- Private property in land must be abolished; it's a violation of the supreme law of justice. (p. 333, p. 341)
- Admitting the right of property in nature is to deny the right of property in the produce of labor. (p. 336)
- It is not an issue of movable or immovable – it's whether property is the produce of labor or the offerings of nature – between wealth and land. (p. 337)
- Malthus recommended praise of property-in-land; that land owners have a better right to existence than others. (p. 338-9)

Book VII, Chapter 1 – Injustice of Priv. Prop.

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- In nature there is **no fee simple in land** – i.e., a permanent and absolute tenure of an estate in land with freedom to dispose of it at will, especially in full **fee simple absolute** a freehold tenure, which is the main type of land ownership. (p. 339)
- Material progress in good – injustice of man bad. (p. 341)
- Nature provides for all men and women. (p. 341)
- In conquering lands, rights do not oblige, but creates a force to compel others what to do; thus **they have the POWER** but **not the RIGHT**. (p. 342)

Book VII, Chapter 1 – Injustice of Priv. Prop.

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- Improvements to land itself (e.g., landfilling, as at Battery Park) become land. (p. 342)
- Rent expresses the exact amount which the individual should pay to the community to satisfy the equal rights of all other members of the community. (p. 344)
- Has the first comer at the banquet the right to turn back all the chairs and claim none partake unless on his terms? (p. 344)
- Wherever land ownership is concentrated (e.g., England in our and George's time), we find effects that are in store for where land is less concentrated. (p. 346)

Book VII, Chapter 2
Enslavement of Laborers

Book VII, Chapter 2 – Laborer Enslavement

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- Ownership of land gives ownership of men; own land, own men. (p. 347)
- Ownership of land is the basis for aristocracy; land ownership came before nobility, lord over vassal. (p. 353)
- Read about the formation of aristocracy from Cato the Censor at <https://kb.osu.edu/bitstream/handle/1811/49786/SciarrinoFinal4Print.pdf?sequence=1> (p. 353)
- The Southern slave owner might have felt self-justified that his slaves were well fed, compared to laborers in Northern slums. (p. 354)

Book VII, Chapter 2 – Laborer Enslavement

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- The Boston collar manufacturer pays 2 cents/hour to his girls, governed by the law of competition, not governed by sentiment. (p. 357)
- The law of supply and demand drives the lower classes to slavery of want. (p. 357)
- Acts of Emancipation of slaves are in vain – our freedom involves slavery so long as we recognize private property in land. (p. 357)

Book VII, Chapter 3

Compensate Landowners for Theft?

Book VII, Chapter 3 – Compensate Thieves

57

- Private property in land cannot be justified on the ground of utility – to the contrary, it's the cause of poverty, misery, degradation, social disease, and political weakness. (p. 359)
- Justice is the highest and truest expediency. (p. 367)
- Expediency and justice demands we abolish private property in land; it has **no broader base or stronger ground than a mere municipal regulation**. (p. 359)
- John Stuart Mill (like his father, John Mill) served the East India Company – this may have led to the position taken that land owners be compensated for giving up ownership of private property. (p. 361)

Book VII, Chapter 3 – Compensate Thieves

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- Like his father, John Stuart recognized the company's government of India for what it actually was—a despotism of an alien race, which was established by conquest, treaty, and annexation. **Yet they served it well.** (see <https://www.cambridge.org/core/journals/canadian-journal-of-economics-and-political-science-revue-canadienne-de-economiques-et-science-politique/article/john-stuart-mill-servant-of-the-east-india-company/D220DAF8B7524730FD09C323CA28596A>)
- Yes, this would nationalize future unearned increment of land value, but would leave one class in possession of the enormous advantage over others. (p. 362)

Book VII, Chapter 3 – Compensate Thieves

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- Justice in men's mouths is cringingly humble when she first begins a protest against a time honored wrong. (p. 362)
- George is not against patents or capitalist rewards – rather he's against ground rent claiming the reward of the capitalist and the fruits of the inventor's patient efforts. (p. 364)
- Private property in land – fills brothels with girls who might have known the pure joy of motherhood. (p. 364)
- Does the robber have a vested right to rob me as he's done yesterday and today? (p. 364)
- George cites the Dred Scott case - Northerner who purchased a slave's freedom had no claim to another's land. (p. 366)

Book VII, Chapter 3 – Compensate Thieves

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- Critique of lawyers – the law firm of Quirk, Gammon, & Snap; agrees with Voltaire that lawyers are “conservators of ancient barbarism.” (p. 366, p. 368)
- An argument could be made that society confiscate all that land owners profited during their possession of common land – George does not propose that we go that far; just resume ownership, allow the former land owner to retain improvements and person property. (p. 367)

Book VII, Chapter 4
History of Property in Land

Book VII, Chapter 4 – History of Land

- Just because it's always been the case (private property in land) does not prove its justice – e.g., Bishop Butler's saying that there is no nation without a religious establishment, but the U.S. had been around for 100 years in George's time). (p. 369)
- Private property in land is the offspring of ignorance, derived from Rome. (p. 370, p. 373)
- Nowhere has unrestricted individual ownership been freely adopted. (p. 370)
- Private property in land is robbery; its birth in war and conquest. (p. 370)

Book VII, Chapter 4 – History of Land

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- All citizens have equal rights to the use and enjoyment of the land of the community – people who own private property in land persist, that advantage is appropriately taxed. (p. 370)
- George's blind spot – deference to first people of other continents but not North America – only calls for their removal. (p. 371) (p. 393)
- George cites the Swiss Allmends as an example of land held in common, as also cited by Ostrom (1990). See p. 373 and <https://books.google.com/books?id=9bwBAAAAYAAJ&pg=PA297&lpg=PA297&dq=swiss+allmend&source=bl&ots=BWbGOerKUs&sig=ACfU3U3ueg-kXK44vPW6Pdd71sLi3eZPig&hl=en&sa=X&ved=2ahUKEwjByP3KgLbgAhWvV98KHXYKCz0Q6AEwCXoECAEQAQ#v=onepage&q=swiss%20allmend&f=false>

Book VII, Chapter 4 – History of Land

- Interesting analysis of the fall of Rome – that a rotten Rome had been propped up by “the healthier life in the frontiers” until such time that the rot consumed the fringes of the frontier. Is this what we are seeing today? (p. 373-4)
- The idea of “right” is ineradicable from the human mind, that even with pirates and robbers there’s space. (p. 375)
- It’s paradoxical – that the emergence of liberty from feudal bonds has been accompanied by a tendency in the treatment of land to a form of ownership which involves the enslavement of the working classes. (p. 380)

Book VII, Chapter 4 – History of Land

65

- Political economists mistake this oppression of workmen as a pressure of natural laws, and workmen mistake it for the oppression of capital. (p. 380)
- 30,000 men have the legal power to expel the whole population from 5/6 of the British Islands. (p. 381)
- Friedrich Schiller once said of the French Revolution – a great moment found a small people – see https://books.google.com/books?id=MU5cAAAAMAAJ&q=schiller+french+revolution+great+moment+found+a+small+people&dq=schiller+french+revolution+great+moment+found+a+small+people&hl=en&sa=X&ved=0ahUKEwjn1JbihLbgAhWxdd8KHdc_DNAQ6AEIWDAJ

Book VII, Chapter 4 – History of Land

66

- In 1789 the French Constituent Assembly voted to abolish religious tithes and enact general taxation – the opposite of what George advises, because in the tithes, the Church was doing community work as a condition on which they held their lands. (p. 383) Everybody then contributed and the land owner was less obligated to do anything.

Book VII, Chapter 5

U.S. Experience of Property in Land

Book VII, Chapter 5 – U.S. Experience

- We slipped into accepting private property in land because of its being plentiful – we could not sense the future evil of monopoly ownership. We have plenty of unfenced land. (p. 388)
- In California gold rush early days, primitive ideas of community land ownership prevailed, until the passage of a law permitting the patenting of mineral lands. (p. 387)
- In that system, nobody could acquire more than a possessory claim; nobody locked up natural resources. (p. 386)
- Labor was the creator of wealth. (p. 386)

How today's class ends

The harder the times, the lower the wages, the increasing poverty perceptible in the U.S. are but results of the natural laws we have traced – laws as universal and as irresistible as that of gravitation. We did not establish the republic when, in the face of principalities and powers, we flung the declaration of the inalienable rights of man; we shall never establish the republic until we practically carry out that declaration by securing to the poorest child born among us an equal right to his native soil! We did not abolish slavery when the 14th Amendment was ratified; to abolish slavery, we must abolish private property in land! (p. 394)

END