

Progress and Poverty

Class #12

Summary of the Entire Text

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Final Class

We've come to our last class. We celebrate the wonderful journey we've taken in reading a document that inspired so many yet created a powerful reaction against it.

For each of the ten books of Progress and Poverty, a summary is provided that follows the development of George's argument for the collection of ground rent (and other monopoly rents) for social uses that include the provision and upkeep of infrastructure asset services – e.g., roads, water supply, education, healthcare, bridges, transit, power supply, nature, and communications.

HGSSS hopes you enjoyed the experience.

Think about this

There are people into whose heads it never enters to conceive of any better state of society than that which now exists—who imagine that the idea that **there could be a state of society** in which greed would be banished, prisons stand empty, **individual interests be subordinated to general interests**, and no one seek to rob or to oppress his neighbor, is but the dream of impracticable dreamers, for whom these practical level-headed men, who pride themselves on recognizing facts as they are, have a hearty contempt.

But such men - though some of them write books, and some of them occupy the chairs of universities, and some of them stand in pulpits - **do not think**. (p. 464)

Progress and Poverty

Henry George makes socialism superfluous

The Single Tax Movement in the United States (Arthur Nichols Young)

This book, published in 1916 provides excellent insights on the origin, challenges, and fate of the Single Tax Movement of George. It is referenced in these slides, and available here:

<https://ia902708.us.archive.org/31/items/singletaxmovemen00younrich/singletaxmovemen00younrich.pdf>

Progress and Poverty

Henry George makes socialism superfluous

It is funny that in today's politics (April 2019), George may not be called a socialist, but by his standards and what he proposes, his Remedy

“realizes the dream of socialism.” (p. 456)

Progress and Poverty

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

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

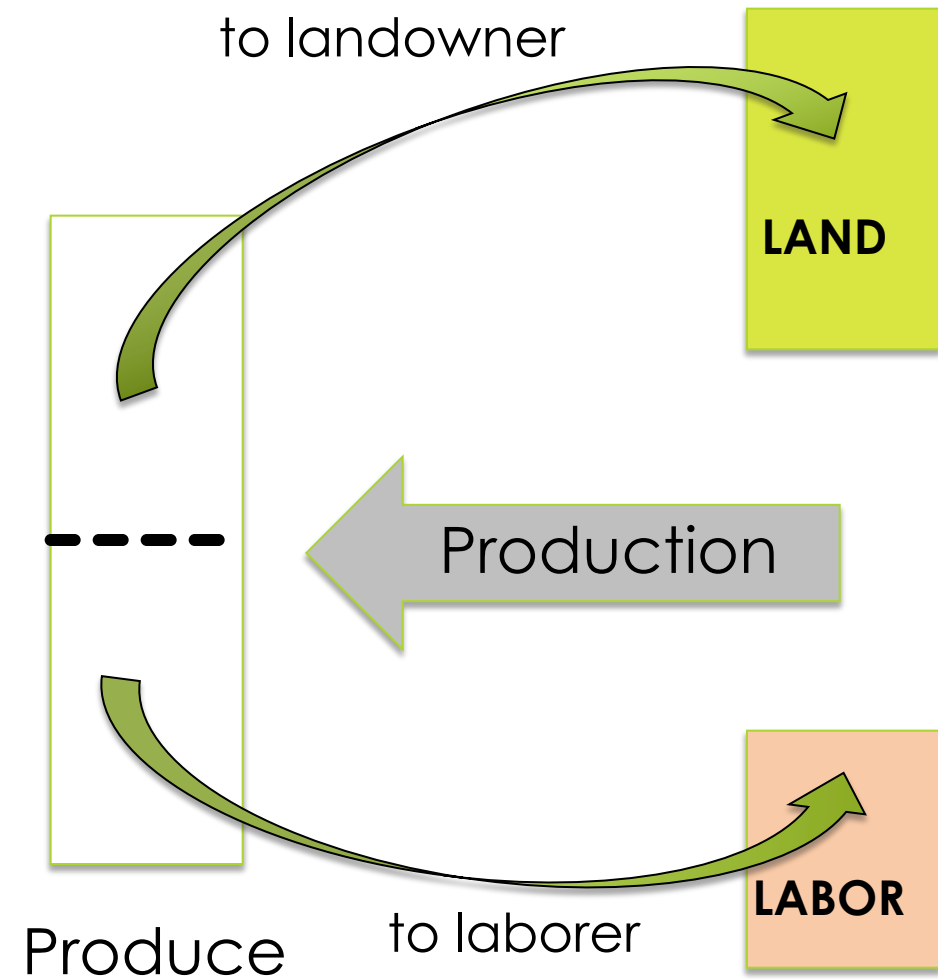
Interest: depends on the margin of production, falling as it falls, and rising as it rises (*note: its ratio with wages being fixed by the net power of increase which attaches to capital*) (p. 219)

*The margin of production is the best available opportunity, in a given place and time, for labor to employ itself (and capital to produce product) without the payment of rent. The level of wages available to labor at the margin of production determines the general level of wages in society.

Progress and Poverty

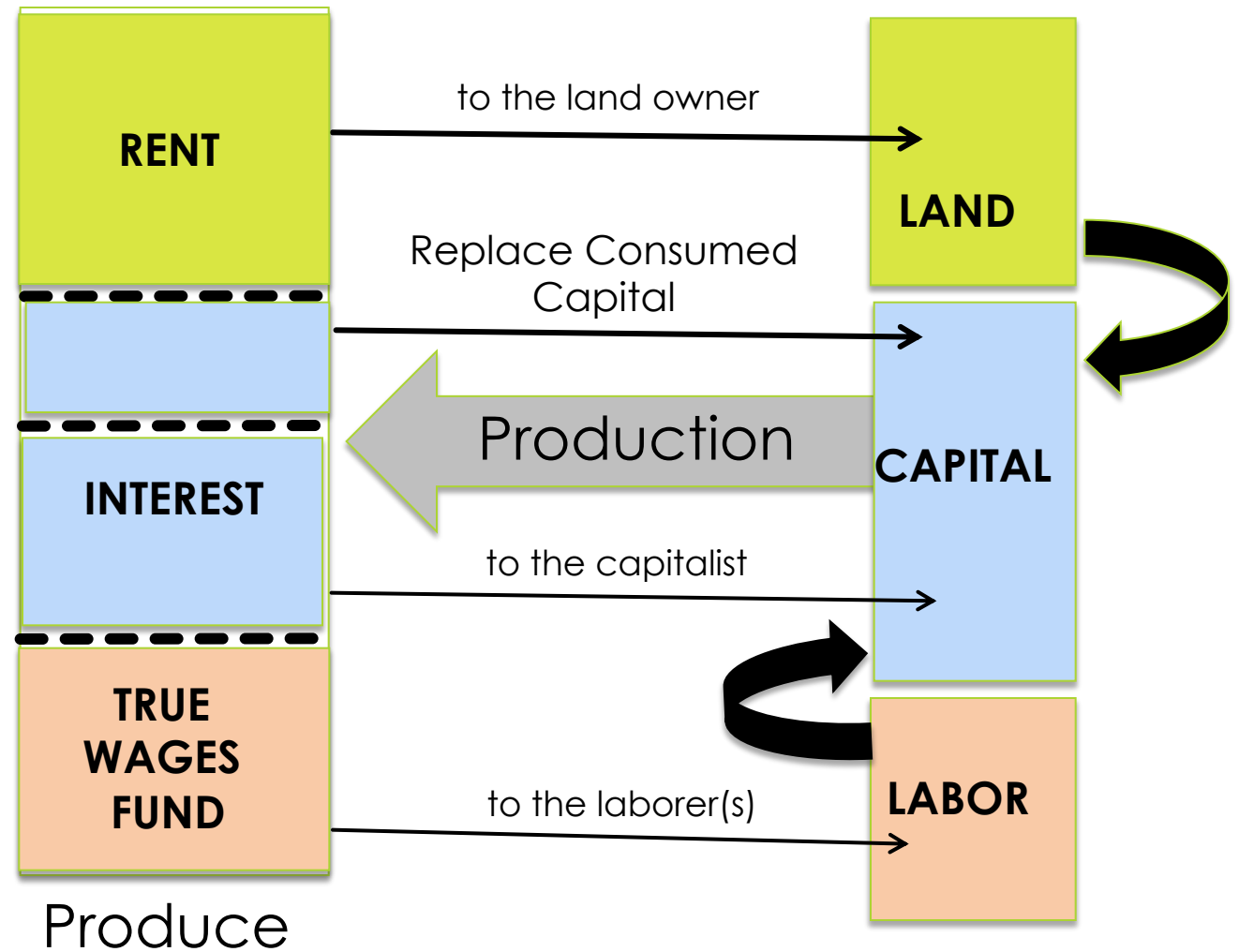
- It's paradoxical – that the emergence of liberty from feudal bonds has been accompanied by a tendency in the treatment of land to a form of ownership which involves the enslavement of the working classes. (p. 380)

AGRICULTURAL PRODUCTION w/o (or limited) CAPITAL



AGRICULTURAL PRODUCTION with CAPITAL

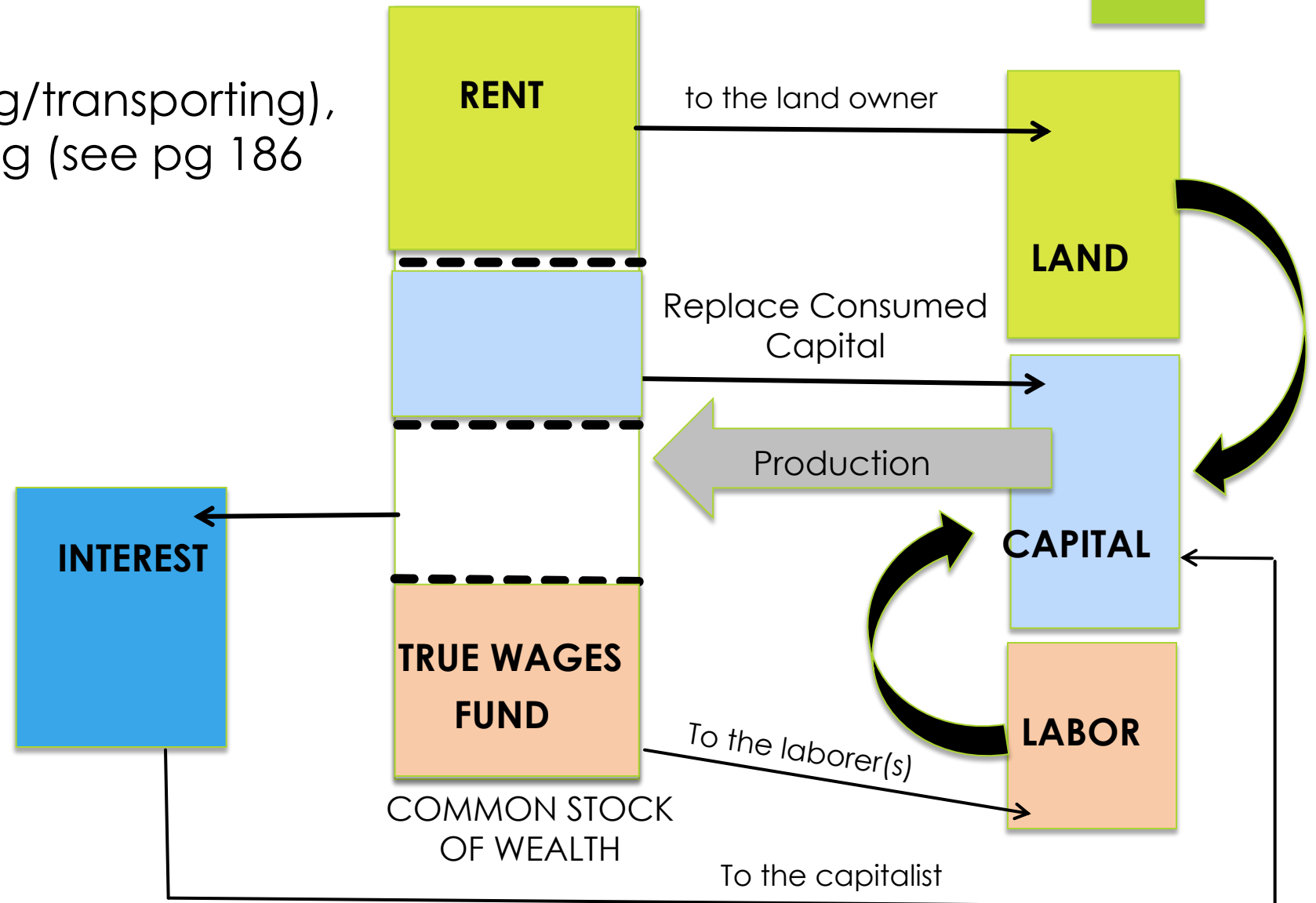
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PRODUCTION* / FLOW OF WEALTH

11

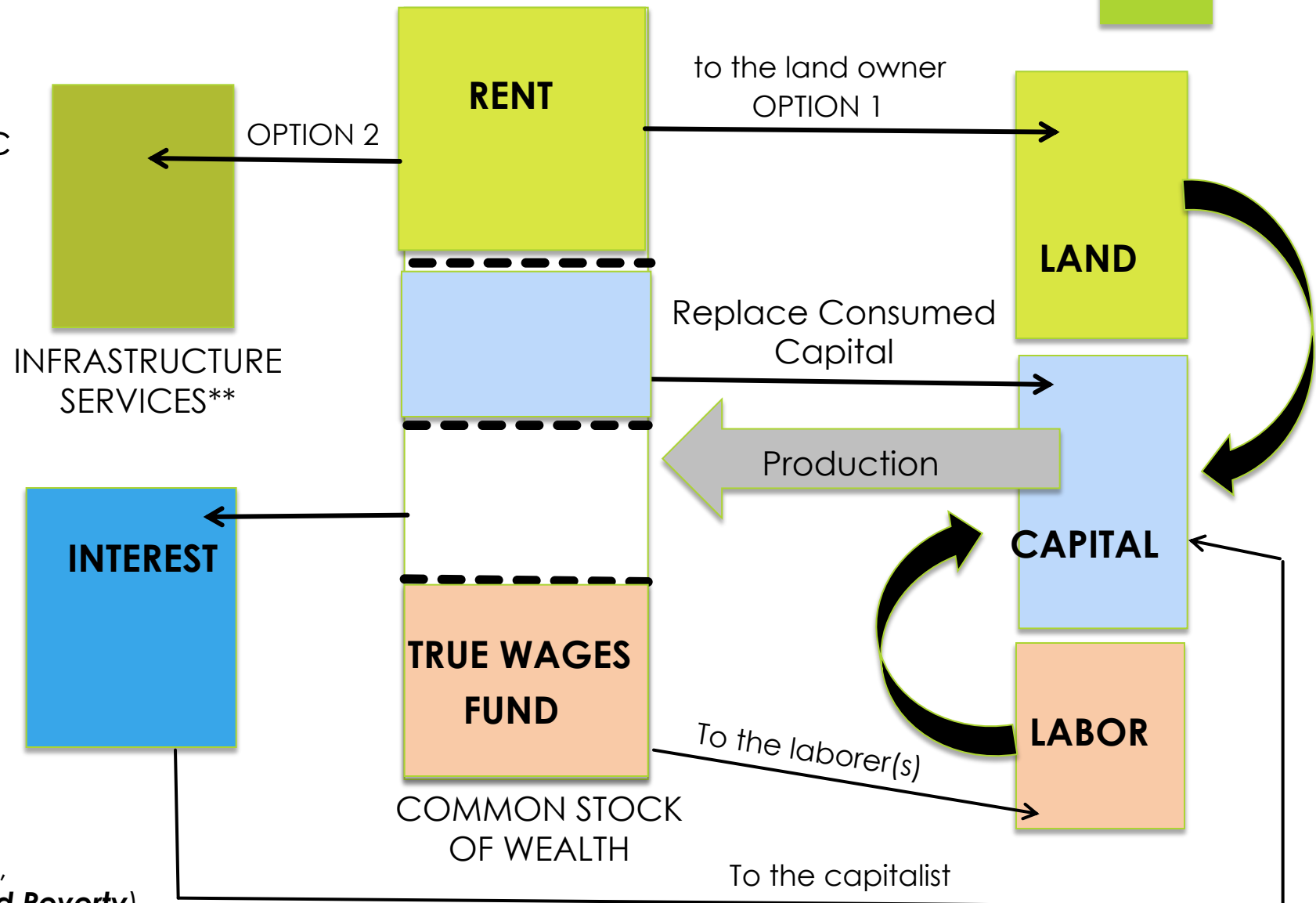
* Adapting (manufacturing/transporting), growing, and exchanging (see pg 186 of ***Progress and Poverty***)



PRODUCTION* / FLOW OF WEALTH

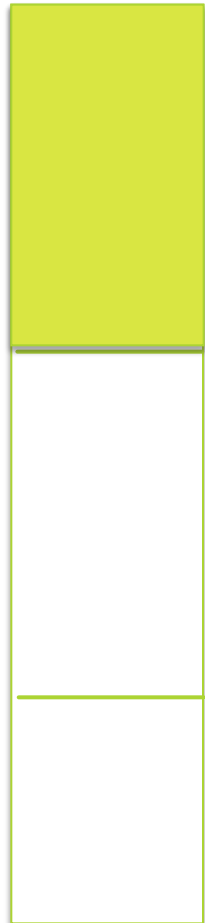
12

** 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

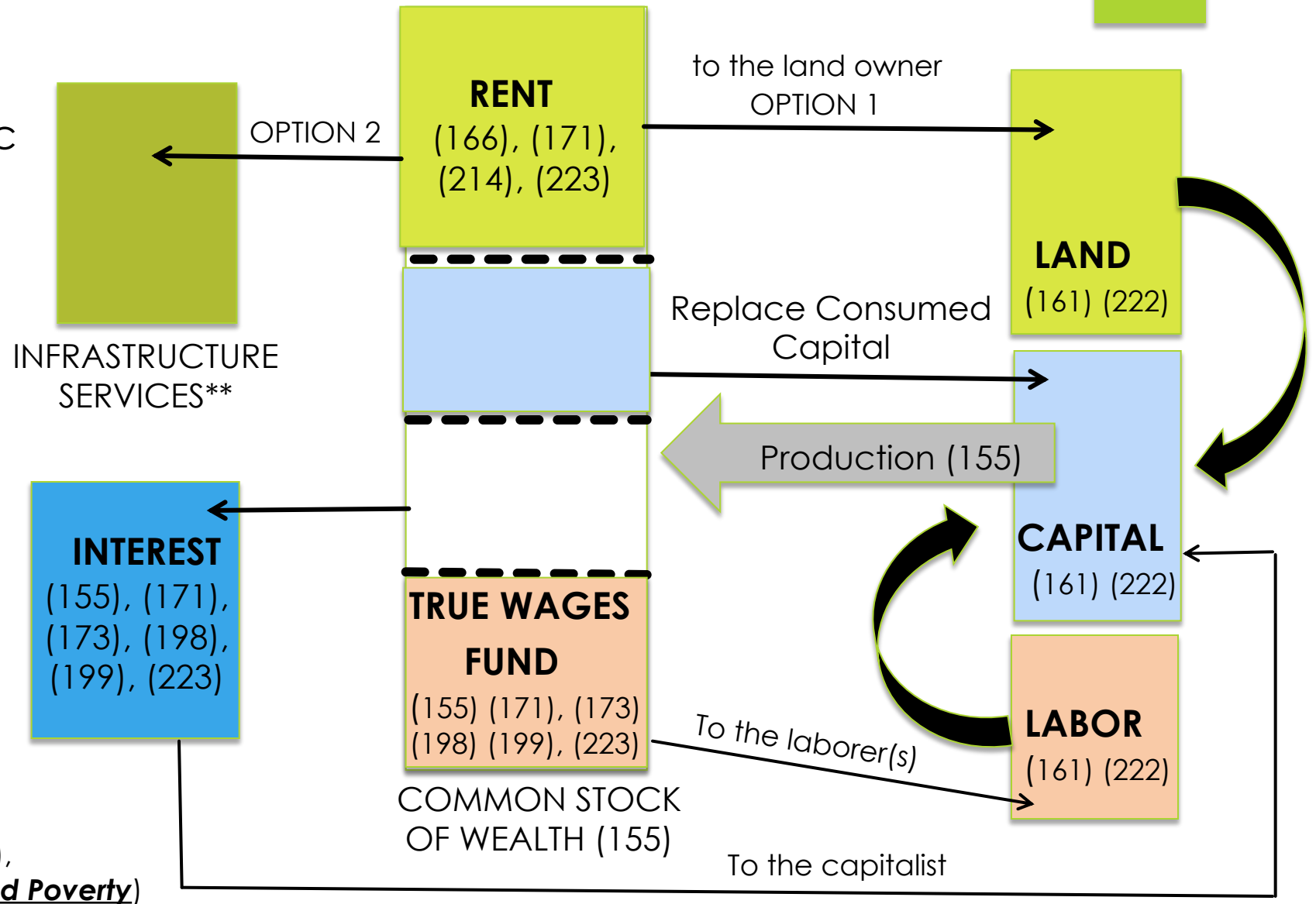


Community – in way of services
(**common pool** collective)

PRODUCTION* / FLOW OF WEALTH

14

** 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**

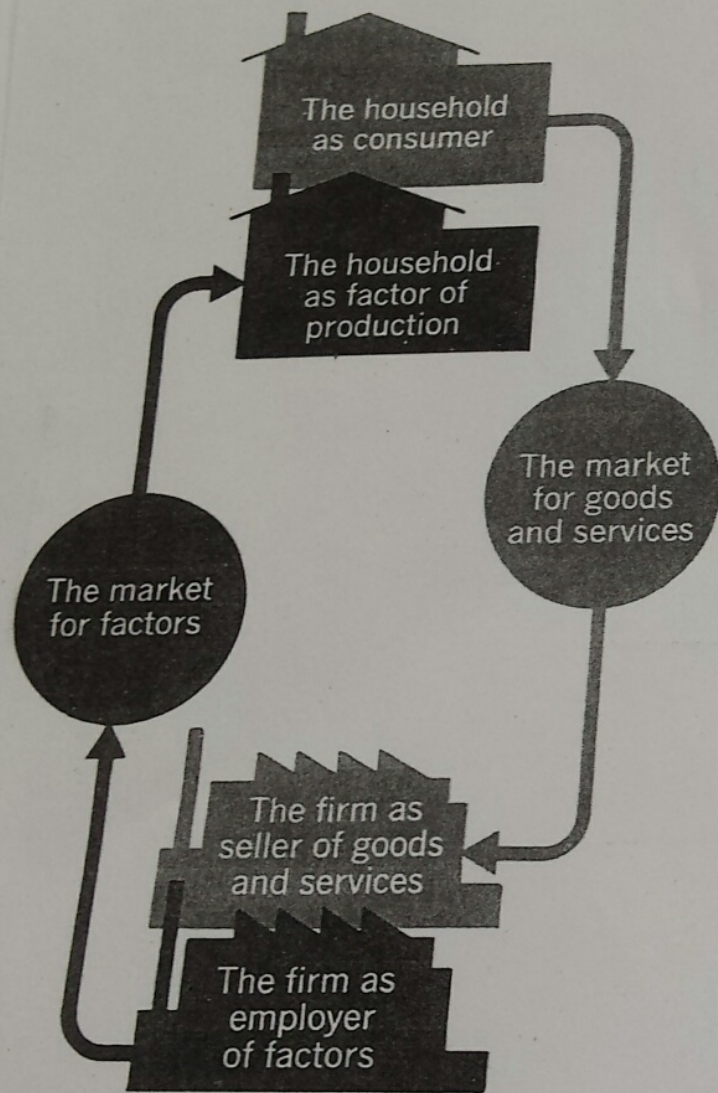


FIGURE 7 · 1
Circular flow in microview

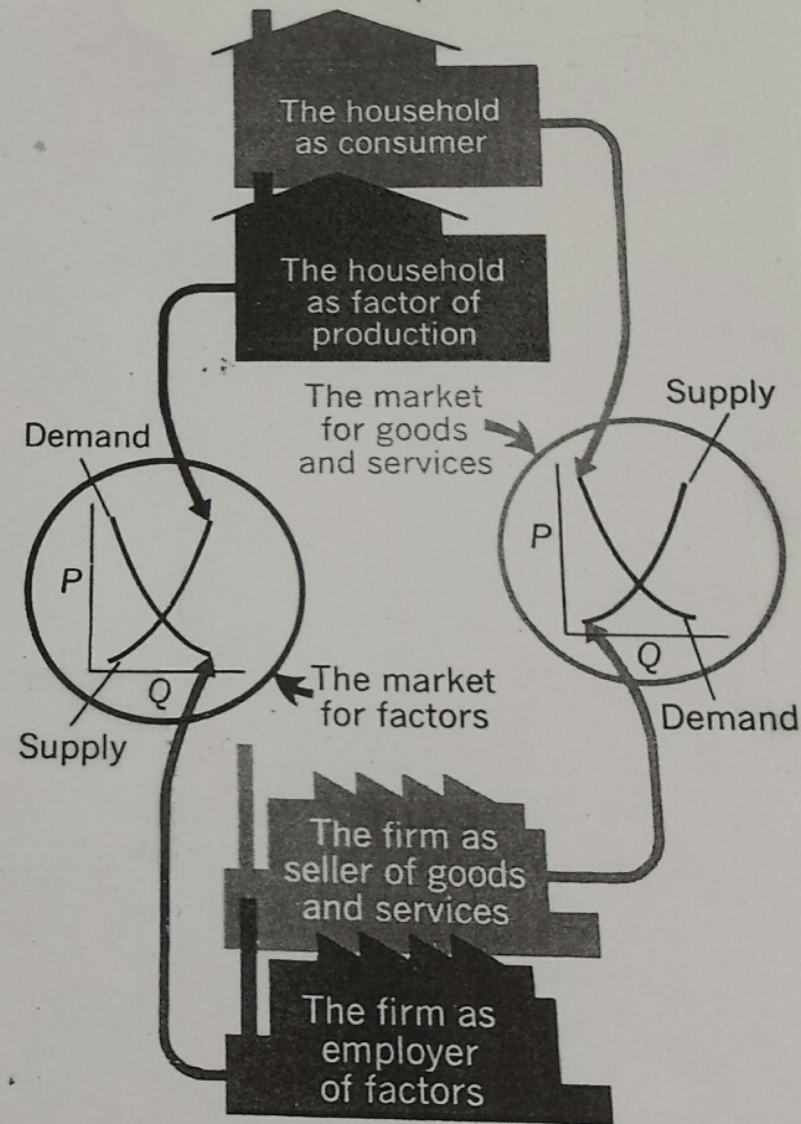


FIGURE 7 · 2
Demand and supply curve in the
circular flow

- Figure 7.1 organizes complexity of the marketplace into a few very simple (and misleading – Marty says) overall elements, where nirvana appears when demand and supply find equilibrium.
- The world is divided into households and firms.
- **Government is omitted**, unless you want to group it with firms for some (misguided – Marty says) reason.
- Heilbroner & Thurow make no provision for the identification and/or capture of rents that could move society toward a just distribution of wealth.
- Essentially, the authors are OK with social inequality and do their hardest to apologize that the world is as just as it needs to be, a proverbial unjust equilibrium – slaves and slave masters, kings of speculation and homeless, unemployed, or underpaid laborers.

UNDERSTANDING MICROECONOMICS, *third edition*
by Robert L. Heilbroner and Lester C. Thurow

© 1975 by Prentice-Hall, Inc., Englewood Cliffs, New Jersey
© 1972, 1968 by Robert L. Heilbroner

After the Crash – Designing a Depression-Free Economy* (Clifford W. Cobb's intro)

- ▶ *Because economists treat rapid changes in real estate prices as an epiphenomenon, not a causal factor in economic crises, their remedies do not take land speculation into account.*
- ▶ *Instead, they concentrate exclusively on solutions that are aimed at changing financial flows (following Keynes)*
- ▶ *Ultimately, their ideas can all be traced back to hydraulic metaphors.*

* *Studies in Economic Reform and Social Justice*, by Mason Gaffney, Wiley-Blackwell, American Journal of Economics and Sociology, 2009

After the Crash – Designing a Depression-Free Economy (Clifford W. Cobb's intro)

- ▶ *When an economy slows down, conventional economic wisdom says that something is clogging the pipes. (p. 12)*
- ▶ *The remedy lies in blasting water (money) through the pipes to enable them to flow freely again.*
- ▶ *The conventional responses to crisis by mainstream macroeconomists are:*
 - 1. Cut interest rates to promote investment, or*
 - 2. Run a fiscal deficit (borrow, government spending)*

How today's class begins

- ▶ *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. (p. 434)*

Progress and Poverty

Class #1 – Book I: Wages and Capital

Chapter 1: The current doctrine of wages – its insufficiency

Chapter 2: The meaning of the terms

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 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 speculative real estate 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**

27

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

Progress and Poverty

Class #2 – Book I: Wages and Capital (continued)

Chapter 3: Wages not drawn from capital, but produced by the labor

Chapter 4: The maintenance of laborers not drawn from capital

Chapter 5: The real functions of capital

Book I, Chapter 3, **Wages Labor Produced**

29

- Let's recapitulate this Chapter (p. 70):
 - The man who works for himself gets his wages in the things he produces, as he produces them, and exchanges this value into another form whenever he sells the produce
 - If he works for another for stipulated wages in money, he works under a contract of exchange
 - As he renders his labor, he gets wages at stated times, in stated amounts
 - As he labors, he is advancing capital to his employer; the employer never advances capital to him

Book I, Chapter 3, **Wages Labor Produced**

30

- Let's recapitulate this Chapter (p. 70) (continued):
 - Whether the employer who receives this produce in exchange for the wages immediately re-exchanges it, or keeps it for awhile, no more alters the character of the transaction than does the final disposition of the product made by the ultimate receiver, who may, perhaps, be in another quarter of the globe and at the end of a series of exchanges numbering hundreds.

Book I, Chapter 4, **Maintenance of Laborers**

31

- Wages ... do not come from wealth set apart for assistance of production, but wealth set apart for subsistence (p.72)
- Wealth is no longer capital (i.e., wealth used to procure more wealth) when articles of wealth pass into the hands of the consumer (for gratification of desires)– regardless of whether that consumption aids in production (p.72)
- It is not safe to leave this argument here ...even though it is sufficient (p.73)
- Must Robinson Crusoe create a stock of food before setting out to build his canoe? (p. 74)

Book I, Chapter 4, **Maintenance of Laborers**

32

- **Community** – In larger units of people, there develops a “sense of mutual interest” where people in the present divide (exchange) food with those whose efforts are directed to future recompense. (p. 74)
- **Dynamics** – There should be (within the circle of exchange) a contemporaneous production of sufficient subsistence for laborers (p.74) and a willingness to exchange this subsistence for the thing on which the labor is being bestowed (p. 74)
- **Idle Rich** – The heir whose government bonds (power of commanding wealth) afford him a leisured lifestyle, has subsistence provided by contemporaneous production (p.75)

Book I, Chapter 4, **Maintenance of Laborers**

33

- **Infrastructure** – When modern government undertakes great work of years, it does not appropriate to it wealth already produced, but wealth yet to be produced – taken from producers in taxes as work progresses (p.76)
- **Community** – The machinist's labor, actually exerted in the production of the engine, virtually produces the things in which he expends his wages (p.76) – and what happens to the community when the machinist's job moves to Mexico? (instructor's comment)

Progress and Poverty

Class #3 – Book II: Population and Subsistence (Malthus)

Chapter 1: The Malthusian theory, its genesis and support

Chapter 2: Inferences from facts

Chapter 3: Inferences from analogy

Chapter 4: Disproof of the Malthusian theory

Book II – **Population and Subsistence**

- ▶ Look simply at the facts. Can anything be clearer than that the cause of the poverty which festers in the centers of civilization is not in the weakness of the productive forces? In countries where poverty is deepest, the forces of production are evidently strong enough, if fully employed, to provide for the lowest not merely comfort but luxury.
- ▶ The industrial paralysis, the commercial depression which curses the civilized world to-day, evidently springs from no lack of productive power. Whatever be the trouble, it is clearly not in the want of ability to produce wealth. (p. 150)

Book II – **Population and Subsistence**

36

- ▶ It is this very fact—that want appears where productive power is greatest and the production of wealth is largest—that constitutes the enigma which perplexes the civilized world, and which we are trying to unravel. Evidently the Malthusian theory, which attributes want to the decrease of productive power, will not explain it.
- ▶ That theory is utterly inconsistent with all the facts. It is really a gratuitous attribution to the laws of God of results which, even from this examination, we may infer really spring from the maladjustments of men—an inference which, as we proceed, will become a demonstration. (p. 150)

Progress and Poverty

Class #4 – Book III: The Laws of Distribution

Chapter 1: The inquiry narrowed to the laws of distribution; necessary relation of these laws

Chapter 2: Rent and the law of rent

Chapter 3: Interest and the cause of interest

Book III – **Laws of Distribution**

38

- Land, labor, and capital are the **factors of production**. The term land includes all natural opportunities or forces; the term labor, all human exertion; and the term capital, all wealth used to produce more wealth. In returns to these three factors is the whole produce distributed. That part which goes to land owners as payment for the use of natural opportunities is called rent; that part which constitutes the reward of human exertion is called wages; and that part which constitutes the return for the use of capital is called interest. **These terms mutually exclude each other.** The income of any individual may be made up from any one, two, or all three of these sources; but in the effort to discover the laws of distribution we must keep them separate. (p. 162)

Book III – **Laws of Distribution**

39

- ▶ But when we consider the origin and natural sequence of things, this order is reversed; and
- ▶ There must be **land** before labor can be exerted, and
- ▶ **Labor** must be exerted before capital can be produced.
- ▶ **Capital** instead of first is last; instead of being the employer of labor, it is in reality employed by labor. (p. 162)

Book III – **Laws of Distribution**

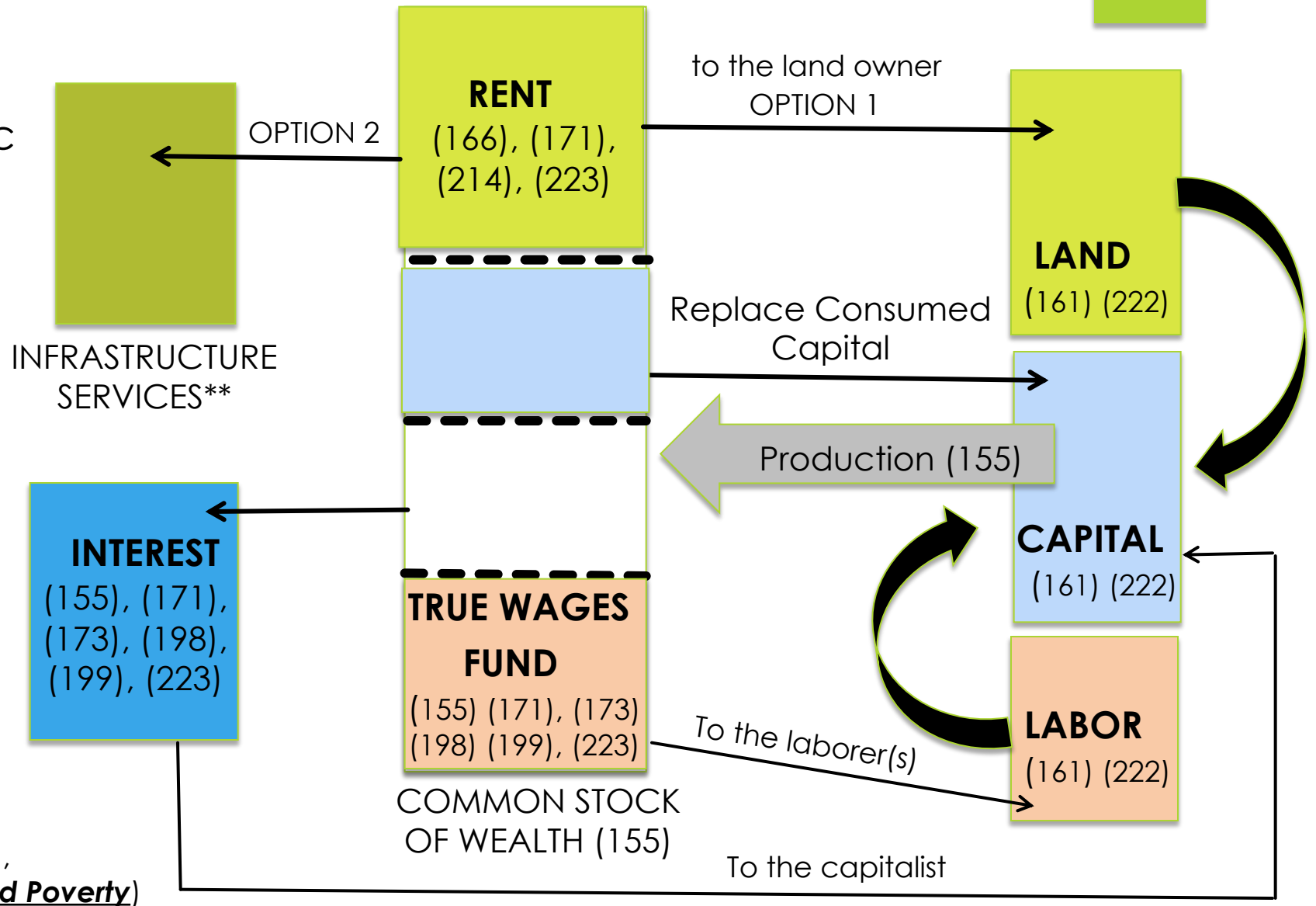
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- ▶ Capital is a result of labor, and is used by labor to assist it in further production. **Labor is the active and initial force,** and labor is therefore the employer of capital. Labor can be exerted only upon land, and it is from land that the matter which it transmutes into wealth must be drawn.
- ▶ **Land therefore is the condition precedent**, the field and material of labor. **The natural order is land, labor, capital;** and, instead of starting from capital as our initial point, we should start from land. (p. 162)

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**)

Progress and Poverty

Class #5 – Book III: The Laws of Distribution

Chapter 4: Of the effect upon the production of wealth

Chapter 5: The law of interest

Chapter 6: Wages and the of wages

Chapter 7: Correlation and co-ordination of these laws

Chapter 8: The statics of the problem thus explained

Book III, Chapter 4 – Spurious Capital

- Monopolies typically acquire large masses of capital (LMC), under common control (p. 191)
- A new and essentially different power from power of increase of capital – we call **interest**
- LMC are *more insidious than protective tariffs* (p. 192)
- What happened when the first RRs approached a town?
- Pay up or we pass you up – just like NFL forcing advantages
- LMC undercut competition, only to then drive up costs (Walmart)
- George often cites British genocide; India's Rohillas killed by a local enforcer hired by Warren Hastings (p. 193) (Opium Wars)

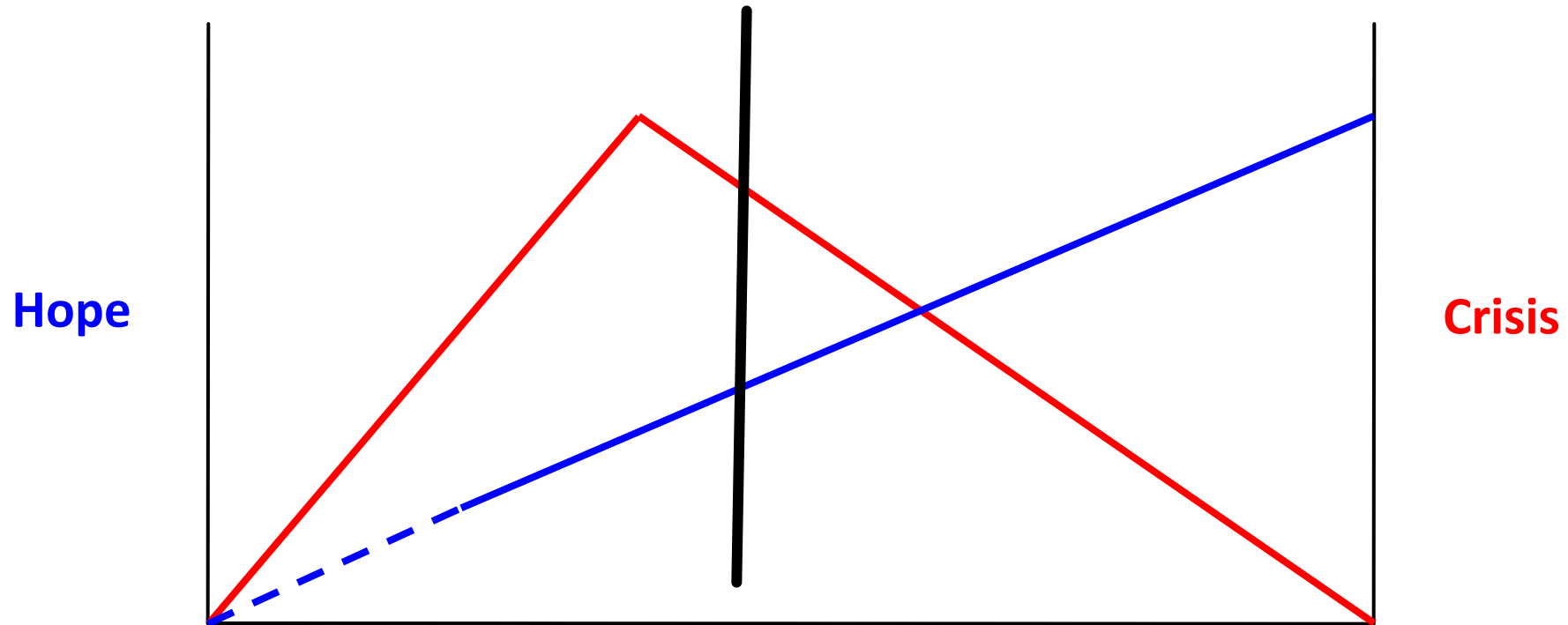
Book III, Chapter 5 – Law of Interest

- Remember – Labor employs capital, not other way around! (p.195)
- Capital is not fixed; constant flow of wealth to capital and capital to wealth
- Maximum given to capital is the interest it will bring
- Minimum replaces consumed capital

Book III, Chapter 5 – Law of Interest

- Native American example of bow and arrow capital (P. 195)
 1. Can weapon maker of tribe claim 6 or every 7 buffalo killed with a new weapon?
 2. No; it is not increased efficiency given to labor that fixes maximum production
 3. It is the average power of increase which belongs to capital generally – type of phase change as in the HCC
 4. Advance in the arts has created a common property and a power of labor – **THIS IS NOT EFFICIENCY!**

Hope – Crisis Continuum



View of “1 step forward, 3 steps forward”

Book III, Chapter 5 – Law of Interest

- Reproductive powers of nature (p. 197)
 1. Increase of interest from beneficial forces in nature that allow an abundance of commodities to exist
 2. However, VALUES play a moderating influence
 3. E.g., rabbits multiply faster than horses, but prices decline on quantity
 4. Industrial communities are not limited by political or geographical division, but international exchange
 5. Yet, a balance between agriculture and manufacturing yields a normal rate of interest, a ratio

Book III, Chapter 5 – Law of Interest

- Labor and capital are different forms of same thing – HUMAN EXERTION! (p. 198)
- Labor is stored up in matter, as heat of sun is stored up in coal
- Interest is return capital can secure, less insurance and wages of superintendence (p. 199)

Book III, Chapter 6 – Wages, Law of Wages

49

➤ Fundamental Principle of Human Action – MSTGTDWTLE

1. Men seek to gratify their desires with the least exertion
2. This brings to an equality, through competition it induces a reward gained by equal exertion under similar circumstances.
3. For self-employed and work for others - through prices
4. Wages are fixed by the value/produce of such labor to the laborers themselves. (p. 205)
5. MSTGTDWTLE – fix wages at produce of such labor at the highest natural productiveness open to it (is there a 21st century phenomenon working here? – infrastructure services?)

Book III, Chapter 7 – Correlation/Coordination

50

- Competition prevents the returns to LABOR and CAPITAL being anywhere greater than upon the poorest LAND in use. (p. 219)
- Political economy of 1879 (and today!) view of laws of distribution of wealth have/do: (p. 220)
 1. No common center
 2. No mutual relation
 3. Not the correlating divisions of a whole
 4. Measure different qualities

Book III, Chapter 7 – Correlation/Coordination

51

➤ Georgist laws of distribution (on the other hand)

1. Spring from one point

2. Support and supplement each other

3. Form correlating divisions of a complete whole

Book III, Chapter 8 – Statics of Problem Explained

52

- Resemblance between **science of political economy (1879)** and science of astronomy: (p. 221)
 1. Elaborate (apparent) system set to explain sense certainty: Earth-based universe
 2. Cannot explain all phenomena
 3. Copernican theory gave **simplicity and harmony** to the actual system: Sun-based solar system

Book III, Chapter 8 – Statics of Problem Explained

53

- Failure of wages to increase with increase of **productive power** is due to **increased rent**. (p. 222)
- Not the total produce but the **NET PRODUCE** after rent is removed that determines what can be divided as **WAGES and INTEREST**. (p. 223)

Book III, Chapter 8 – Statics of Problem Explained

54

- Wages and interest is everywhere fixed:
- 1. Not by productiveness of labor
- 2. But by value of land
- 3. Value of land **low** – wages and interest is **high**
- 4. Value of land **high** – wages and interest is **low**
- 5. Increase of **LAND** value ALWAYS **at expense of** value of **LABOR**
- 6. Increase of productive power does **not** increase wages – it **raises rent**.

Progress and Poverty

Class #6 – Book IV: Effect of Material Progress Upon The Distribution of Wealth

Chapter 1: The dynamics of the problem yet to seek

Chapter 2: Effect of increase of population upon the distribution of wealth

Chapter 3: Effect of improvements in the arts upon the distribution of wealth

Chapter 4: Effect of the expectation raised by material progress

Book IV – **Material Progress/Dist. of Wealth**

56

- ▶ The changes which constitute or contribute to material progress are three:
- ▶ (1) **increase in population**;
- ▶ (2) **improvements in the arts** of production and exchange; and
- ▶ (3) **improvements in** knowledge, education, **government**, (i.e., infrastructure asset services) police, manners, and morals, so far as they increase the power of producing wealth.(p. 227)

Book IV – **Material Progress/Dist. of Wealth**

57

- ▶ Material progress, as commonly understood, consists of these three elements or directions of progression, **in all of which the progressive nations** have for some time past been advancing, though in different degrees.
- ▶ As, considered in the light of material forces or economies, the increase of knowledge, the betterment of government, etc., have the same effect as improvements in the arts, it will not be necessary in this view to consider them separately. (p. 227-228)

Book IV – **Material Progress/Dist. of Wealth**

58

- ▶ What bearing intellectual or moral progress, merely as such, has upon our problem we may hereafter consider.
- ▶ We are at present dealing with **material progress**, to which these things contribute only as they **increase wealth-producing power**, and shall see their effects when we see the effect of improvements in the arts. (p. 227-228)

Progress and Poverty

Class #7 – Book V: The Problem Solved

Chapter 1: The primary cause of recurring paroxysms

Chapter 2: The persistence of poverty amid advancing wealth

Book V – The Problem Solved

- ▶ *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)*

Book V – **The Problem Solved**

- ▶ 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.*

Book V – The Problem Solved

- ▶ 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)

Book V – The Problem Solved

- ▶ 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 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 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

69

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

- 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.**

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

73

- 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.

74

- 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 – Laborer Enslavement

75

- 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

76

- 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 Thieves

77

- 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

78

- 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

79

- 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

80

- 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 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

82

- 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 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)

Progress and Poverty

Class #9 – Book VIII: Application of the Remedy

Chapter 1: Private property in land inconsistent with the best use of land

Chapter 2: How equal rights to the land may be asserted and secured

Chapter 3: The proposition tried by the canons of taxation

Chapter 4: Indorsements and objections

Book VIII, **Application of the Remedy**

86

- ▶ There is a delusion resulting from the tendency to confound the **accidental** with the **essential**—a delusion which the law writers have done their best to extend, and political economists generally have acquiesced in, rather than endeavored to expose -
- ▶ that private property in land is necessary to the proper use of land, and that again to make land common property would be to destroy civilization and revert to barbarism. (p. 396)

Book VIII, **Application of the Remedy**

87

- ▶ This delusion may be likened to the idea which, according to Charles Lamb, so long prevailed among the Chinese after the savor of roast pork had been accidentally discovered by the **burning down of Ho-ti's hut** -
- ▶ that to cook a pig **it was necessary** to set fire to a house. But, though in Lamb's charming dissertation it was required that a sage should arise to teach people that **they might roast pigs without burning down houses**, it does not take a sage to see that what is required for the improvement of land is not absolute ownership of the land, but security for the improvements. (p. 396)

Book VIII, **Application of the Remedy**

88

- ▶ This will be obvious to whoever will look around him. While there is no more necessity for making a man the absolute and exclusive owner of land, in order to induce him to improve it, than there is of burning down a house in order to cook a pig;
- ▶ while the making of land private property is as rude, wasteful, and uncertain a device for securing improvement, as the burning down of a house is a rude, wasteful, and uncertain device for roasting a pig, we have not the excuse for persisting in the one that Lamb's Chinamen had for persisting in the other.
(p. 397)

Book VIII, **Application of the Remedy**

89

- ▶ Until the sage arose who invented the rude gridiron, which according to Lamb, preceded the spit and oven, no one had known or heard of a pig being roasted, except by a house being burned. But, among us, nothing is more common than for land to be improved by those who do not own it.
- ▶ The greater part of the land of Great Britain is cultivated by tenants, the greater part of the buildings of London are built upon leased ground, and even in the United States the same system prevails everywhere to a greater or less extent. Thus it is a common matter for use to be separated from ownership. (p. 397)

Progress and Poverty

Class #10 – Book IX: Effects of the Remedy

Chapter 1: Of the effect upon the production of wealth

Chapter 2: Of the effect upon distribution and thence upon production

Chapter 3: Of the effect upon individuals and classes

Chapter 4: Of the changes that would be wrought in social organization and social life

Book IX, Chapter 1 – Effect on Prod of Wealth

91

- ▶ Community gains by refusing to kill the goose that lays golden eggs (p. 435)
- ▶ Refraining from muzzling the ox that treadeth out the corn (Deuteronomy 25:4); i.e., allow the ox to eat from part of his labor while he treads out the grain. (p. 435)
- ▶ Every productive enterprise, besides its return to those who undertake it, yields collateral advantages to others. (p. 435) *First to identify what is now called “positive externalities.” To George, these advantages were NOT outside of the circular flow!*

Book IX, Chapter 1 – Effect on Prod of Wealth

92

- ▶ Fruit tree ...rain which it helps to attract falls not alone on his field. (p. 435) *An early ecologist, to recognize climate effects of forestation.*
- ▶ (Production) benefits others besides those who get the direct profits; nature laughs at a miser. (p. 436) *This statement exposes the banal simplicity of the Heilbroner/Thurow circular economic flow.*
- ▶ (With George's Remedy) the selling price of land would fall; land speculation would receive its death blow; land monopolization would no longer pay. (p. 436)

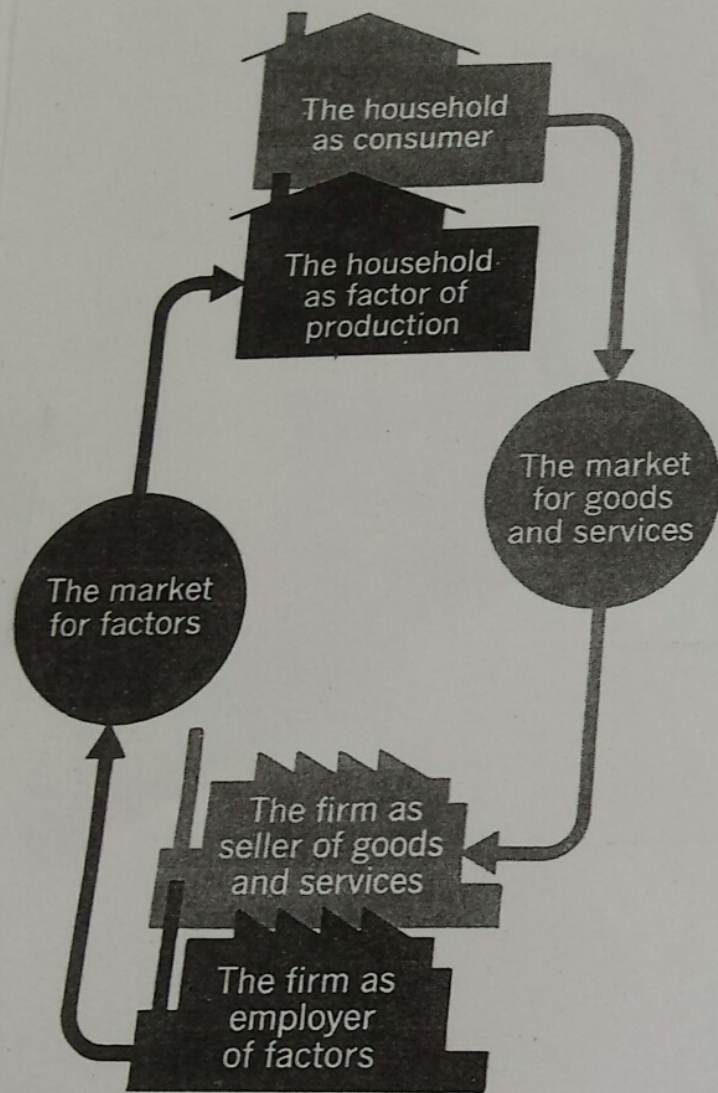


FIGURE 7 · 1
Circular flow in microview

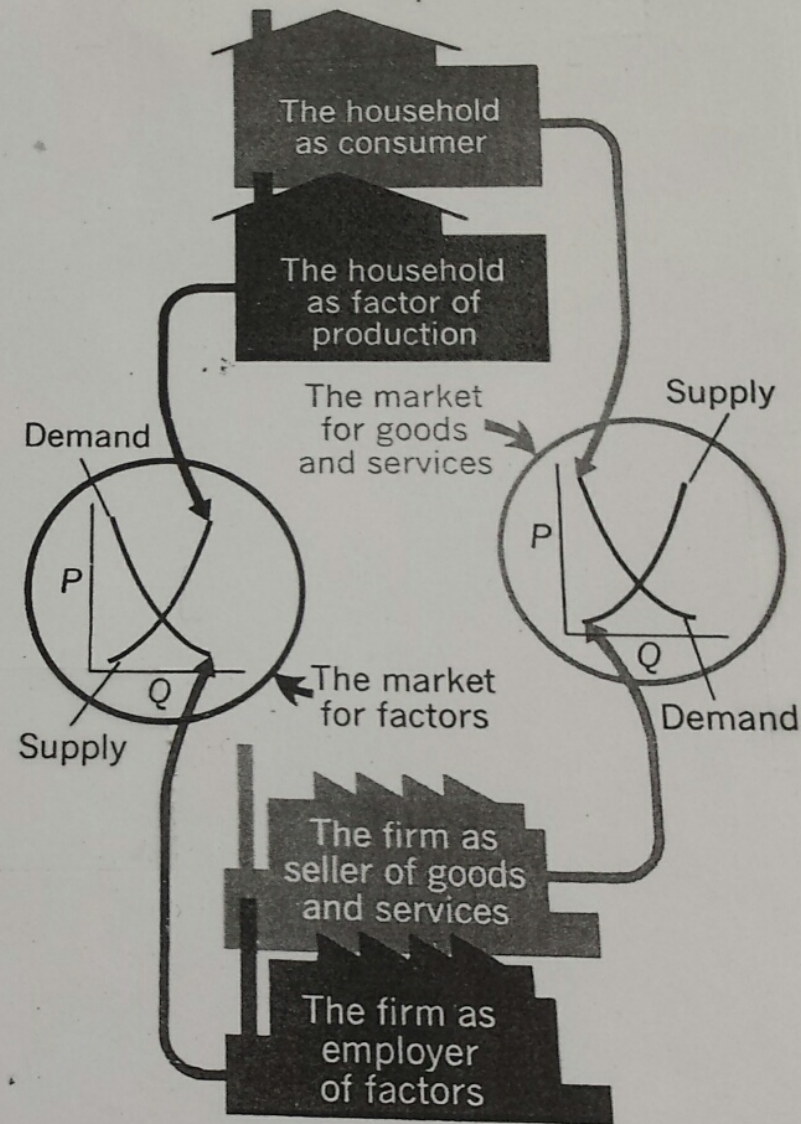


FIGURE 7 · 2
Demand and supply curve in the
circular flow

Book IX, Chapter 1 – Effect on Prod of Wealth

94

- ▶ Placing all taxes on the value of land (is like) putting up the land at auction to whomsoever would pay the highest rent to the state; demand for land fixes its value (p. 437)
- ▶ Speculators would be taxed as much as though his land were covered with houses and barns. They would pay for the privilege of keeping other people off of it. (p. 437)
- ▶ (Payments to the state) would be made in lieu of all taxes now levied upon improvements, machinery, and stock. (p. 438)

Book IX, Chapter 1 – Effect on Prod of Wealth

95

- ▶ Employers of labor – not only compete against other employers, but against the ability of laborers to become their own employers. (p. 438)
- ▶ Recurring paroxysm which paralyze industry would cease (with the Remedy implemented). (p. 439)

Book IX, Chapter 2 – Effect on distribution/prod

96

- ▶ George calls infrastructure asset services “public burdens;” the advantages of a land tax cannot be fully appreciated until we consider the effect on the distribution of wealth. (p. 440)
- ▶ Private ownership of land allows wealth to be transferred from labor and capital to private hands. (p. 440)
- ▶ Destroy this inequality by taxing the whole of rent to promote equality. (p. 440)

Book IX, Chapter 2 – Effect on distribution/prod

97

- Wealth, then, would be divided into two portions: In wages and interests; then to the community as a whole, distributed in public benefits to all its members. (p. 441)



Book IX, Chapter 2 – Effect on distribution/prod

98

- ▶ The one part is the result of individual effort, and the other the increased power with which the community as a whole aids the individual. (p. 441)
- ▶ In so doing, private ownership in land is abolished (p. 442)

Book IX, Chapter 2 – Effect on distribution/prod

99

- ▶ Labor and capital gain by the positive decline in rent by the decrease in speculative land values; a new equilibrium is established with rates of wages and interests much higher. (p. 442)
- ▶ The enormous advantages of a dense population would be united with freedom and equality, only found occasionally. (p. 443)
- ▶ There are losses to society when poverty is high – England (1879) maintains over a million paupers on official charity; NYC spends over 7 million dollars/year in a similar way. (p. 443)

Book IX, Chapter 2 – Effect on distribution/prod

100

- ▶ Efficiency of labor increases with higher wages; self-respect, intelligence, hope, energy. (p. 444)
- ▶ Man is not a machine; nor animal where powers reach thus far and no further. (p. 444)
- ▶ Who can say what infinite powers the wealth-producing capacity of labor may be raised? (p. 444)
- ▶ It is so unnatural and **absurd**, the spectacle of men who have only a few years to live, **slaving away their time for the sake of dying rich.** (p. 446)

Book IX, Chapter 3 – Effects on individuals/classes

101

- ▶ Land owners not only have NO claim to compensation for the Remedy – they will not really be injured! (p. 447)
- ▶ It is true that the value of lots will diminish or disappear; however, he retains the same security of always having a lot that he had before. (p. 448)
- ▶ Take a man who bought some boots; is he a loser when the price of boots falls? (p. 448)

Book IX, Chapter 3 – Effects on individuals/classes

102

- ▶ Taxation today (as it did in 1879) falls on that landowner with peculiar severity – houses, barns, fences, crops, stock. (p. 449)
- ▶ But it is in the city where land values are high, and where weight of the land tax would be felt; agricultural areas would be lightly touched. (p. 450)
- ▶ It would bring down great fortunes, but would impoverish no one. (p. 452)

Book IX, Chapter 3 – Effects on individuals/classes

103

- ▶ Wealth would be distributed with the degree in which the industry, skill, knowledge, or prudence of each contributed to the common stock; the non-producer would no longer roll in luxury, while the producer got the barest necessities. (p. 453)
- ▶ National debts would not long survive the abolition of the system from which they spring. (p. 453)
- ▶ How many men are there who fairly earn a million dollars; indeed! (p. 453)

Book IX, Chapter 4 – Changes to social life

104

- ▶ There would be a saving of strain in the courts; much of their business concerns disputes over land ownership; this would cease as the state becomes the sole owner of land, and occupiers, rent-paying tenants. (p. 454)
- ▶ Get rid of judges, bailiffs, clerks, prison keepers, and great host of lawyers whose talents are wasted; let them turn to higher pursuits. (p. 455)
- ▶ (With the Remedy) we realize the dream of socialism; not through government repression. (p. 456)

Book IX, Chapter 4 – Changes to social life

105

- ▶ George identifies these **infrastructure assets and their services**: Public baths, museums, libraries, gardens, lecture rooms, music and dancing halls, theaters, universities, technical schools, shooting galleries, play grounds, gymnasiums, heat, light, motive power, railroads, gas works, water, roads lined with fruit trees, discoverers and inventors rewarded, scientific investigations supported – all for the public benefit. (p. 456)
- ▶ Government would administer a **great cooperative society**. (p. 456)
- ▶ Get money – honestly, if you can, but at any rate get money! This is what society tells us 24/7. (p. 460)

Book IX, Chapter 4 – Changes to social life

106

- ▶ A wealthy man is admired, but it is not in the guise of a hideous monster that Satan tempts the children of men, but as an angel of light. (p. 460) *Consider the debates about African charity (Bill Gates) and the pressing need of national development that charity forestalls.*
- ▶ Give labor a free field and its full earnings; take for the benefit of the whole community that fund which the growth of the community creates, and want and the fear of want would be gone. (p. 461)
- ▶ Shortsighted is the philosophy which counts on selfishness as the master motive of human action. (p. 462) *So much for Adam Smith's invisible hand.*

Book IX, Chapter 4 – Changes to social life

- ▶ Self-interest is a mechanical force; **human nature is a chemical force** which **melts and fuses and overwhelms**, nothing seems impossible; heroes and saints are never selfish; **human nature is the electricity of the moral universe.** (p. 462-3)
- ▶ We are made for **cooperation**, like feet, like hands, like eyelids, like the rows of the upper and lower teeth. (p. 463)
- ▶ Banish want and fear of want and men become simply idlers? That's the old slaveholders' argument, that men can be driven to labor only with the lash. Nothing is more untrue. (p. 466)

Book IX, Chapter 4 – Changes to social life

108

- ▶ Man is the constructive animal; he builds and improves. (p. 466)
- ▶ To assume the cooperative form, the more equal diffusion of wealth would unite capitalist and laborer in the same person. (p. 468)
- ▶ Work would become a lightsome thing, less monotony, shorter hours, more intellectual occupations, less productive forces going to waste. (p. 468)

Progress and Poverty

Class #11 – Book X: The Law of Human Progress

Chapter 1: The current theory of human progress – its insufficiency

Chapter 2: Differences in civilization – to what due

Chapter 3: Chapter 3: The law of human progress

Progress and Poverty

Class #12 – Book X: The Law of Human Progress

Chapter 4: How modern civilization may decline

Chapter 5: The central truth

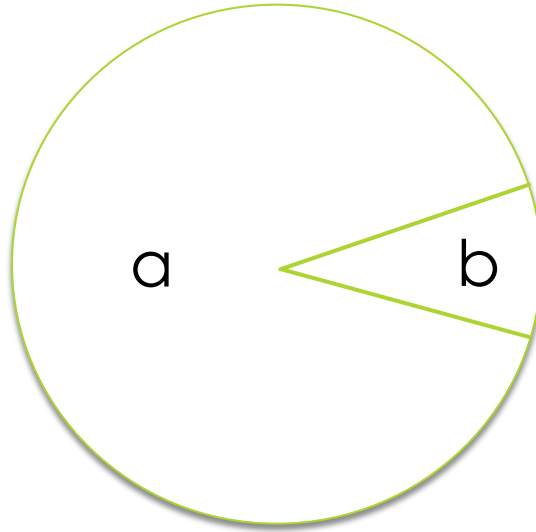
Conclusion: The Problem of Individual Life

How today's class ends

I have now **traced to their source social weakness and disease**. I have shown the remedy. I have covered every point and met every objection. But the **problems** that we have been considering, great as they are, **pass into problems greater yet** – into the grandest problems with which the human mind can grapple. I am about to ask the reader who has gone with me so far, to go with me further, into still higher fields. But I ask him to remember that in the little space which remains of the limits to which this book must be confined, I cannot fully treat the questions that arise. (p. 471)

END

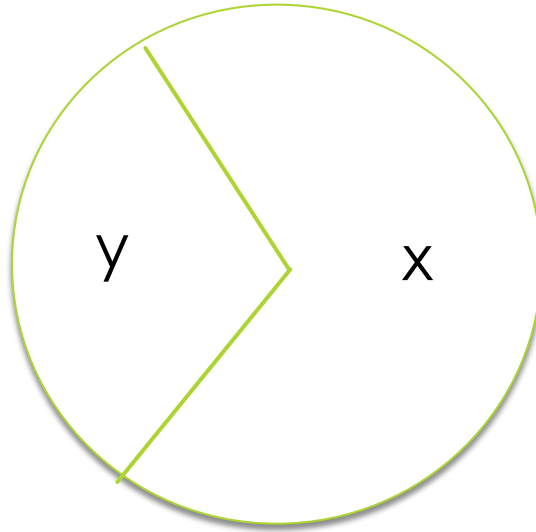
Revenues



a = mediate revenue
b = immediate revenue

Revenues for Infrastructure

Outlays

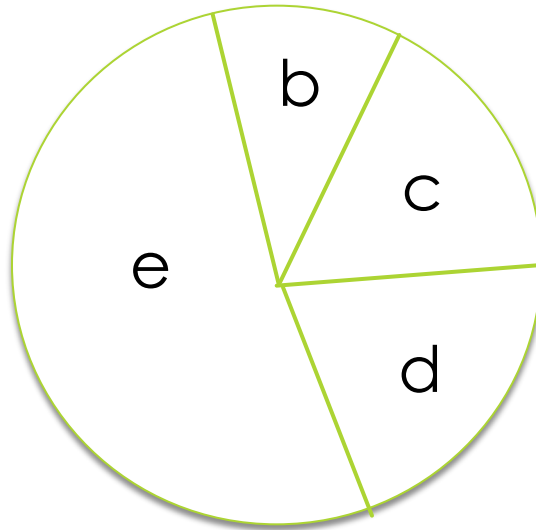


x = ordinary expenses (current services)

y = capital improvement expenses (extraordinary, capital)

Outlays for Infrastructure

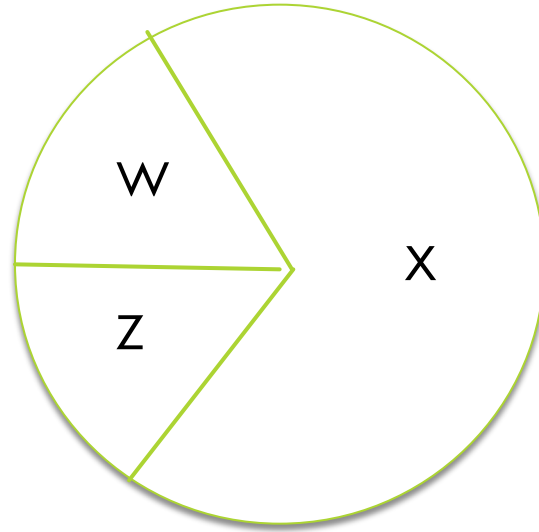
Revenues



- 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

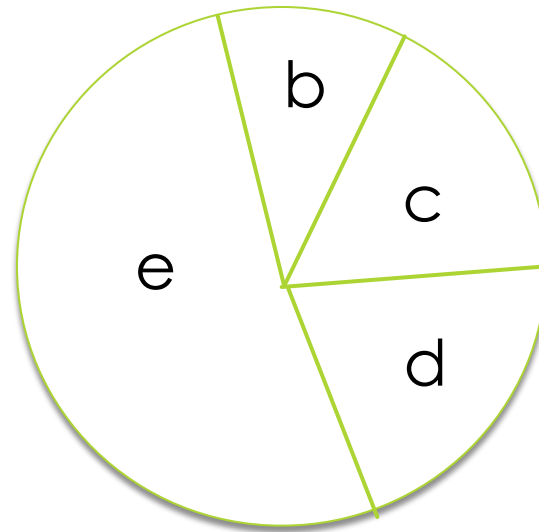
Outlays



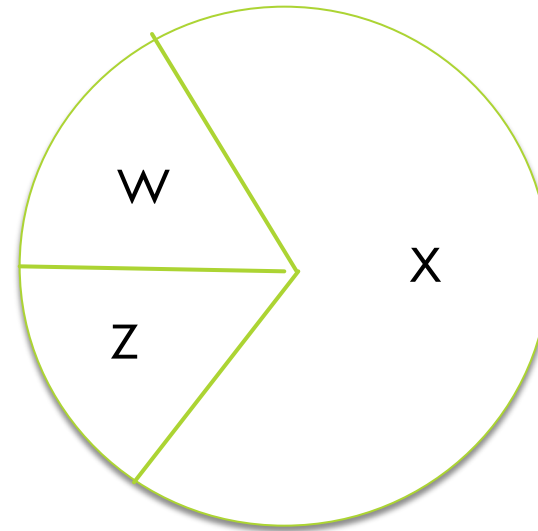
x = ordinary expenses (current services)
w = capital improvement project-related outlay
z = capital improvement debt retirement outlay

Ordinary Expenses and Extraordinary Expenses

Revenues



Outlays

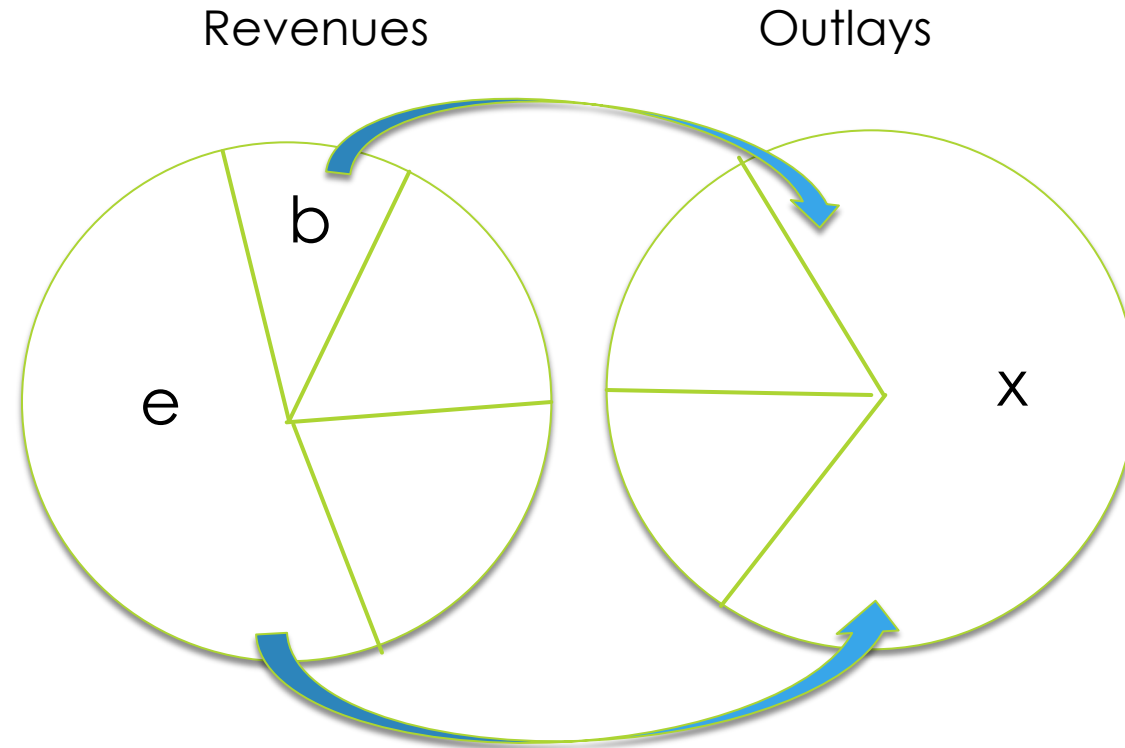


$a = e + c + d$: mediate revenue (means)
b = immediate revenue (ready means)
c = capital improvement revenue
d = capital project-generated revenue
e = non-private source of revenue

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

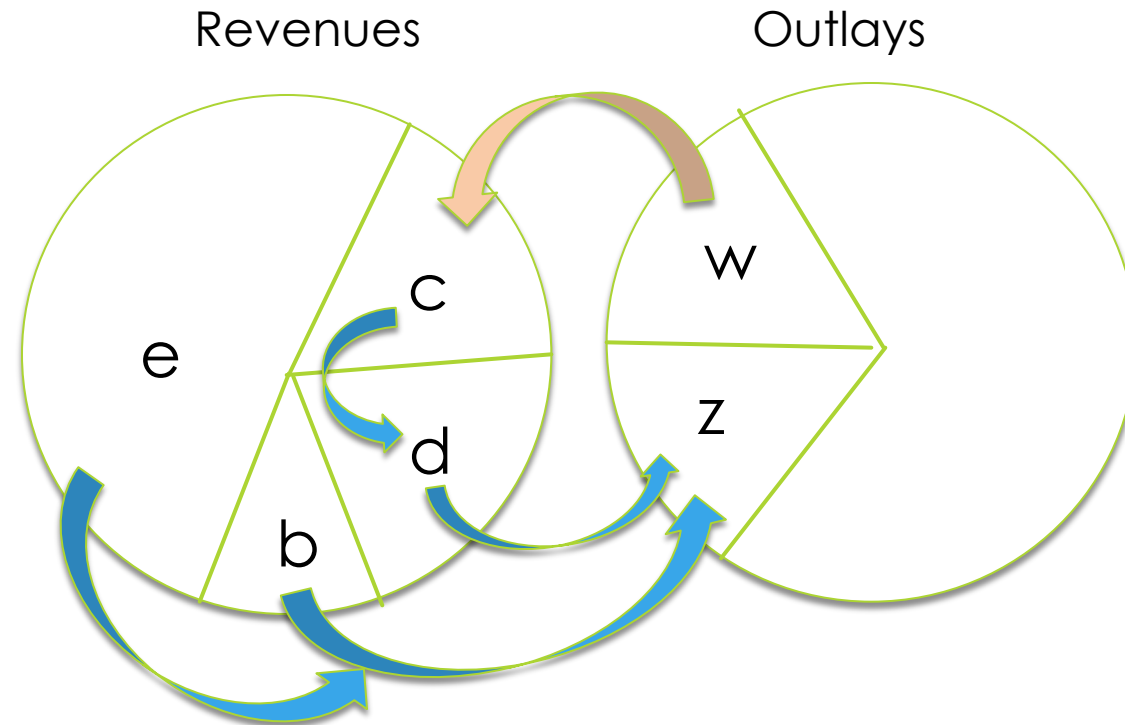


b = immediate revenue (private source)

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