

Henry George

In 15 Minutes

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Recently, I was asked to address a group of investors, about 20 people, and explain the philosophy of Henry George. When I asked how much time I would have, I was told "about 15 minutes."

There is no question, the Invisible Hand of the Free Market is the most efficient mechanism that has ever been devised and implemented to allocate labor and capital to its most efficient applications. Nothing in human history comes close.

Although it is hardly accurate to say this was devised. Incentive free enterprise is simply the opportunity to do what comes naturally. The reason that farmers grow food for the market is simply that by producing what you want, they get a lot more and better quality of what they want.

The reason the plumber fixes your toilet is because by fixing your toilet, he gets a lot more of the things he wants than he would get if he tried to produce all of them himself. We help ourselves by helping others.

Yet in spite of the amazing efficiency of the free market something periodically throws a monkey wrench in the wheels of progress.

We don't even talk about whether, but *when* the next recession will come. It's the same physical World, but one year everything is going well, and the next year it's not.

Even in the best of times, there are millions of people — it's a small percentage, but it adds up to millions — who are willing and able to work, and all they want to do is exchange their labor for the products of other people's

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labor and yet they can't participate in production.

Of course, when the economy is "going well," we say they aren't employable; they don't have the salable skills to pro-

duce \$5.15 per hour.

Now the question is: are there 100 jobs for every 100 people who can perform on a basic level and above?

Or, are there fewer than 100 jobs for every 100 people — which means that someone will definitely be unemployed. And that someone will be the least productive worker, no matter how much they produce?

Go into McDonalds; you don't have to know how to read or write they have symbols representing the items of food Go into the Super Market

As technology advances, less knowledge and skill yield a greater result. So, if it were the



absolute level of productivity that was needed for employment, we would see the numbers of unemployables steadily diminish. We don't.

And, in spite of the incredible level of productivity, a level which has been steadily increasing, the general level of wages has not kept pace. In terms of what you can buy, the American worker has not experienced a significant increase in their hourly wage.

In fact, wages of the least demanded workers always *tend*, in the free market, to a bare subsistence. All workers with greater knowledge and skill get higher wages based on the equation between the supply and demand for their greater potential which are needed to maximize production.

So, in this republic you could say: the workers vote themselves a raise. The minimum wage, the eight hour day, Social Security, etc. etc. And to that equal extent we reject the free market.

The question boils down to this: Why don't wages, in a free market, equal whatever the workers produce? Why don't those who make productive invests, get the full results of those productive investments.

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equal whatever the workers produce?**

Or, in other words, why do wages and interest always tend to an amount below which productivity would fall... No matter how much they produce?

And the answer is that land - the natural opportunities on which we live and work, and the materials out of which we produce our products and grow our food - is treated as private property

We assign it to individuals and corporations so they can keep what they produce on it.

But this institution which starts out by simply granting the product to the producer, becomes, as population increases and invention goes on, a license for some people to take what other people produce.

The value of land, in addition to its mineral content, fertility, or its proximity to the navigable waters, is created by the community.

Can two people build a house more than twice as fast a one person working alone? One group grows food, another makes clothes, and a 3rd builds shelter, etc. Each group develops a special knowledge and skill, they accumulate capital tools and machines designed for each specific job; and we experience economies of scale. Far more is produced than would result if each person were independently making their own food, clothing and shelter.

The denser the population, the greater the potential to subdivide labor, to accumulate tools and machines for each production, and to produce in economies of scale.

Imagine trying to set up a auto assembly plant in a town with less than a thousand people. As the population grows, the level of productivity grows.

And at some point transportation is hampered by mud, and the same rivers that connect one city to another, also impede transportation within the economic community. At

some point well water is harder to establish, and human waste becomes a problem.

Each new person no longer adds a greater level of productivity than the last. We have reached: the law of diminishing returns.

So we pave our streets, construct bridges, build the water and sewer systems, gas, electric, and add police, firemen, etc. And now we can live in multi-story dwellings and factories with greater and greater subdivisions of labor, and economies of scale.

And the greater productivity, which results from the denser populations, and is enabled by the infrastructure and public services, attaches itself to the land.

First, because it is only where population is dense that the greater productivity can take place, and 2nd because where ever population is dense, all the land is owned.

So people hold land as an investment and they hold it in anticipation of an increase in the selling price. Speculation.

Any time you expect the value of a piece of land to increase faster than the current rate of interest, you have an alternative investment. As long as the increase in the value of your land, minus the real estate tax, is more than the current rate of interest, land speculation is a good investment.

Look around at the 50% of the land in the U.S. that's designated for private use. It is all owned — but there's an enormous amount that's unused or grossly underused. It is held because its owners expect its value to increase (speculation). Check out the price of undeveloped land surrounding any city. Whether its farm land in the path of suburban development, or a center city parking lot with nothing but a little black top.

Or, miles and miles of inner city land that's now worth less than nothing but was once held

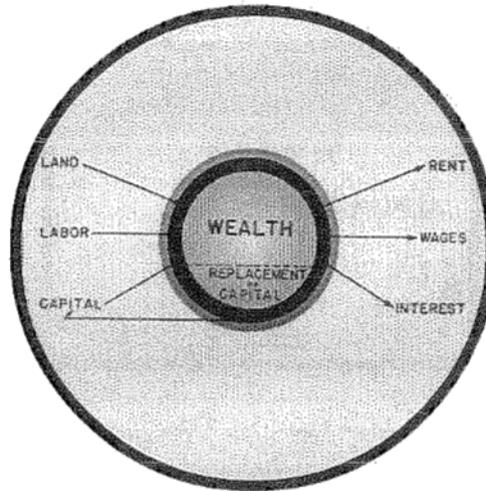
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as an idle investment.

The more land that is held for speculation, the more people will be unemployed and homeless. And, when technologies are racing ahead,

when machines and innovations are replacing workers, when businesses are trying to expand, just as they did in the 1920s - when the value of land in general is soaring, those who hold the land that's needed for new production, choose not to sell. In the same way people don't sell gold and silver when the price is soaring upwards. So, if no one will sell you the land you need in order to expand, you lay off your workers. You certainly are not going to keep people working when you can buy a machine for less. Now days we call it downsizing.

The workers who are now unemployed are



not buying new cars and houses and shoes etc. and therefore the demand for those products is reduced. And that's called a recession. And not until the price of land falls is a recession over. All right, what's the solution? How do we set up the rules so that we have freedom and free enterprise — so that every worker and every investor has an equal opportunity, that every worker receives the full results of their labors, and every investor receives the full results of their productive investments?

Start by thinking of land as a natural opportunity — a common opportunity — assigned to individuals and corporations for the purpose securing the product to the producer.

Of course no one would plant a crop or build a house, much less a modern factory, if they couldn't put up a fence around it or lock the door. But if they paid to the community the full rental value of the land they held, they

would be satisfying everyone else's equal right to the same piece of land. To hoard land that

All people would have free and equal access to the marginal land, while the superior land would be assigned to those who would pay its rental value to the community.

you are only renting would be like getting a rental car from Hertz and parking it in your back yard for the weekend. There would be nothing to gain by holding the land idle but there would be every incentive to work and produce on it. By collecting land rent, we could eliminate all confiscatory taxes like income and sales.

We would redevelop our cities and the surrounding suburbs.

We would relieve the farm land from development pressure and the wilderness from being cleared for agriculture.

At this point, much of the land, although having a productive potential, would have no rental value at all. It would be in abundance.

All people would have free and equal access to the marginal land, while the superior land would be assigned to those who would pay its rental value to the community.

Not only would the government no longer steal, all increases in production would raise wages and interest -- and on superior land would increase rents.

Not only would the rents provide for the traditional expenses of government, but rents are the social fund out of which all people would share in social benefits or in cash dividends.

And this would clearly be the foundation for a just and prosperous nation.



The Henry George School would like to thank Dr. Alexander Elder for allowing us the time to make this presentation.