"The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages."

The Missing Link

By STEVEN CORD

THE essence of Henry George's analysis of the economy he lived in is contained in the foregoing paragraph from *Progress and Poverty* (P. 282.)

From a theoretical standpoint he proved this beyond a shadow of a doubt, beyond all refutation, yet the facts in today's economy seem otherwise. Land-rent has increased, to be sure, but wages and production have evidently increased even faster; this is the verdict not only of statistics but of general observation also. The highest impartial estimates of U.S. land-rent do not exceed 5 per cent of total U.S. wealth production; these estimates are low but they probably are not exceptionally so.

While it is true that land value taxation would greatly increase the amount of land-rent (government-collected, of course), why in our *present* society does not rent seem to increase at the expense of wages? Why this seeming clash between irrefutable theory and undeniable fact? Where is the missing link?

A clue to the answer is that Henry George was analyzing the economy of his day, where land-rent was privately collected and where monopolies and government taxation and controls played a relatively unimportant part. Our economy today is very much different; yes, we still have privately collected land-rent, but certain monopolies and government actions play a very important part in our economy *to which we as Georgists have not ascribed sufficient emphasis.*

We are all familiar with George's "Last Great Robber" story: "Labor may be likened to a man who as he carries home his earnings is waylaid by a series of robbers. One demands this much, and another that much, but last of all stands one who demands all that is left, save just enough to enable the victim to maintain life and come forth next day to work. So long as this last robber remains, what will it benefit such a man to drive off any or all of the other robbers?"

The last robber is of course the landowner. Now then, it should be evident from this illustration that the more the first robbers take, the less there is for the last robber; i.e., the less land-rent there is. And since George's time it

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should be evident that these other robbers have been taking more and more. Let's prove this.

First, let's list the different kinds of government interferences and monopolies other than the rent-collecting monopoly:

a) Capital monopolies
b) Government controls
c) Land value taxation
d) Government taxation
e) Unions.

Capital monopolies include: cartels, "gentlemen's" agreements, trade association price fixing, partially regulated utilities, insurance and banking monopolies (which are protected by the government), and patent monopolies. These monopolies have not decreased in importance since George's time, and their income is still a deduction from land-rent. But it should also be pointed out that more people are sharing as stockholders in this income than previously; this in no way justifies a monopoly but it does mean that more people are sharing in what otherwise would ultimately go to land-rent.

As for government controls: wage controls lower wages, therefore raise rent; price controls lower both rent and wages; but neither have proved very effective and are gradually being abandoned.

However, real estate controls definitely tend to keep down land-rent, and are still an important factor, (long run result: housing shortages, urban dilapidation as in France which has been fooling with commercial-rent ceilings since World War I).

Land value taxation does of course reduce the landowner's rent, and has increased in importance since George's time, and has thus led to some genuine prosperity. You know, most people think of land-rent as only what the landowner collects, and ignore the government's land value tax share of it; hence, their view that land-rent is such a small factor in our economy.

Now we come to general government taxation, the most important monopoly, which robs labor of more than 30 per cent of its income, considerably more than in George's day. Obviously, as taxes increase there is less, in the long run, for the last great robber, the landowner. And note this: in a private land-rent economy, taxes do not reduce labor's income, because if there were no taxes the landowner would take what the tax-collector takes now.

Every time there is an increase in taxes there is an eventual decrease in land-rent. And it is better for labor to be robbed by the tax-collector than by the landowner, for at least the government performs certain public services which the landowner would not perform.

Here is the real strength of creeping socialism. This is why people are gradually objecting less and less to the depredations of the tax-collector; they know from hard experience that their income will not be lessened in the long run, and at least they will be getting some charity in return. At times bread can mean even more than liberty. They have come to look upon government as a robber, yes, but as a robber of the Robin Hood type.

Unions, Pro and Con

Now let's consider unions. First, are they actually a monopoly? The definition of monopoly in Webster's dictionary is: exclusive control of the supply of any commodity or service in a given market. Since unions nowadays have exclusive control of the supply of workers in a given business or industry (generally via the closed shop, relatively unimportant in George's day), they must be a monoply. In fact, it is only because of their monopoly status that they are able to increase union wages.

The influence of unions has definitely increased since George's time because of the increased dissatisfaction of the poverty-with-progress tendency, which feeling has been in large part engendered by George's efforts; also, government regulations have aided the development of unions.

Since unions are monopolies, and since we all agree that monopolies can increase the price of an article, need we be surprised that unions can increase prices?

Now while union wage increases come out of consumer income as higher prices, consumers do not suffer in the long run as they would eventually lose this part of their income to the landowners.

Another way of arriving at the same conclusion is that many of the consumers who are paying the higher prices are landowners, who are thus having their real income (land-rent) reduced.

All this agrees with Henry George. I quote him directly (italics are his):

"It is evident from the laws of distribution, as previously traced, that combinations of workmen *can* advance wages, and this not at the expense of other workmen, as is sometimes said, nor yet at the expense of capital, as is generally believed; but, ultimately, at the expense of rent."

Most Georgists seem to think that unions can't increase average wages. But they *can*, because the unionists are getting what would otherwise go to the landowner as rent, and the other wage-earners are neither gaining nor losing.

Unions in effect have become economic landowners. Unions are forcing the landowner to allow some laborers to keep a greater part of what they produce; i.e., fighting monopoly with monopoly. Here is the real strength of unions. Here is another Robin Hood.

Unions have two advantages: (a) they spread the collection of land-rent; (b) in a monopoly business, they force a greater share of the monopoly income to go to the employees, without an increase in price.

Unions have these disadvantages: they cannot possibly collect all the land-rent (hence slums, poverty, etc.), only a few get what belongs to the whole community, their methods are destructive (economy disrupted, strikes are like wars), continual struggle is necessary (should unions relax, up goes land-rent!), organization is tyrannical (leads to graft, etc.), high union dues are necessary, leads to inflation (destroys savings, thrift, etc.), and — a point which is of extreme importance and is usually disregarded — the union-caused higher costs make it harder for small businesses to survive.

I think our attitude towards unions should be one of passive encouragement: encouragement, because they are collecting the land-rent for labor; passive because they are doing it in the wrong way.

We are now in a position to relate George's crucial statement quoted at the beginning of this article to our present-day economy. His statement is perfectly true in a free private land-rent economy (such as the one he lived in) but we must realize that there are other monopolists, particularly the tax-collector and the unionists, who are getting to the land-rent before the landowner, and are taking an increasingly larger share of it.

Seven Deductions for Today

Thus we can arrive at the following conclusions:

1.) It is monopoly income, not only the land-monopolist's income (rent), which, with increase in productive power, tends to increase at the expense of wages.

2) However, this monopoly income is now being shared by more and more people, and in the case of the largest monopoly, government taxation, it is at least being put to some social use.

3) Nevertheless, there is a point beyond which taxation leads to lessened incentive, which leads to less wealth production, more poverty, more government, more socialism!

4) Monopoly income consists of natural land-rent and speculative land-rent. Thus, we see the impossibility of measuring the natural land-rent, which would be all that the government could collect from land value taxation.

5) Because of the tremendous monopoly depredations on the rent-fund, if we had land value taxation tomorrow such taxation would *not* collect all the natural land-rent.

6) Since monopoly income seems to be subject to as much speculation as is land-rent, our economy today is no closer to forestalling depressions than was the economy in George's time. Nor have we really solved the problems of poverty, slums, ultra-large cities, etc.

7) Land value taxation in a free economy is the only answer to poverty and socialism.

No new opinions have been expressed in this article; the only thing new is the emphasis. We must emphasize and re-emphasize that it is no longer land-rent *only* which increases at the expense of wages, but all sorts of monopoly depredations, especially those of the tax-collector and unionist. We must emphasize that the landowner is collecting only part of the land-rent. Also that the only real way to raise wages fairly is to abolish monopolies, which can only be done if we set up land value taxation first.

There is very little if any single tax literature which sufficiently emphasizes the increasing importance of monopolies as land-rent collectors. How can we then answer the charge that we are making a tempest in a teapot, or that the collection of land-rent is not sufficient for government expenses?

Have we, as modern-day Georgists, been guilty of analyzing an economy which no longer exists?