

THE FALLACIES

IN

“PROGRESS AND POVERTY.”

MY object in reviewing “Progress and Poverty” is to set forth, as concisely as possible, what the author has clearly demonstrated to be true, and to criticize him where he is vulnerable. While I venture to do this, I deem it a great book, since it contains truths given in a masterly fashion, such as no other political economist, I have read, has thought of or expressed. But its truths are but a partial solution of the great problem it undertakes to solve. And the author’s remedy I deem utterly impracticable and unjust. Therefore do I venture to criticize him, for by so doing I hope to render the cause of truth a valuable service.

“Progress and Poverty” is subdivided into ten books. Each book treats of a particular theme, and agreeably to the author’s opinion they are naturally correlated into one harmonious whole.

Book I. treats of wages and capital, and the question which the author essays to solve is this :

" Why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living ? "

The answer which the current political economy gives is that, wages are determined by the number of laborers and the amount of capital devoted to their employment, and constantly tend to the lowest amount on which laborers will consent to live and reproduce, because the increase in the number of laborers tends naturally to overtake the increase of capital.

Mr. George combats this theory in a vigorous and matter of fact way, by showing that in all new countries where capital is comparatively scarce, interest and wages are high ; while in old countries, where capital is abundant, wages and interest are low. These facts completely annihilate the theory that wages are determined by the number of laborers and the amount of capital devoted to their employment.

Having upset the theory that wages are determined by the number of laborers and the amount of capital employed, Mr. George then proceeds to show : —

" That wages, instead of being drawn from capital, are in reality drawn from the product of the labor for which they are paid."

The current theory is that, there must be an accumulation of capital before labor can be employed. But the facts are diametrically opposed to the theory. For the theory implies the absurdity that capital could be accu-

mulated before any work was done. All wealth is the product of work, and all capital must therefore be a part of the accumulated wealth of every nation. But as between the employer and the employee, where do the wages come from ?

In all production the universal rule is that work *must* precede the payment of wages, or no wages would or could be paid. Hence the deduction—“ *That wages, instead of being drawn from capital, are in reality drawn from the product of the labor for which they are paid.*”

Mr. George, however, is not satisfied with an argument by deduction to prove his proposition to be true, but, in a truly scientific spirit, proceeds to show that it is true in an elaborate argument by induction. That is to say, he starts with the beginnings of production and traces them up to the more elaborate and complicated methods which now obtain in the manufacturing and commercial world. But before he does this he takes up the words, wealth, capital, rent and wages, and accurately defines them agreeably to his own will, so that he may not be misunderstood.

WAGES are — *Whatever is received as the result or reward of exertion.*

WEALTH, he says, *Consists of natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion, so as to fit them for the gratification of human desires. Nothing which nature supplies to man is wealth.*

CAPITAL, he says, *Is that part of wealth which is devoted to the aid of production, nothing that is freely supplied by nature can be properly classed as capital.*

LAND, he says, *Is the whole material universe outside of man himself.*

We are now prepared to follow the author's argument by induction to prove that wages are drawn from the product of the laborer and not from capital.

He says, "If I devote my labor to gathering bird's eggs or picking berries; the eggs or berries I thus get are my wages. Surely no one will contend that in such a case wages are drawn from capital. There is no capital in the case. An absolutely naked man, thrown on an island where no human being has before trod, may gather bird's eggs or pick berries."

"Or if I take a piece of leather and work it up into a pair of shoes, the shoes are my wages, the reward of my exertion. Surely they are not drawn from capital—either my capital or any one else's capital—but are brought into existence by the labor of which they become the wages; and in obtaining this pair of shoes as the wages of my labor, capital is not even momentarily lessened one iota. For, if we call in the idea of capital, my capital at the beginning consists of the piece of leather, the thread, &c. As my labor goes on, value is steadily added, until, when my labor results in the finished shoes, I have my capital plus the difference in value between the material and the shoes. In obtain-

ing this additional value, my shoes, how is capital at any time drawn upon?”

The next example he gives is where one works for another and receives his wages in kind.

“If I hire a man to gather eggs, to pick berries, or to make shoes, paying him from the eggs, the berries, or the shoes, that his labor secures, there can be no question that the source of the wages is the labor for which they are paid.”

“The farming of land on shares, which prevails to a considerable extent in the Southern States of the Union and in California, the Metayer system of Europe, as well as the many cases in which superintendents, salesmen, &c., are paid in a percentage of profits, what are they but the employment of labor for wages which consist of part of its produce?”

“The next step in the advance from simplicity to complexity is where the wages, though estimated in kind, are paid in the equivalent of something else. For instance, on American whaling ships the custom is not to pay fixed wages, but a ‘lay,’ or proportion of the catch, which varies from a sixteenth to a twelfth for the captain down to a three-hundredth to the cabin boy. * * * Can any thing be clearer than that these wages—this oil and bone which the crew of the whaler have taken—have not been drawn from capital, but are really a part of the produce of their labor? And if they are paid in money, after the catch is sold, it is but the equivalent of the bone and oil.”

“Now, is not what may be seen in all such cases—the identity of wages in money with wages in kind—true of all cases in which wages are paid for productive labor? Is not the fund created by the labor really the fund from which the wages are paid?”

“Production is always the mother of wages. Without production, wages would not and could not be. It is from the produce of labor, not from the advances of capital that wages come.”

“Here is a blacksmith at his forge making picks. Clearly he is making capital—adding picks to his employer’s capital before he draws money for it in wages.”

“Here is a machinist or boiler maker working on the keel-plates of a Great Eastern. Is not he also just as clearly creating value—making capital? The giant steamship, as the pick, is an article of wealth, an instrument of production, and though the one may not be completed for years, while the other is completed in a few minutes, each day’s work, in the one case as in the other, is as clearly a production of wealth, an addition to capital. In the case of the steamship, as in the case of the pick, it is not the last blow, any more than the first blow, that creates the value of the finished product—the creation of value is continuous, it immediately results from the exertion of labor.”

So that the wages paid to the blacksmith and the shipwright are simply an exchange of one form of product for another; that the money paid in wages is the product of

the sales of merchandise previously produced by wage-workers.

“And so we shall find in every branch of production. Capital has never to be set aside for the payment of wages when the produce of the labor for which the wages are paid is exchanged as soon as produced.”

Hence the author concludes that—“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 his produce. The man who works for another for stipulated wages in money, works under a contract of exchange. He also creates his wages as he renders his labor, but he does not get them except at stated times, in stated amounts and in a different form. In performing the labor he is advancing in exchange; when he gets his wages the exchange is complete. During the time he is earning the wages he is advancing capital to his employer, but at no time, unless wages are paid before work is done, is the employer advancing capital to him.”

’Tis useless to multiply examples. Against all opposition Mr. George maintains his ground. Even where groceries and clothing are advanced in anticipation of the wages to be paid for them, capital is not advanced, because capital is that part of wealth which is devoted to production, and not that part which is devoted to consumption. “The precise time of the payment of wages is immaterial,” says Mr. George; “the essential point,

the point I lay stress on is that it is after the performance of the work."

Hence the demonstration is complete, the proposition is maintained—"*That wages, instead of being drawn from capital, are in reality drawn from the product of the labor for which they are paid.*"

The important deduction derived from this demonstration is this: "If wages are drawn, not from capital, but from the produce of labor, the current theories as to the relations of capital and labor are invalid, and all remedies which look to the alleviation of poverty either by the increase of capital or the restriction of the number of laborers, or the efficiency of their work, must be condemned."

"If each laborer in performing the work really creates the fund from which his wages are drawn, then wages cannot be diminished by the increase of laborers, but, on the contrary, as the efficiency of the labor manifestly increases with the number of laborers, the more laborers, other things being equal, the higher should wages be."

Book II. treats of Population and Subsistence, and the question the author discusses is:

"*Do the productive powers of nature tend to diminish with the increasing drafts made upon them by increasing population?*"

Mr. George answers this question with an emphatic

negative and proceeds to answer the theory of Malthus which affirms the absurdity that : —

“ Whatever be the capacity for production, the natural tendency of population is to come up with it, and, in the endeavor to press beyond it, to produce that degree of vice and misery which is necessary to prevent further increase ; so that as productive power is increased, population will correspondingly increase, and in a little time produce the same results as before.”

Mr. George maintains that nowhere is there an instance, in any stage of civilization, that will support this theory. That the vice and misery attributed to overpopulation can be traced to “ *warfare, tyranny and oppression* ” which prevent the retention of the product of the laborer in his own possession. Go where you will, into India, China, Ireland, Egypt, Russia, Germany, England, anywhere, yea, even in the United States, and like causes produce like results. The masses are robbed by bad governments, by landlords, and by increase, and that in no case can vice and misery be traced to the niggardliness of nature, or to the increase of population over the means of subsistence.

In conjunction with these facts Mr. George shows that the analogies adduced in support of the theory are not true. He says : “ The strength of the reproductive force in the vegetable and animal kingdoms—such facts as that a single pair of salmon might, if preserved from their natural enemies for a few years, fill the ocean ; that

a pair of rabbits would, under the same circumstance, soon overrun a continent ; that many plants scatter their seeds a hundred fold, and some insects deposit thousands of eggs ; and that every where through these kingdoms each species constantly tends to press, and when not limited by the number of its enemies, evidently does press, against the limits of subsistence—is constantly cited, from Malthus down to the text books of the present day, as showing that population likewise tends to press against subsistence, and, when unrestrained by other means, its natural increase must naturally result in such low wages and want, or in such actual starvation, as will keep it within the limits of subsistence."

Mr. George maintains that the analogy is not valid ; because it is from the vegetable and animal kingdoms that man gains his food ; and since the reproductive force in these two kingdoms is much greater than the reproductive force in man, therefore the increase of population cannot exceed the means of subsistence. It is a fact every where observable, that all kinds of fruits, cereals, vegetables, fishes and animals, multiply a thousand fold faster than man. Moreover, by the application of man's inventive genius and skill he can mightily increase everything needed for the gratification of his desires. Unlike the wild beast which lives upon, and is supplied by, the wild product of bounteous nature, man's capacity to produce is limited only by Nature's capacity to furnish the raw material. Man is correlated to the remotest star.

He draws from everywhere. There is nothing he does not utilize. Even weeds contain virtues which he will one day know and use. Man will never lack for anything he may need, by reason of the niggardliness of Nature, until the resources of the planet on which he lives are exhausted, which can never be. To suppose otherwise is to impeach the wisdom of God. We may therefore dismiss the Malthusian doctrine as absurd, since it is not in harmony with the facts, and is opposed by the nature of things.

Book III. We are now prepared to trace the causes which produce poverty in the midst of increasing wealth. Book III., which treats of The Laws of Distribution, pretends to have done this. We will now proceed to examine it.

In the first book the author has clearly shown that all wages are paid out of the product of the worker. And in the second book he has shown that population does *not* increase faster than the means of subsistence. Then the cause of poverty in the midst of increasing wealth must be found in its distribution.

That part of wealth which goes to land-owners for the use of land, Mr. George calls RENT; and that part of it which goes to capital he calls INTEREST.

He says that "RENT is the price of monopoly, arising from the reduction to individual ownership of natural elements which human exertion can neither produce nor increase."

Were it possible for man to monopolize sunlight, air and water, he would as surely do it as he now monopolizes land to gratify his unholy selfishness. Think for a moment, of the monstrous immorality of selling sun-light, air and water ! Taxing mankind for the use of these free gifts, the bountiful provisions of God ! And yet it is just as monstrous, in a moral point of view, to sell land, as it would be to sell sunlight or air, and equally flagitious to rent it for increase.

Mr. George says—"RENT IS THE PRICE OF MONOPOLY"—which he illustrates substantially as follows : We will suppose that a certain piece of land will produce, on the average 100, by the application of a given amount of work and capital, and that this land is private property. Adjacent to it is some free land, which we will call the margin of cultivation, and by the application of the same amount of work and capital will produce but 80. The difference between 100 and 80 is the rent which will have to be paid to the owner of the first piece of land. The rent will therefore be one-fifth, or 20 per cent. of the product.

If the same amount of work and capital applied to manufactures will produce on the free land, or the margin of cultivation, 90 ; then agriculture will rush to manufactures until, by competition, the equilibrium is restored. If manufactures produce less than can be gained by agriculture on the free land, or the margin of cultivation, then manufactures will rush to farming until, by competition, the equilibrium is again restored.

The same principle applies to city lands as obtains in agricultural lands. A building lot in the heart of a city will bring a much higher rent than a lot of equal dimensions on the border. If a business planted on a lot in the heart of a city will produce 100, and the same amount of work and capital applied to a business on a lot on the border will bring but 50, then the rent for the lot in the heart of the city will be 50.

The difference between the total product of work done, in any country, and what is paid for rent, determines what is left for wages and capital. In other words, the product which is realized by the same application of work and capital to the poorest lands, or lands on which there is no rent, determines the amount of the total product of work which is paid to landlords.

Hence wages, and interest for capital, do not depend upon the product of work and capital, but upon what is left after rent is paid; or what they could gain without paying rent from the margin of cultivation, or the poorest land in use. Therefore, no matter what may be the increase in productive power by the application of machinery and the division of labor, if the increase of rent keeps pace with it, neither wages nor interest can increase.

Mr. George wherefore says: “The moment this simple relation is recognized, a flood of light streams in upon what was before inexplicable. * * * The increase of rent which goes on in progressive countries is at once seen to be the key which explains why wages and interest

fail to increase with increase of productive power. For the wealth produced in every community is divided into two parts by what may be called the rent line, which is fixed by the margin of cultivation, or the return which labor and capital could obtain from such natural opportunities as are free to them without the payment of rent. From the part of the produce below this line wages and interest must be paid. All that is above goes to the owners of land. Thus where the value of land is low, there may be a small production of wealth, and yet a high rate of interest and wages, as we see in new countries. And, where the value of land is high, there may be very large production of wealth, and yet a low rate of interest and wages, as we see in old countries. And, where productive power increases, as it is increasing in all progressive countries, wages and interest will be affected, not by the increase, but by the manner in which rent is affected. If the value of land increases proportionally, all the increased production will be swallowed up by rent, and wages and interest will remain as before. If the value of land increases in greater ratio than productive power, rent will swallow up more of the increase; and while the produce of labor and capital will be much larger, wages and interest will fall. It is only when the value of land fails to increase as rapidly as productive power, that wages and interest can increase with the increase of productive power. All this is exemplified in actual fact.”

· This reasoning, and the facts thus set forth by Mr.

George, develop this important revelation, viz : *That the monopoly of land is the cause of universal competition in its virulent form ; and also the cause of other monopolies, and of interest.*

Having thus developed the origin of Rent, we will now examine Mr. George's theory of the origin of Interest. It is in the discussion of this question that he is unscientific, illogical and absurd. I regret it exceedingly. For he is one of the finest writers and logical reasoners on political economy it has been my fortune to read. Like all other political economists I have read, excepting Mr. Macleod, he has failed to stick logically to his definitions and premises. He has therefore gone astray and arrived at very erroneous and misleading conclusions. These things I shall show as we proceed with his argument.

He first essays to find the cause of Interest as follows :

" Why should interest be ? Interest, we are told, in all the standard works, is the reward of abstinence. But manifestly, this does not sufficiently account for it. Abstinence is not an active, but a passive quality ; it is not a doing—it is simply a not doing. Abstinence in itself produces nothing. Why, then, should any part of what is produced be claimed for it ? If I have a sum of money which I lock up for a year, I have exercised as much abstinence as though I had loaned it. Yet, though in the latter case I shall expect it to be returned to me

with an additional sum by way of interest, in the former I will have but the same sum, and no interest. But the abstinence is the same. If it be said that in lending it I do the borrower a service, it may be replied that he also does me a service in keeping it safely—a service that under some conditions may be very valuable, and for which I would willingly pay, rather than not have it ; and a service which, as to some forms of capital, may be even more obvious than as to money. For there are many forms of capital which will not keep, but must be constantly renewed ; and many which are onerous to maintain if one has no immediate use for them. So, if the accommodator of capital helps the user of capital by loaning it to him, does not the user discharge the debt in full when he hands it back ? Is not the secure preservation, the maintenance, the re-creation of capital, a complete offset to the use ? Accumulation is the end and aim of abstinence. Abstinence can go no farther and accomplish no more ; nor of itself can it even do this. If we were merely to abstain from using it, how much wealth would disappear in a year ? And how little would be left at the end of two years ? Hence, if more is demanded for abstinence than the safe return of capital, is not labor wronged ? Such ideas as these underlie the wide-spread opinion that interest can only accrue at the expense of labor, and is in fact a robbery of labor which, in a social condition based on justice, would be abolished."

This reasoning is unanswerable except in one point.

Is it true that a lender renders a service to a borrower? If William lends a jack-plane to John who wears it out by use, what does justice require of John? Common sense responds by saying—"John must return to William another jack-plane in as good condition as the one he borrowed." Is that a complete answer? No. Why incomplete? Because, in order that the transaction be perfectly just, John must lend to William some article of utility of equal value with the jack-plane and for the same length of time. When this is done, justice is perfectly satisfied. But he who lends does no service to the borrower, because he does no work. A loan is only an accommodation and not a service. If John had returned to William a new jack-plane and a day's work besides, William would have received a day's work for which he had given no equivalent. William would therefore have been enriched, at the expense of John, to the amount of one day's work, which would be manifestly unjust. And if William had not received a similar accommodation from John, but had received a new plane, he would have lost nothing. Both would have stood exactly in the same relative position as they were before the loan was made. How, then, can interest be justified? Is it equitable? There is nothing in this illustration to show it to be. What, then, is the cause of interest? See what Mr. George says :

"All wealth is not of the nature of planes or money, nor is all production merely the turning into other forms

-of the mere inert matter of the universe. It is true that if I put away money, it will not increase. But suppose, instead, I put away wine. At the end of a year I will have an increased value, for the wine will have improved in quality. Or supposing that in a country adapted to them, I set out bees ; at the end of the year I will have more swarms of bees, and the honey which they have made. Or, supposing, where there is a range, I turn out sheep, or hogs, or cattle ; at the end of the year I will, upon the average, also have an increase."

"Now what gives the increase in these cases is something which, though it generally requires labor to utilize it, is yet distinct and separate from labor—the active power of nature ; the principle of growth, of reproduction, which every where characterizes all the forms of that mysterious thing or condition which we call life. And it seems to me that it is *this* which is the cause of interest, or the increase of capital over and above that due to labor. There are, so to speak, in the movements which make up the everlasting flux of nature, certain vital currents, which will, if we use them, aid us, with a force independent of our own, in turning matter into the forms we desire—that is to say, into wealth."

"If wealth consisted of but the inert matter of the universe, and production of working up this inert matter into different shapes, then interest would be but the robbery of industry, and could not long exist."

But because Nature has the power to transmute new

wine into old wine ; of increasing a flock of sheep one year into two flocks the next year ; of increasing a herd of cattle one year into two herds the next year ; of increasing a calf to an ox ; of increasing one swarm of bees to several swarms of bees : of increasing one grain of wheat into an ear of wheat ; therefore, this power of nature to increase, combined with the element of time, constitutes the basis, or cause of interest to capital. And, therefore, Mr. George says :

" In any circle of exchange, the power of increase which the reproductive power of nature gives to some species of capital must average with all ; and he who lends or uses in exchange, money or planes, or bricks, or clothing, is not deprived of the power to obtain an increase, any more than if he had lent or put to a reproductive use so much capital in a form capable of increase."

" Thus interest springs from the power of increase which the reproductive forces of nature * * * give to capital. It is not an arbitrary, but a natural thing ; it is not the result of a particular social organization, but of laws of the universe which underlie society. It is, therefore, just."

Did I not believe that Mr. George was an honest man, I should say he was a moral coward, in that he dares not give the logical deductions of his own brain, for fear that Capital would utterly crucify him for giving it no moral ground in justification of the taking of interest or increase.

How different is his process of reasoning to prove that interest is "just," as compared with his inductive method of proving that wages were drawn from the produce of the laborer, and not from capital ! And how much it differs from his scientific demonstration that the monopoly of land is the cause of rent ! It is impossible for me to account for this illogical aberration of his reasoning faculty. It must be borne in mind that he has not adduced a single fact in support of his conclusion that interest is derived from the reproductive forces of nature. It is merely an assumption on his part, on which he reasons elaborately without giving a single fact in commerce to show that his assumption is true.

I shall now endeavor to show that all of his reasoning on interest is fallacious, and is caused by his utter failure to stick to his own definitions and fundamental premises.

Mr. George says :— "LAND is the whole material universe outside of man."

"WEALTH consists of natural products, modified by labor, so as to fit them for the use of man."

"CAPITAL is that part of wealth used in reproduction. Nothing which nature supplies to man is wealth or capital."

And with Adam Smith he holds that— "The produce of labor is the natural recompense, or wages of labor."

Now if land be neither wealth nor capital ; it is, therefore, necessarily excluded, by the definition, from the category of things having a commercial and exchange-

able value. Yet, Mr. George has made so egregious a blunder as to declare that the basis of interest is the transmuting and reproductive forces of nature. But the transmuting and reproductive forces of nature are included in his definition of land. It logically follows, therefore, that all natural forces are excluded from all of those things which constitute wealth or capital. Hence all natural forces have no commercial value whatever because they are neither wealth nor capital; and, therefore, cannot be the basis or cause of interest.

What, then, is the cause of interest? Let us see if it be not land monopoly.

In Book IV., c. 2, Mr. George has presented a beautiful picture of a village growing up, in an unbounded savanna, around a solitary farmer. This village becomes a town, and the town becomes a city. In this description of an increasing population the author traces the progress of rent. But with a singular fatality, for so fine a thinker, he has utterly overlooked the real cause of INTEREST, which, according to Mr. George's definition, “*is the return which capital can secure, less insurance and wages.*”

On the principle that man seeks to gratify his desires with the least exertion, the merchant, tradesman, or manufacturer, who is obliged to pay rent for the use of land, will necessarily put the rent, or distribute it in the price of the merchandise he sells. And if he have to pay interest on borrowed money and taxes they, also, are

distributed in the annual sales of merchandise. And the only limit to the merchant's, trader's, or manufacturer's selfishness is what buyers are willing to pay, or what competition will allow. Therefore, RENT is the cause of what is commonly called profit.

If one should go to a money lender to borrow money on ample security without interest, the lender would look on the borrower, perhaps, with amazement or indignation, and would be likely to exclaim—"Do you suppose I shall lend you money for your special advantage for nothing? If you purpose to invest it so as to enable you to gain a large profit, you ought to be willing to share with me a portion of your income by reason of the benefit you will receive from the use of my money." That argument suffices and the borrower agrees to pay an amount of interest which is satisfactory to the lender, or what competition among money lenders will allow.

If a borrower of money, or other form of capital, could gain no profit by its use, he could pay no interest except at a loss to himself. Business men do not borrow on those conditions. They always do it with the expectation of making larger gains than the interest they are obliged to pay. Hence the truth that PROFIT is the basis of interest.

Now, as the volume of rents is determined by the margin of cultivation, or by competition among those who desire to occupy monopolized lands; and as competition largely dominates and determines the profits of manu-

facturers, merchants and tradesmen ; and since competition also fixes the rate of interest on capital, except in case of monopoly, what becomes of Mr. George's theory that interest is caused by the transmuting and reproductive forces of nature ? Evidently his theory is a mere assumption, not having even the merit of a single fact by which to establish it as a principle or law.

We thus perceive that mercantile facts inductively prove that rents, profits and interest are caused by the monopoly of land. Moreover, rents would be impossible and inconceivable were there no monopoly of land. And since the monopoly of land is the fundamental cause of monopoly and competition in the commercial world, Poverty, in the midst of Progress and multiplied wealth, cannot be eradicated except by removing the unrighteous cause which produces it. Therefore, the only logical and legal thing to do, is to repeal all of the defensive laws which protect the land monopolist in his selfish iniquity.

As land monopoly is the foundation of modern civilization, with its extremes of squalor and wretchedness on the one hand, and pyramidal luxury and extravagance on the other, what would be the effect of a general repeal of the laws which defend it ?

It would utterly annihilate the possibility of any large accumulation of wealth in the hands of the few. It would force upon the world equitable co-operation and distribution of the products of work ; and this stupendous

mountain of social injustice, cruelty, and anti-christianity, inherent in modern civilization, would crumble to atoms, and be to the historians of the future what ancient Jerusalem, Egypt, and Babylon are to the historians of the present, viz : The dust, and ashes, and remains of a barbarous civilization.

Mr. George, like Mill, Ricardo, and others, maintains that Land, Labor and Capital are the three factors in production. That land is a factor in production no one will dispute, since production would be impossible without it. And it is equally evident that if man did not apply his brains and hands to the land, no production could be had. But that capital is a factor in production that merits reward by unearned increase, I most emphatically deny.

If that part of wealth *not* used in production is not entitled to increase, why should capital have any? Both are the product of work; and since the produce of work is its natural recompense, how can capital justly claim unearned increase? Is not the produce of capital as much the natural reward of work, as that part of wealth not used as capital? How, then, can interest be justly claimed for capital, and no interest be claimed for wealth not used as capital? If one be entitled to increase why not the other, since both are the natural recompense of work?

The great fallacy that underlies Mr. George's reasoning

is the assumption that capital can produce. The truth is that capital can produce nothing without the superintendence of man. Capital, therefore, is nothing more nor less than multiplied hands and brains applied in production. But capital without superintendence is as powerless to produce as a stone. In fact it would decompose, by the corrosive power of the elements, a thousand times quicker than a stone were it not economically managed. A cotton mill, which is a huge pile of capital, if left without superintendence for three years, would be almost worthless. So would a steam-ship, or any other useful machine. When, therefore, capital and labor combine in production, the product is the natural recompense of the work expended. And the natural value of the product is determined, not by the market price which, under present conditions, is purely arbitrary and fictitious, but by the amount of work required to replace the wear and tear of machinery, &c., plus the work wrought into the product.

Therefore, if any interest be claimed for capital, a moral reason must be given for it. But as no moral reason can possibly be adduced why interest should be paid, it logically follows that interest is *robbery*, and that capital is entitled only to its conservation or replacement.

Contrast this reasoning with that of Mr. George, who says :

First.—"That it is not capital which employs labor, but labor which employs capital."

Second.—“ It is manifest that under conditions of freedom the maximum that can be given for the use of capital will be the increase it will bring, and the minimum or zero will be the replacement of capital ; for above the one point the borrowing of capital would involve a loss, and below the other, capital could not be maintained.”

If the produce of work and capital combined be the natural reward, and the value of the product is the total amount of work expended in its production, how is increase possible? I have already shown that interest is caused by profit ; that profit is caused by rent ; and that rent is caused by the monopoly of land. Therefore, where there is monopoly of land freedom is absolutely impossible. All are slaves to landlords. But remove the causes of rent, profit and interest and all mankind would be perfectly free, and perfectly equal so far as natural opportunities for the pursuit of happiness are concerned. Under perfect conditions of freedom no one could afford to pay increase, because none could gain it. In perfect freedom the element of injustice or advantage-taking would be eliminated from all exchanges. Rent would be impossible, consequently every form of increase would also be impossible, except to a very limited degree. And instead of the wage system, as we now have it, we should have social arrangements by which every man, woman and child would be the supreme monarch of what each produced without diminution by the exactions of rent, profit and interest.

In Book V. Mr. George shows that the primary cause of recurring paroxysms of industrial depression and the persistence of poverty amid advancing wealth are not caused by over-production, and under-consumption, but by speculation in land. On this point he says :

“ That land speculation is the true cause of industrial depression is, in the United States, clearly evident. In each period of industrial activity land values have steadily risen, culminating in speculation which carried them up in great jumps. This has been invariably followed by a partial cessation of production, and its correlative, a cessation of effective demand, (dull trade,) generally accompanied by a commercial crash ; and then has succeeded a period of comparative stagnation, during which the equilibrium has been again slowly established, and the same round been run again. This relation is observable throughout the civilized world. Periods of industrial activity always culminate in a speculative advance of land values, followed by symptoms of checked production, generally shown at first by cessation of demand from the newer countries, where the advance of land values has been greatest.”

He also maintains that the speculation in, and the absorption of the land by the few, and the consequent increase in land values, makes it harder and harder for every child born into the world to gain its livelihood with its own hands. For with every youth comes a pair of hands to feed its mouth and clothe its back, provided that

nature's storehouse of means are not withheld from him. And with every pair of hands comes increased power of production. For any one can see that every soul, with an average healthy body and mind can at least earn its own living and add somewhat to the aggregate wealth of the world and the weal of man. Why, then, this constant increase of poverty amid the increase of wealth? This monstrous and distressing anomaly Mr. George has clearly shown is caused by the monopoly of the land.

"Everywhere, in all times, among all peoples, the possession of land is the basis of aristocracy, the foundation of great fortunes, the source of power. As said the Brahmins, ages ago."

"To whomsoever the soil at any time belongs, to him belong the fruits of it. While parasols and elephants maa with pride are the flowers of a grant of land."

In Book VI., Mr. George sets forth his remedy for increasing poverty amid increasing wealth, as follows :

"There is but one way to remove an evil—and that is to remove its cause. Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labor, is monopolized. To extirpate poverty, to make wages what justice commands they should be, the full earnings of the laborer, we must therefore substitute for the individual owner-

ship of land a common ownership. Nothing else will go to the cause of the evil—in nothing else is there the slightest hope."

"This, then, is the remedy for the unjust and unequal distribution of wealth apparent in modern civilization, and for all the evils which flow from it."

"We must make land common property."

"The equal right of all men to the use of land is as clear as their equal right to breathe the air—it is a right proclaimed by the fact of their existence. For we cannot suppose that some men have a right to be in this world and others no right."

"The wide spreading social evils which every where oppress men amid an advancing civilization, spring from a great primary wrong—the appropriation, as the exclusive property of some men, of the land on which and from which all must live. From this fundamental injustice flow all the injustices which distort and endanger modern development, which condemn the producer of wealth to poverty and pamper the non-producer in luxury, which rear the tenement house with the palace, plant the brothel behind the church, and compel us to build prisons as we open new schools."

"The recognition of individual proprietorship of land is the denial of the natural rights of other individuals, it is a wrong which *must* show itself in the inevitable division of wealth. For as labor cannot produce without the use of land, the denial of the equal right to the use of land is

necessarily the denial of the right of labor to its own produce.”

“ The right to exclusive ownership of any thing of human production is clear. No matter how many the hands through which it has passed, there was, at the beginning of the line, human labor—some one who having procured or produced it by his exertions, had to it a clear title as against all the rest of mankind, and which could justly pass from one to another by sale or gift. But at the end of what string of conveyances, or grants, can be shown or supposed a like title to any part of the material universe? To the improvements such an original title can be shown ; but it is a title only to the improvements, and not to the land itself.”

“ But it will be said : There are improvements which in time become undistinguishable from the land itself ! Very well ; then the title to the improvements becomes blended with the title to the land ; the individual right is lost in the common right.”

“ Yet, it will be said : As every man has a right to the use and enjoyment of nature, the man who is using land must be permitted the exclusive right to its use in order that he may get the full benefit of his labor. But there is no difficulty in determining where the individual right ends and the common right begins.”

“ The value of land, as we have seen, is the price of monopoly. *It is not the absolute, but the relative, capability of land that determines its value.* No matter what

may be its intrinsic qualities, land that is no better than other land which may be had for the using, can have no value. And the value of land always measures the difference between it and the best land that may be had for the using. Thus, the value of land expresses in exact and tangible form the right of the community in land held by the individual; and 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. Thus, if we concede to priority of possession the undisturbed use of land, *confiscating rent for the benefit of the community*, we reconcile the fixity of tenure which is necessary for improvement with a full and complete recognition of the equal rights of all to the use of land.”

Thus have I quoted Mr. George at great length in order that I might present the exact idea he wishes to express as the basis of his remedy, which I will illustrate as follows :

Suppose two adjacent farms of equal dimensions having unequal qualities of soil, one being rich and the other comparatively poor, on which the same amount of capital and labor are employed, each being equally well managed, but the average produce of the one is 100, while the average produce of the other is but 60. Now the difference of productive power between the two farms is therefore 40. Hence, in the language of the author, “*It is not the absolute, but the relative, capability of the*

land that determines its value." If, therefore, the value of the produce of the one farm be \$1,000, the value of the produce of the other will be \$600. Hence the rentable value of the better farm would be \$400, while the rent of the other would be zero, assuming it to be free land.

Now, the difference in the productive power of two such farms is what John Stewart Mill calls "the unearned increment." It is what nature does over and above what man does. It is *this* which Mr. George would confiscate for the benefit of the community. It is *this* he would tax and put into the common treasury for the public good. It is *this* that would equalize incomes. It is *this* from which Mr. George derives his preposterous idea of interest. It is *this* that would produce justice, peace, plenty, prosperity and happiness throughout the world !

I know of no proposition, projected by any thinker, for the removal of poverty amid increasing wealth, more absurd or unjust than this. By what right, human or Divine, does Mr. George tax out of the general product *the unearned increment* ? How, in the nature of things, can he claim that the transmuting and reproductive forces of nature are justly taxable property. He has declared that land is the whole material universe, and that it is neither wealth nor capital. How, then, can he tax it, since it is not property in any sense ? How can land be property any more than lightning, sunlight, or rain ? If an individual can not have property in land, how can the community, or the State ? It is readily seen

how one can have property in what he produces, but how can one have property in what he does not and can not produce? If land be the whole material universe outside of man himself; how can it, or any part of it, be property? He admits that land is made for *use* and not for ownership. How then can it be property? If one dig clay out of the ground and mould it into bricks, has he property in the clay? or only in the work he has put into the clay? Is the sun that paints the photographer's picture property, or only the work which he himself has wrought into it? Are the winds that blow our ships from ocean to ocean, or fill the sails of a wind-mill, property? Is that productive force in the animal kingdom which makes a flock of sheep one year, two flocks the next year, property? Does the astronomer who uses the sun, moon and stars, own them? Or is the navigator, who guides his ship by them, both by night and by day, the rightful possessor of them? If land be the whole material universe, how can one have property in the planet on which he lives, and no property in the rest of the universe? If man can have property in the earth, why not in the heavens to which man is so closely correlated? Can man have property in himself? in his own powers, physical, intellectual, emotional and moral? In a word, can one have property in anything he does not do? or in any thing he does not produce? Then how can the individual, the community, or the State, have property in land? Wherein, then, consists the wisdom of this paragraph?

Mr. George says : " Would not the land be cultivated and improved just as well if the rent, (namely, the unearned increment,) went to the State or municipality, as now, when it goes to private individuals? If no private ownership in land were acknowledged, but all land were held in this way, the occupier or user paying rent to the State, would not land be used and improved as well and as securely as now? There can be but one answer : Of course it would. Then the resumption of land as common property would in nowise interfere with the proper use and improvement of land."

Is it not clear that Mr. George is thoroughly muddled? That he is mixing premises, and is thereby drawing unphilosophical and unscientific conclusions? Has he not proven that the monopoly of land is the cause of rent? Why, then, does he now assume that it is *the unearned increment* which is the cause of rent?

The great bug-bear, the thing Mr. George does not know how to dispose of, is John Sewart Mill's "unearned increment." It is this that has deflected his reasoning faculty. He does not know what to do with it. Hence he says, let the State become the landlord, and then tax the unearned increment and appropriate it as rent paid to the State.

Can there be, in production, an unearned increment? I plant a potato in the ground. The sun warms it, and the rains fall upon it. It buds and grows. I weed it. I hoe it. It grows to be a large plant. I clean it of

parasites. And the reproductive forces of nature cause ten potatoes to grow where I planted one. Whose potatoes are they?

My neighbor plants a potato, and cares for it as I did for mine. He worked no more than I, and used no more capital or skill, but he harvested fifteen potatoes while I harvested but ten. Whose potatoes are they? Mr. George says: *Wages are whatever is received as the result or reward of exertion.* How, then can he, in equity, appropriate for the benefit of the State, my neighbor's excess of five potatoes, over and above what potatoes I received as my wages? ~ Is not this proposition, for removing poverty amid increasing wealth, monstrously unjust and strikingly illogical, viewed in the light of his fundamental premise that—“*The produce of labor is the natural recompense or wages of labor?*”

To show that I do not misrepresent him I will quote the words he used in conversation with the corresponding editor of the “Newcastle-on-Tyne Chronicle,” (England). He said—

“Rent paid to the State would be a payment by the individual user to the community for *a special privilege* which the community accorded him, and it ought to be fixed so that there may be taken from the individual user and turned into the common fund, what in political economy is termed ‘rent;’ that is to say, the income which any particular piece of land will yield to the application of labor and capital, over the ordinary rewards

which the same application of labor and capital would otherwise obtain. This would put all members of the community on the same plane. The natural rewards of labor and capital, and that income which arises from special natural opportunities, or from the growth and progress of the community, would go to the community at large. In other words, the people as a whole would take what John Stewart Mill called ‘*the unearned increment*’ in the value of the land, while to individuals could be left that value which their individual exertions produce.”

What is it “that would put all members of the community on the same plane” and leave to individuals that value which their individual exertions produce? It is simply this: *Tax the excess of my neighbor’s potatoes.* This is Mr. George’s grand panacea for removing poverty amid increasing wealth !

Had Mr. George beheld this natural law that—

The exchangeable value of all labor-products and services is justly determined by the amount of work wrought into them—

He would have had no trouble whatever over *the unearned increment*. He would have seen clearly enough that my ten potatoes, and my neighbor’s fifteen potatoes, had precisely the same exchangeable value, because the same amount of skill, labor and capital had been expended in their production. The only economic quantity which enters into all production, and all useful services, and all exchanges—is WORK. It is the only quantity which can,

by any possibility, enter into commercial exchanges. Therefore, my neighbor's fifteen potatoes and my ten potatoes had precisely the same exchangeable value.

It will be said—“ No one will give as much work for ten, as for fifteen potatoes. On what principle of exchange would you dispose of your inferior crop ? ” I should be obliged to sell them for two-thirds of their just value. And the wisdom I gain from this experience is this : *Never plant potatoes in inferior soil, but always plant them in soil which will, on the average, yield as many potatoes to the acre, as that of your neighbor's, other things being equal.*

This reasoning proves, conclusively, that there is no such thing possible as an unearned increment. The produce of work is the natural recompense of work.

Therefore, Mr. George's scheme, for taxing an increment which does not exist, that incomes may be equalized, that the State may become the landlord instead of the individual—is an impracticable dream, a vain and idle fancy.

To tax one class of producers, for the benefit of another class, would be manifestly unjust. It would be equally flagitious to do the same thing to equalize incomes. How, then, shall we gain justice, that poverty may cease amid increasing wealth ? I shall conclude my criticism of “ Progress and Poverty ” by answering that question.

CONCLUSION.

Mr. George has clearly demonstrated three things. He has shown that wages are not drawn from capital, but from the produce of the worker ; that the Malthusian doctrine, that population increases faster than the means of subsistence, is a fallacy ; and that rent is caused by the monopoly of land. He has utterly failed, however, to prove that interest is caused by the reproductive forces of nature ; or by the unearned increment. The cause of his failure, in this particular, is attributable to his having dropped the purely scientific method of investigation. He put on the glasses of the pure speculator. By seeing through them darkly he lost his foothold, and fell. I have picked him up right where he stumbled, and have shown that rent is the cause of profit ; that profit is the cause of interest ; and that rent, profit and interest are, conjointly, caused by the monopoly of the land.

Before we can properly remove an evil, we must first, by careful analysis, determine its cause. The cause of poverty, in the midst of increasing wealth, is land monopoly, as Mr. George has irrefutably demonstrated. Therefore, to stop poverty among industrious people, we must stop land monopoly. How shall we do this ? The method ought to be the method of peace, and not that of war, particularly in a nation where the ballot is in every man's hand. The first great and almost insuperable obstacle which stands in the way of reform, is unrighteous selfishness. The second great obstacles in

the way of reform, are the defensive laws, backed by the power of the State, which uphold the monopoly and sale of land. Were not this giant iniquity—the monopoly of land—sustained by the power of the State, there would be but one obstacle to remove, viz :—The ignorance and perverted moral sense of mankind.

Two things, therefore, need doing, First, the removal of ignorance ; and, Second, The repeal of obnoxious laws. The removal of ignorance can be gained by general agitation and discussion in the churches and colleges ; and, also, by the general diffusion of thought, on these themes, through the press. When the people shall have acquired an educated conscience in this way, then the ballot can be intelligently used to repeal obnoxious laws, and establish such other laws as are in harmony with justice.

The effect of such a revolution as this, would cause rents to tumble down to zero ; or, in other words, to the wear and tear of property and taxes. For as soon as the defensive laws are repealed which protect the monopolist of land, that moment will all unused and unoccupied land, now held for speculation, be opened for occupancy by the landless. And since there are thousands and tens of thousands of lots, in and around our great cities, which are now unoccupied and unused, there would begin a demand for them such as the world has never seen. But the rush need not be a disorderly one. For it might be previously arranged by law, or by mutual consent, that

all persons who desire to occupy a given plot of land, should be there at a given hour and day, and then let lots be drawn to determine who should have it, and to whomsoever the lot fell it should be his for use. And so of all other lands which may be unoccupied or unused.

The effect of such a reform would be well nigh miraculous. For so many men, having families and some means, would gladly go to these chosen lots and forthwith cause to be erected their own cottages, however humble they might be, which would necessitate the vacation of all the houses they had been paying rent for. The consequences would be that all the houses they had left would stand humbly begging for tenants, when landlords would be glad to let their houses to any one who would keep them in order and preserve them from decay, or sell them at a just valuation.

An objector to this plan might ask : “ Would not your scheme work a grave injustice to all who had bought lands for speculation, and who live from the income derived from such investments ? ” No ! For he who gains an income which enables him to live without work, is either a thief or a robber. An income gained at the expense of others, is always an immoral act—an act of injustice. Therefore, no injustice can, by any possibility, work to any one who may be deprived of the means of gaining an income which he does not earn in the sweat of his own face. The monopoly and sale of land are a grave injustice which cannot be defended

on moral ground. He who has thus selfishly, though innocently, invested his money for unholy gain, when the day of reformation comes, may make up his mind to lose it as gracefully as possible. Stolen goods bought by an honest man, may be taken by the owner without compensation. So lands and mines monopolized for unrighteous gain may be confiscated for the common good. The mills of the gods grind slow, but they grind to the end that justice may be gained. Landlords must be taught to voluntarily relinquish rents which exceed the wear and tear of property, since they cannot, in any way, give a moral reason for increase. And statute law must be made to conform to Moral Law.

This scheme of Justice will necessarily supersede Mr. George's plan of taxing the unearned increment and appropriating it by the State. As there is no such thing as an unearned increment in production, the State will have nothing of the kind to appropriate. Consequently Mr. George's plan falls through default of means.

