The Meaning of the Terms

1. What is political economy (or economics)?

The science which deals with the nature of wealth and the natural laws governing its production and distribution.

2. What is wealth?

All material things produced by labor for the satisfaction of desires and having exchange value.

3. Are the following wealth? Explain.
   a) land:
   No; it is not a product of labor.
   b) bank notes, stock certificates, bonds:
   No; they are but evidences of wealth or claims on wealth. Their increase or decrease does not affect the sum total of wealth. Money is a means to exchange wealth rather than wealth itself.
   c) knowledge, skill, experience:
   No; they are not material things. They are human qualities, attributes of labor.
   d) slaves:
   No; they are human beings whose labor is exploited.

4. What is production?

All processes involved in making wealth and bringing it to the ultimate consumer.

5. Name and define the three factors in the production of wealth.

1) Land: The entire material universe exclusive of people and their products.
2) Labor: All human exertion in the production of wealth.
3) Capital: Wealth used to produce more wealth; or, wealth in the course of exchange.

Land and labor are primary factors; capital is a derivative factor. Some economists mention other factors such as “enterprise” and “government” but on examination they are found to be one of, or a combination of, the three basic factors.

6. Give examples of:
   a) wealth that is capital:
   Wealth that is capital: Books in a bookstore, car used in business, carpenter’s tools.
   b) wealth that is not capital:
   Wealth that is not capital: Books in the home, car used for pleasure, hobbyist’s tool kit.

7. Are transportation and merchandising part of production?

Yes, production includes not merely the making of things but also bringing them to the ultimate consumer.

8. When is production completed?

When the product reaches the ultimate consumer.

9. What is distribution?

The division of wealth among the factors which produce it.

10. Name and define the three avenues of distribution.

1) Rent: That part of wealth which is the return for the use of land.
2) Wages: That part of wealth which is the return to labor.
3) Interest: That part of wealth which is the return for the use of capital.

Any other returns, such as “profits” and “taxes” are derived from one or more of the three basic returns.
### Production and Wages

11. What is the problem of poverty as defined by Henry George?

12. Does poverty still accompany progress?

13. When a laborer is self-employed, are his wages drawn from capital?

14. When laborers are paid by a percentage of what they produce, where do wages come from?

15. When laborers are paid with money, is the result any different from paying wages in kind?

16. Does labor precede the payment of wages?

17. When a worker is engaged in a long-range enterprise,  
   a) Is the amount of capital lessened when wages are paid?  
   b) What stands in the place of the wages he or she receives?  
   c) Where do the wages come from?

18. Give an illustration of a long-range enterprise and describe how value is added by labor as wages are paid.

19. Do we live on production from the past, or on production that is continually going on (current production)?

20. Does lack of capital explain the persistence of poverty in undeveloped countries?

21. Does lack of capital explain the persistence of poverty in advanced countries?

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

Yes. In our most advanced cities, slums spread and poverty festers. Real wages are eroded by inflation, high taxes and other factors; unemployment persists.

No, from the product of his labor. Examples: fishing, fruit picking.

From their own production. Examples: share-cropping, selling on commission.

No, it is essentially the same thing; money but represents the wealth produced. “Production is always the mother of wages.”

Yes. Labor must first produce the wealth from which its wages come.

a) No.

b) The value his or her labor is adding to the enterprise.

c) From the product of labor.

An example is the erection of a high-rise building. As each floor is added, the value of the building is increased. The value each laborer has added each week stands in place of the wages he or she is paid.

On production that is continuously going on — that is, current production. If production stopped, past production would not last long.

No, lack of capital is usually the result of conditions which are also causing poverty — unjust laws, political corruption, ignorance, monopoly, etc. Those countries of the “third world” which have the deepest poverty also have a small minority of very rich and powerful people.

No, there is often the deepest poverty where capital is most abundant. Our largest and most advanced cities have the worst slums. We must look further for the real cause of poverty.
ANSWERS TO LESSON 3

Population and Subsistence

1. What is the Malthusian theory, often advanced to explain the persistence of poverty?
That population tends to increase faster than subsistence. According to this theory, a point is reached where the earth can longer support the population.

2. Have the populations of supposedly over-populated countries actually outrun the means of subsistence?
No; large unused areas and inefficiency of production indicate that a great deal more could be produced in these countries than is being produced. (Example: Iraq has a sparse population. Once a rich agricultural country, its people now live in poverty despite oil development. Denmark has a dense population and has a high and well-distributed standard of living despite poor natural resources.)

3. In these countries, does all the wealth go to those who produce it?
No. In all such countries a large number of non-producers are supported in luxury and production is retarded by unjust laws. (Examples may be found everywhere in the world.)

4. In the various countries of the world, is there any consistent correlation between poverty and density of population?
No. High standards of living prevail in some countries which have either low or high densities of population; and the same is true of low standards of living.

5. Where do we find the greatest evidences of wealth, in densely populated communities or in sparsely populated communities?
The greatest per capita production of wealth is found in densely populated countries.

6. Does the increase of population decrease or increase the power to produce wealth?
The increase of population increases the power to produce wealth. A greater number of people can produce a larger amount of wealth per capita than a smaller number. (Specialization of labor, exchange of wealth and concentration of population enable each producer to produce more wealth.)

The Laws of Distribution

7. In political economy, what is meant by:
(a) the distribution of wealth?
The division of wealth among the factors that produce it.
(b) the laws of distribution?
The natural laws which determine what portion of wealth produced is the return to each factor of production, i.e., land, labor, capital.

8. In what way are the laws of distribution correlated?
These laws must account for distribution of the entire product.

9. How are taxation and the income from monopolies related to the primary distribution of wealth?
They are impositions made subsequently to the primary distribution of wealth among the factors that produce it. The distribution of wealth among labor, capital and land is an invariable function of natural law; the divisions made by taxation or monopoly are variable and the product of legislation and privilege.

10. Is capital a necessary factor in the production of wealth?
No; labor exerted on land without the aid of capital can produce wealth, although of a primitive nature.
11. Is wealth always divided into three parts? Explain.

Not always. Without capital, for example, the produce may be divided as rent and wages; or only as wages where land does not yield rent; or only as wages and interest where capital is used but land is free.

12. Why is the term “profits” misleading in the study of political economy?

Because it is indefinite. A “profit” is either any amount received in excess of an amount expended, or the residual income after accounting for all opportunity costs (the latter is termed “economic profit”). In either case, it may consist of rent, wages or interest, or any combination of them. “Profit” is a useful concept in business, but not in political economy, where the goal is to understand the production of wealth and its distribution among clearly defined factors.

**The Law of Rent**

13. How does the common meaning of the term “rent” differ from its meaning in the economic sense?

In common parlance, rent includes payment for use of buildings, machinery and other forms of capital, whereas such returns are really interest. In the economic sense, rent represents a return only for the use of land.

14. If the same person is both owner and user of land, can there be rent?

Yes. Rent is whatever the owner might obtain by letting the land to another person.

15. Can land yield rent if no one is willing to pay for its use?

No; rent arises only when someone is willing to pay for the use of land.

16. Does the rent of land depend only on its own productivity, or on its productivity as compared with land that can be had for nothing?

The latter. No matter how productive it may be, land will yield rent only if it has a greater productivity than land that can be had for nothing.

17. What qualities make some land more productive than other land in the following kinds of production?

- **a)** Fertility and nearness to markets.
- **b)** Abundance and accessibility of mineral resources.
- **c)** Nearness to population, transportation communication and other facilities.

18. If labor must resort to land of inferior quality to get it free, what now happens to the rent on all better lands?

The rent of all better lands will increase. This is so because the relative productive potential of all better lands will now be higher as compared to free land.

19. What is the margin of production?

The least productive land in use; or, the best land to be had for nothing.

20. What is the Law of Rent?

The rent of land is determined by the excess of its produce over that which the same application (of labor and capital) can secure from the least productive land in use (the margin of production).

21. Where are the highest rents found?

In manufacturing and commercial centers; also on lands rich in natural resources (oil, minerals, etc.).

22. In what way are the Laws of Wages and Interest inferred from the Law of Rent?

We can tell by subtraction how much is left for wages and interest.

\[
\text{Production} = \text{Rent} + \text{Wages} + \text{Interest}
\]

\[
\text{Production} - \text{Wages} + \text{Interest} = \text{Rent}
\]
The Law of Interest

1. What is interest as used in political economy and how does it differ from interest in its commercial sense?

   In political economy, interest is that part of wealth which is the return for use of capital. Commercial interest is any return on a monetary loan and usually includes compensation for risk.

2. a) Is land capital?
   
   b) Is the return from land interest?

   a) Land is not produced by labor and therefore cannot be classed as capital.
   
   b) The return from land is rent and should be distinguished from interest. The return on a mortgage is called “interest,” but insofar as the mortgage represents land, the return reflects rent.

3. In which cases do stock dividends and interest on bonds represent true economic interest, and in which cases do they not?

   Stocks and bonds are not capital. They are evidences of ownership. If they represent true capital, the return reflects interest. If they represent land, the return reflects rent. (There may also be other elements in the returns that are not true economic interest, such as compensation for risk, monopoly returns, etc.)

4. Does capital employ labor or does labor employ capital?

   In political economy, capital is a form of wealth, not a class of persons. Capital is used by labor as an aid in producing wealth and it is always labor that employs capital.

5. How is the quantity of capital increased and decreased?

   Capital is increased by being produced and by converting existing wealth into capital. Capital is decreased by being destroyed and used up, or by removing existing wealth from its use as capital.

6. a) What is the maximum return that can be obtained for the use of capital?

   b) What is the minimum return?

   c) What is the normal point of interest?

   a) The entire increase that its use will bring. Any larger return to capital would involve a loss to labor.

   b) The replacement of capital. Any smaller return to capital would involve a loss to the owners of capital. (In exceptional cases an owner might take a loss rather than allow capital to deteriorate entirely.)

   c) Interest will tend to settle around that point which will make the rewards of labor and capital equally attractive, that is, will give an equal result to either for an equivalent effort or sacrifice made.

7. Why do wages and interest tend to an equilibrium?

   Because otherwise labor would not accept the use of capital, or capital would not be placed at the disposal of labor.

8. If interest tends to rise above the point of equilibrium with wages, how will the balance be re-established?

   There will be a tendency to produce more capital, or a greater portion of existing wealth will be applied to use as capital. The resulting increase of capital will tend to reduce interest rates.

9. Suppose there were a shortage of sewing machines in relation to the availability of dressmakers:

   a) What would happen to the price of sewing machines?

   b) How would production of sewing machines be affected?

   c) When would this tendency slow down?

   a) It would rise.

   b) More would be produced.

   c) When the increased demand was satisfied.
10. Suppose a shortage of dressmakers in relation to the availability of sewing machines:
   a) What would happen to their wages?
   b) How would this affect the flow of labor?
   c) When would this tendency slow down?

11. On what grade of land do labor and capital obtain the total amount of wealth produced?

12. What is the Law of Interest?

The Law of Wages

13. In a complex society why do we find great differences in wages?

14. What are the occupations which most frequently use land at the margin of production and on whose wages all other wages depend?

15. What will be the lowest wage for which a person will agree to work for an employer?

16. Where land is free, what part of production will go to the producers?

17. Where rent arises, what determines wages?

18. What is the Law of Wages?

19. If all natural opportunities were reduced to ownership, what would happen to wages?

20. Is the Law of Wages a law of quantity or a law of proportion?

Correlation of the Laws of Distribution

21. From what fundamental principle of human exertion do the three laws of distribution arise?

22. At what common point are rent, wages and interest determined?

23. Do the Laws of Rent, Wages and Interest account for the full division of the product?
**ANSWERS TO LESSON 5**

1. Name the changes which contribute to material progress.
   - a) Increase of population.
   - b) Improvements in the arts of production and exchange.
   - c) Improvements in knowledge, education, government, police, manners and morals, so far as they increase the power of producing wealth. (B and C may be considered together since they have the same effect.)

   **Effect of Increase of Population**

2. What is the effect of increase of population upon the productive power of labor?
   - To improve it. 100 people working together can produce more than 100 times as much as one person working alone. Increased population makes possible division of labor, specialization and exchange.

3. What does increasing population tend to do to the margin of production?
   - Extend it to lower levels without lessening total productivity.

4. What is the effect upon rent and wages as proportions?
   - To increase rent and lower wages proportionately.

5. Can increasing population raise rent as a quantity without reducing wages and interest as quantities? Explain.
   - Yes, increased population makes possible greater powers of cooperation and exchange. This increases production in densely populated localities, increasing their rents over other lands in use, without decreasing wages and interest as quantities.

6. Is the increase of rent due to anything done by the landholder as such?
   - No.

7. To what is the increase of rent primarily due?
   - To increase of population.

8. How do inventions and improvements in the productive arts save labor?
   - They enable the same result to be secured with less labor, or a greater result with the same labor.

9. What is the effect of labor-saving improvements upon total production?
   - To increase production. The labor saved by invention can be used to produce either more of the same thing or other things.

10. What is the effect of increased production upon the demand for land?
    - To increase the demand for land; e.g., a) there is a more intensive use of superior lands; and b) there is a tendency to use additional lands.

11. How does the increased demand for land affect:
    - a) the margin of production?
    - b) rent?
    - a) It lowers the margin when inferior land is brought into use.
    - b) It increases rent.

12. How do inventions counteract the fall of the margin?
    - By increasing the productivity of all lands — the best and the poorest.

13. What is the effect of inventions upon:
    - a) rent as a proportion?
    - b) wages and interest as proportions?
    - a) A larger proportion of the product will go to rent.
    - b) a smaller proportion to wages and interest.
14. What is the effect of inventions upon:  
   a) rent as a quantity?  
   b) wages and interest as quantities? (251-253; 3 pts.)  

15. What is the effect on rent of governmental expenditures on roads, drainage, irrigation, bridges, etc.? Offer an example.

16. As material progress goes on and rent advances, why is some land held out of use?

17. How does withholding land from use affect the margin of production?

18. Do the first settlers in a new area take only the land they can use?

19. Is all the land in any city fully utilized?

20. Need land be withheld from use completely to lower the margin? Explain.

21. What is the effect of land speculation upon farm land near the city?

22. Why is land speculation not always profitable?

23. What is the effect of land speculation on the production of wealth?

24. What is the effect of land speculation on:  
   a) rent?  
   b) wages and interest?

25. How does land speculation affect the person seeking to purchase a home?

26. What is the limit to the speculative advance of rent?

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a) Rent usually goes up as a quantity. (There is such a thing, also, as a land-saving invention, which could, theoretically, contribute to a raising of the margin of production. But historically labor-saving inventions have played a far greater role; therefore the tendency had been for inventions to increase aggregate rent.)

b) Wages and interest may go up as quantities (although going down as proportions)

They increase the value of land. Examples would include virtually any investment in public infrastructure that succeeded in aiding production, transportation or exchange.

For speculation. Landholders expect further advances of rent and hold their land for a higher price than its current value.

Holding land out of use forces the margin to a lower point than would otherwise be necessary.

No, they often take more than they need, holding part of it for speculation.

No; every city has numerous vacant lots, or lots inadequately used (e.g., for parking lots).

No; if the land is not put to the full use of which it is capable, the effect is similar to withholding it from use entirely. Examples are city slums, shanties near skyscrapers, and “taxpayer” properties.

Farm land is held not at agrarian land prices but at prospective urban prices. To get farm land, it is then necessary to go still further away from the city.

Land speculators sometimes misjudge the future increase in values — and when the “bubble” bursts, they may lose on their holdings.

To restrict the production of wealth.

a) To increase rent.  
   b) To lower wages and interest.

It makes a new home expensive in two ways: by adding a speculative premium to the selling price of land, and then by the greater amount of interest that must be paid on the higher mortgage debt made necessary by that speculative premium.

The limit is the reduction of wages to the lowest point at which laborers will consent to work, and the reduction of interest to the lowest point at which capital will be devoted to production.
Depressions and Recessions

1. a) What is a depression?
   b) What is a recession?
2. What are some contributing causes of depressions and recessions?
3. What does George state is the basic cause of depressions?
4. What is the effect of land speculation on:
   a) the margin of production?
   b) rent?
   c) wages and interest?
5. With increasing land speculation, what is the effect on production?
6. How does a stoppage of production at one point affect other points of production?
7. In an open market, what is the effect on production of:
   a) speculation in commodities?
   b) speculation in land?

The Basic Cause of Depressions

8. What is trade?
9. What is the result of a cessation of demand?
10. Where must all production begin?
11. What is the main obstacle which prevents labor and capital from producing?

Denial of access to land because rents are too high. This is in effect a “lockout” of labor and capital by landowners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point until unemployment is widespread.
12. What three conditions contribute to restoring production after a period of recession or depression?

13. When productive activity is resumed, what is the effect on land values?

14. Is the problem of depressions and recessions essentially different from the general problem of poverty?

**Proposed Remedies**

15. Name six measures frequently proposed for the alleviation of poverty.

16. What effect would economy in government and reduced taxes have upon the general level of wages?

17. Can skill, industry or thrift raise the general level of wages? Explain.

18. When a labor union raises wages in a specific industry, what is the effect on the general level of wages?

19. Can the general level of wages be increased by a complete combination of all working people?

20. What is George’s objection to governmental regulation of the economy as a remedy for poverty?

21. Have current governmental programs to eliminate poverty been successful?

22. Can a more general distribution of land raise the general level of wages?

(1) Falling land values. (2) New inventions, increased population and increased productive capacity. (3) The willingness of labor and capital to accept smaller returns.

With renewed activity, land values rise; another period of land speculation sets in and a new depression is on the way.

Depressions and recessions are merely intensifications of the general tendency for poverty to arise with material progress.

Government economy; education; labor unions; cooperation; governmental direction; land distribution.

Wages would temporarily rise, as labor could keep the wages it now pays in taxes. This would mean increased demand and increased production. Rent would rise and eventually swallow the whole gain.

No, they cannot. They may help in individual cases, as when a person works harder, but insofar as these qualities become widespread, they increase production; this in turn increases rent and reduces the general level of wages. (Example: At one time reading and writing were special skills and paid higher wages than ordinary workmen received. As these skills have become more universal, they do not command a higher wage than the general level. A modern example: computer skills).

George points out that although governmental regulation may temporarily alleviate poverty, it does not and cannot solve the problem of poverty. It tends to restrict production; requires costly bureaucracy and encourages evasion of regulations. Note how accurate George was in his anticipation of the effects of an income tax (p. 320). (When George refers to “the ideal of socialism” he means the ideal of a harmonious and cooperative society, which can only be attained through freedom and natural growth and not through an economy planned by government).

No.

No, it would merely increase the number of landowners. (See Supplement for a discussion of some current theories and measures. In the next lesson we will take up Henry George’s remedy.)
1. What is the remedy proposed by Henry George for the abolition of poverty?

   “We must make land common property.”

2. a) What is “common property” in land?

   a) Equal rights of all to land.

   b) How can this be achieved without denying individual rights?

   b) By community collection of the rent of land.

3. a) What are the tests to which Henry George proposes to put his remedy?

   a) It must be just; it must be practicable; it must accord with social development.

   b) Which test does he put first? Why?

   b) The test of justice. “Is it right?” must be asked before “Will it work?”

4. Do all people have an equal right to life?

   Yes.

5. Can human beings live without land?

   No, it is the storehouse from which human needs must be supplied.

6. Is there any justification for the absolute ownership of land by some to the exclusion of others?

   No. An equal right to life implies an equal right to the use of land, which is necessary to life.

7. What constitutes the rightful basis of property?

   The right to the fruits of one’s own exertion, to enjoy, to use, to exchange or to give.

8. Is private property in wealth (the things produced by labor) justified by this principle?

   Yes, a person can claim a just and clear title to that part of wealth which is due to his or her own exertions.

9. Is absolute private property in land in accordance with the rightful basis of property?

   No, land is not the product of labor.

10. Indicate which of the following would be morally justified as an exchange with the products of a person’s labor:

    a) Products of another person’s labor
    a) Yes

    b) Stolen goods
    b) No

    c) Slaves
    c) No

    d) Land
    d) No

11. How does the term “real estate” lead to confusion in determining the rightful basis of property?

    By failing to distinguish between a building (wealth) which may be rightfully owned by an individual, and the lot on which it stands (land) which is not rightfully private property.

12. a) What is the origin of land titles?

    a) Conquest, force and fraud.

    b) Give one or more examples.

    b) The settlement of North and South America was accompanied by the cheating and massacring of the native inhabitants and by wars of the European powers with one another for the possession of the land.
13. Does priority of occupation give a person an exclusive and perpetual moral right to own land?

No. A first settler to a new country may settle where she pleases and take so much of the common property as she can use, but when other settlers arrive, her right is bounded by their rights.

14. In what way does absolute private property in land compare with chattel slavery?

Owning the land on which another person must live gives as much power to the owner over that person as owning him bodily.

**The Rent of Land**

15. If land is justly common property, how can a person retain undisturbed possession and use of land and yet satisfy the equal rights of all?

By paying its rent to the community.

16. How does payment of rent to the community satisfy fully the equal rights of all?

Rent is determined by the margin of production. It measures exactly the difference between the advantages of a particular piece of land and land which may be had freely by any member of the community.

17. Does rent arise from anything the landowner does as landowner?

No. A landowner who improves land does so as laborer and capitalist. The term landowner implies merely owning land and nothing else.

18. To whom does rent justly belong? Why?

To the community, because rent represents a value created by the community.

19. How would private ownership of improvements and personal property (wealth) be affected by community collection of rent?

Everyone, including the present landowners, would retain ownership of improvements and personal property.

20. What is the difference between community collection of rent and state ownership of land?

Community collection of rent enables the private possession and use of land to continue as now. State ownership of land implies state control of the use of land.

21. Compare George's proposal with land distribution schemes currently advocated for developing countries.

George’s proposal enables everyone to decide whether to be a landholder and how much land to hold, provided one pays its full rental value to the community. Most currently proposed land reforms aim at land redistribution and simply substitute many owners for a few owners. Land is often subdivided on an inefficient basis — and the private collection of rent still goes on.

22. Compare George's proposal with customary “left-wing”, “right-wing” and “middle of the road” proposals.

“Left-wingers” generally aim for more of the product to be in public hands. “Right-wingers” aim for more of the product in private hands. “Middle-of-the-roaders” aim for a “balanced system” between private and public ownership. None of them makes sufficient distinction between private and public ownership. None of them makes sufficient distinction between different kinds of income. George’s proposal makes a distinction between the unearned income of rent and the earned income of wages and interest. Rent to the community, wages and interest to the individuals producing them.
Ownership and Use of Land

1. What security does a person require to warrant building upon or cultivating land?
   Security of possession of the product of one’s labor.

2. Is absolute private ownership of land necessary to encourage the erection of buildings and the cultivation of land?
   It is not. The use of leased land for building and agriculture prevails everywhere to a large extent.

3. How does the treatment of land as absolute private property stand in the way of its highest and best use?
   The individual owner is permitted to prevent others from using what he cannot or will not use himself.

4. If land were treated as common property when would it be used?
   As soon as there was a need for it.

5. In working out a method for treating land as common property what right must be safeguarded?
   The private right to improvements.

6. What objection is there to public purchase of land?
   It would be unjust for the community to have to purchase what rightfully belongs to a community in the first place.

7. Is it necessary to confiscate land?
   No. It is merely necessary to confiscate rent. (“Confiscate” comes from the Latin: “con”, together, and “fiscus”, purse; in other words the public treasury. In its original meaning, “to confiscate” simply meant to take into the public treasury.)

8. What is the practical method proposed by George for treating land as common property? (406; 4 pts.)
   To appropriate rent by taxation.

9. How would land titles be affected by this proposal?
   They would remain undisturbed.

10. What machinery already exists for the public collection of rent?
    Taxation. We already take some rent through the property tax. We need merely take all (or most) of it. George suggests that landowners might be left a small percentage of the rent. See supplement.

11. What does George’s proposal call for with respect to other taxes?
    To abolish them. Appropriation of rent would thus be substituted for all taxes now imposed on labor and capital.

12. What are the standards, or canons, to which taxation should conform?
    Taxation should: 1) bear as lightly as possible upon production; 2) be easily and cheaply collected and fall as directly as possible upon the ultimate payers; 3) be certain; 4) bear equally so as to give no individual an advantage.

13. Name some types of taxes which fall upon production.
    Taxes on sales, manufacturing, commerce, capital, improvements. Illustrations of the above: sales tax, federal cigarette tax, federal transportation tax, property tax levied on improvements.
14. How do such taxes affect production? The increased cost of production raises prices, forcing consumers to buy less. This lessens production.

15. What effect would the public collection of rent have upon production? It would not be a burden upon production. It would stimulate the maximum use of salable land, on which greater production could be obtained. Full public collection of rent would increase overall production by stimulating the use of valuable land, allowing labor and capital to become more productive.

16. Can a tax on land values be easily and cheaply collected? Yes. Land cannot be hidden. Its value can be ascertained readily. The machinery used to collect part of the rent could be used to collect more without any added expense.

17. How does the taxation of commodities affect their price? The taxation of labor products increases their price by increasing the cost of production and lessening supply. (See p. 415 for the practice of "pyramiding" the tax.)

18. Does a tax on rent enable the owner to pass it on to the user of land in the form of a higher rent? No. Since land is not produced by labor, taxes upon rent cannot lessen supply and thus raise rents. The owner cannot collect more rent, because rent is determined by the margin of production. Thus an effort by the landowner to shift the tax to the tenant by raising rent would make the rent higher than the land was worth, and the tenant would move. (This principle does not apply to taxes on buildings, which may be shifted, as is generally the case with taxes on labor products.)

19. Does a tax on land values add to the price of commodities? No. It does not increase the rent of land; it does not reduce the supply of land; it does not reduce the supply of commodities; therefore it cannot increase the price of commodities. The price of commodities is set by competition and tends to the same level regardless of the rent of the site where they are sold.

20. What tax can be collected with the greatest certainty? The tax on land values. Land cannot be moved or concealed, and its value can be determined easily.

21. Which conforms more closely with justice: Taxing wages or taxing rent? Taxing rent. A tax on wages takes the rightful wealth of the laborer, the fruits of individual exertion. Rent is not produced by the individual. It is produced by society and therefore justly belongs to society.

22. Can we separate the value of land from the value of improvements? Yes. Assessors habitually estimate these two values separately. If buildings are destroyed, land value remains. And, land values and building values often change in different directions, such as when a dilapidated building loses value while a desir-able site appreciates.

23. If a tax on land values is the best method of raising revenue, what is required for its public acceptance? That the significance of land value taxation be widely understood. When there are sufficient numbers of adherents, land value taxation will become a public issue. Politicians follow public opinion.
Effects Upon Production and Distribution

1. What would be the effect on production if:
   a) taxes on wages and interest were abolished?
   b) land values were fully taxed?

   a) With people no longer taxed for their energy, industry, skill and thrift, there would be greater incentive to produce.
   b) Better natural opportunities would be open to labor, thus stimulating production.

2. How would the returns to labor and capital be affected by:
   a) the abolition of taxes on wages and interest?
   b) the full taxation of land values?

   a) Freed of taxation, they could keep their full wages and interest (all that they could produce at the margin of production).
   b) Having access to better natural opportunities (i.e., a higher margin of production), their returns would be greater.

3. How would land value taxation affect aggregate rent?

   Aggregate rent would increase. Superior lands, formerly unused, would be released for production. All such additional production would increase aggregate rent, as well as wages and interest.

4. How would an increase of aggregate rent benefit the community under land value taxation?

   It would increase the common fund in which all would share.

5. If the full rental value of land were taken in taxation, what would happen to:
   a) the selling price of land?
   b) land speculation?

   a) It would fall drastically.
   b) Land speculation would tend to disappear as there would be no profit in it.

6. If taxes were placed only on land values, would a given piece of land be taxed the same whether it were used or idle?

   Yes. The tax would be based on the land's rental value. No matter how fully it were built upon or improved, the owner would pay no more for it than if it were idle. This would encourage the best use of land.

7. Under land value taxation, would it be necessary to pay large sums in advance, or to incur mortgages, in order to obtain land?

   No. Land would be much easier to obtain than today. Selling price would fall to nominal levels. The main requirement in acquiring and keeping a piece of land would be to pay the rent tax.

8. What effect would the opening of better natural opportunities have on competition among laborers and on wages?

   The demand by employers for labor would increase and at the same time laborers could more readily become their own employers. With less competition among laborers and increased production, wages would rise as the margin rose.

9. How would increased wages affect labor's productive power?

   Labor would have the incentive to become more productive. The general level of wages is not based on the workers' productivity but on the best available opportunity for self-employment. If those opportunities improve, workers will be able to demand higher wages. In order to pay those higher wages and still make a profit, employers must make sure that worker productivity is high.

10. How would further advances in material progress (inventions, increase of population, etc.) affect all classes under land value taxation?

    As labor and capital because more productive with material progress, there would be further increases in wages and interest. As rent increased, all would share in its benefits. Landowners themselves would benefit by living in a healthier society.
11. How do the values of agricultural land compare with the values of town and city land of equal area?

Agricultural land values are small compared to the values of town or city land of equal area.

12. If only land values were taxed, what would be the effect on:
   a) the working farmer who owns a farm?
   b) the tenant farmer?
   c) the prospective farmer seeking a farm to buy?
   d) the absentee farm owner?

   a) There would be less to pay in taxes, both direct and indirect.
   b) As the margin rose, the return to tenant farmers would increase.
   c) The prospective farmer would find much better land available at cheaper prices than today.
   d) If all, or nearly all, rent were publicly collected, there would be no absentee landowners.

13. Under land value taxation, how would the homeowner fare:
   a) in the taxes on house and lot?
   b) in selling house and lot?
   c) in buying a house and a lot?

   a) Taxes would be only on the lot and not on the house.
   b) The price of the lot would fall, but the price of the house would remain unaffected.
   c) The cost would be less than today. Since land would only be a relatively small cost factor; the overall mortgage debt burden would be correspondingly less.

14. From what types of land would the largest public revenues be derived?

From city lands, especially commercial sections; also from lands where oil and other valuable natural resources were found. Such lands are generally the most valuable.

15. With speculation in land removed, what would be the effect on the distribution of population?

People in sparsely settled areas could move closer to the centers of population; people crowded in cities could spread out more. Population could then be more evenly diffused.

16. How would a single tax on land values affect the complexity of government?

It would vastly simplify government. It would eliminate our vastly complicated tax agencies and cut down on tax legislation. (note: George here speaks of “the State as the sole owner of land.” This does not mean land nationalization. Existing title and possession of land would remain unchanged. The state would only the “owner” in the sense that it would receive the rent in the name of the people as a whole.)

17. a) What are the chief economic reasons for the rise of “big government” today?
   b) How could “big government” be reduced under land value taxation?

   a) Failure to solve the basic, systemic problems of poverty and depression has led to a demand for government intervention, which has given rise to the big government of today.
   b) With the problems of poverty and depressions solved, the chief economic reason for big government would be eliminated. There would no longer be the large-scale need for welfare payments, unemployment insurance, etc., with all the attendant bureaucracy.

18. What would be the functions of government under land value taxation?

The collection of land value taxes and their use for the common benefit; the preservation of law and order; the administration of justice.

19. What does Henry George regard as a motive of human action even stronger than self interest?

The desire for approbation. The sympathetic desire of people which leads them to act for the sake of their fellow citizens, or for a noble cause.

20. If involuntary poverty were abolished, would people tend to idleness?

Desire would remain, urging people forward to new accomplishments, not only for material betterment, but for intellectual and moral achievements.

21. What is the greatest waste of society today?

The waste of mental power, caused by conditions that permit so few to develop their potentialities.

22. How would an environment which offered greater opportunities to all tend to change society?

The capacities of individuals would have far greater opportunities for development than today. The moral, intellectual, and cultural life of society would tend toward constant improvement.
## ANSWERS TO LESSON 10

### The Law of Progress

1. Are different levels of civilization due more to differences which inhere in individuals or in society?
   
   To differences which inhere in society. All human beings are essentially alike. This is a conclusion which has been confirmed by modern anthropology. What makes societies, civilizations and nations different from one another is not the differences in individuals but the different traditions, beliefs, customs and laws which grow in every society.

2. What must the Law of Human Progress explain?
   
   Why past civilizations arose and decayed. Which social adjustments tend to advance and which to retard civilization.

3. What are the incentives to progress?
   
   The desire to gratify physical, mental and social wants.

4. What determines the amount of mental power devoted to progress?
   
   That which is left after mental power is expended in non-progressive pursuits of maintenance and conflict.

5. To utilize this mental power fully, what is the first essential of progress?
   
   Association. As people associate in communities, division of labor becomes possible, leading to greater productivity and the freeing of mental power for higher pursuits.

6. What is the second essential of progress?
   
   Equality. A condition of equality, freedom and justice. In short, an observance of the equality of human rights will lessen the wasteful expenditure of mental power in conflict.

7. What is the Law of Human Progress?
   
   Association in Equality. Association frees mental power for improvement; equality prevents dissipation of this power in fruitless struggles.

### Causes of Decline

8. How does disassociation of peoples tend to check progress?
   
   The prejudices and animosities that grow up between separated communities may become barriers to the exchange of goods and ideas (trade). These barriers may also lead to destructive warfare.

9. As society becomes complex, what conditions arise which may lead to inequalities?
   
   The concentration of political power in one person or small groups. Specialization of functions which create privileged classes, such as the military, the judges, politicians, etc. Increasing value of land which leads to greater power and wealth for those who have monopolized it.

10. Are such inequalities a necessary result of social growth?
    
    No. They can be prevented by making proper social adjustments as new conditions arise.

11. How does the inequitable distribution of wealth and power tend to check progress?
    
    The "have-nots" are compelled to expend their mental power in merely maintaining existence, while the "haves" expend mental power in keeping up and intensifying the system of inequality.
12. Does the Law of Human Progress (Association in Equality) account for the rise and fall of civilizations?
Yes. This general law will explain all diversities, all advances, all halts and retrogressions. Progress goes on as society tends toward closer association and greater equality. Progress is halted by inequality and disassociation.

13. Does political equality alone assure the equitable distribution of wealth and power?
No. It does not prevent the tendency to inequality in the ownership of land, which leads to unequal distribution of wealth and power.

14. Cite some social conditions existing today which, if unchecked, may lead to a decline of civilization.

15. How would these conditions be affected by Henry George’s remedy?
The cause that is chiefly responsible for these symptoms - poverty and its attendant evils - having been solved, the gigantic size of these problems would start to diminish.

16. How does George’s reform accord with the Law of Human Progress?
It will open up greater opportunities for progress. It will make other desirable reforms easier. It is politically, socially and morally sound. It is consistent with true equality and justice. It will produce a condition of true economic freedom. The increase of the rent fund under George’s reform will promote equality instead of inequality.

17. What is the meaning of Liberty?
“Liberty means justice and justice is the natural law.” Liberty is the true source of progress. Liberty is a condition wherein the rights and freedoms of all are respected.

18. What does Henry George regard as a problem even higher and deeper than the social problem?
“Behind the problems of social life lies the problem of individual life.”

19. a) Summarize the important points of the course.
19. A summary should include: Definitions of economic terms. The fact that poverty cannot be explained by any inability to produce sufficient wealth. The laws of distribution. Land monopoly and land speculation as the basic cause of poverty and depressions. Public collection of the rent of land through land value taxation and abolition of other taxes, as George’s remedy. The law of human progress.

b) Add your own evaluation.