

ENDING POVERTY IN AMERICA

By Mike Curtis. Arden, DE

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The rich are getting richer while wages for the 99% have been frozen since the 1960s. The vast majority of the adult population are willing and able to work and would like to exchange their labor for the products and services of other people's labor, but at the beginning of 2016 the percentage of the adult population that was employed is about 59 percent, according to the Bureau of Labor Statistics. That is 4 percent less of the adult population than was working before the recession began in 2008.

Fifty years after President Johnson declared "The War on Poverty", nearly 15% of Americans are still considered impoverished, and would be affected more greatly if it weren't for more than 125 anti-poverty programs funded by federal, state, or local governments, according to a House Budget Committee Report chaired by Paul Ryan. Poverty in America is alleviated, but the need for such programs continue. According to the report, the total cost to governments is over a trillion dollars per year and growing. That comes to more than 15% of all government spending.

The anti-poverty programs that have increased expenditures on healthcare, education, and job training, have definitely made people more productive, but none of these expenditures, nor tax breaks for employers, have created enough new jobs to match the increase in population, nor have they raised the general level of wages. There are more people who need assistance today than there were in 1964 when the war on poverty was declared.

What is the root cause of poverty?

There are many contributing factors when we isolate them — the lack of education, or self discipline, or alcoholism, or divorce among parents. However, when we compare and contrast communities as a whole there are two primary factors that indicate the level and extent of poverty. The first one is unemployment: the lack of job opportunities. Without a job, you have no rightful source of income. However, even with a full time job, if wages are too low in terms of what you can buy or a standard of living you will still be living in poverty. In some places the cost of housing is so much more than the cost of providing it that full time workers with what would otherwise seem like a reasonable wage are living in poverty. In terms of political economy, poverty is a manifestation of unemployment and low wages. That is: low wages in reference to the cost of or a standard of living.

Technological progress is increasing the results of everyone's efforts, from the highest paid to the lowest paid workers.

Computer users with the latest program, carpenters with nail and screw guns, and the lawn guys with a zero turn mower, are all producing more and more with the same amount of work, but the general rate of wages tend to remain constant. And, whether it's the price of a computer, which does the work of several bookkeepers, typists, and file clerks, or a zero turn lawnmower that does the work of several people with push mowers, the cost of the machinery that increases the results of labor is a small fraction of the increase in its productivity.

This we know, but by what mechanism does all the increase in labor's productive power go to a smaller and smaller percentage of the population — what is now being called the asset class? When all people have an equal opportunity, and all workers get everything that results from their individual exertions, that is when those at the bottom will rise out of poverty. That would certainly be an equitable distribution of wealth and would not in any way diminish the incentives that have made this era the most productive in human history.

But, how can we create an equal opportunity, and how can we measure the values that result from each worker utilizing those opportunities that are equally available to everyone?

In a primitive state, the quality of life is directly related to one's own efforts and the bounty provided by nature. However, as people come together in communities, the potential for satisfaction is many times greater than individuals could produce by themselves.

With the adoption of agriculture, permanent dwellings, and the family as the individual unit, land is assigned to each family. In that way each family has a legal or social right to keep securely the product of their labor.

And, as long as each parcel provides an equal quality of opportunity, it continues. But, as communities grow and new lands are assigned, the potential of each new parcel tends to be potentially less productive -- will yield less with the same amount of work.

This is counteracted by the synergy of the group. The larger the group, the greater the potential for specialization and trade. Each person is far more productive when they make fewer things or even one part of one thing over and over and exchange them for the many products they consume. It enables the accumulation and continuous use of tools and machines designed for each operation in the production of a final product, and it expands the total body of knowledge and skill.

So, as a result of this synergy, the land available to each new member may yield as much as naturally superior land previously did when the community was smaller.
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Some land is naturally more desirable and potentially more productive, not only in fertility, or mineral content, but where rivers join and safe harbors are provided by nature; that is to say, where nature is most conducive to transportation and trade. It is the latter where population tends to become most concentrated, and therefore, enables the greatest degree of cooperation and synergy.

Whether from the quality of natural opportunity or the concentration of population, there is a difference between the potential yields to labor on any particular parcel of land and those on the land that is still free. It is this difference which is enjoyed by the owners of superior land, and this potential difference that constitutes the rental value of land.

New inventions generally increase productivity on all land, but they increase it disproportionately more on superior land. Farming machines yield more as fertility increases; the yields of mining machinery increase with the richness of the veins; factory machines yield more where populations are dense and there is mutual support among coordinating industries; and commercial activities yield sales and income, which come with the number of potential customers.

All productivity is enhanced by roads and bridges, water & sewer systems, gas & electric service, police & fire departments. Not only does the infrastructure permit denser populations, but its cost per person is less as the density of population increases. Because the land that is still free for others is always sparsely populated, the greater density of population and the efficiency of cooperation on superior land increases its productivity and adds to its rental value.

This dynamic is the basis for the rate of wages (Law of Wages), which are everywhere equal to what could be produced on the best land that is still free. This is self-evident, because no one will work for someone else unless they are paid at least as much as they could have produced working for them self where the land is free.

The difference between what labor and capital can produce on the land that is free and what can be produced on any parcel of superior land accounts for its rental value. That portion that is taken by landowners is an unearned income. Therefore, the unearned-income increases with material progress. What people are willing to pay for access to land increases with population and the extension of the free-land opportunities. It increases with each addition to the infrastructure, and the march of invention.

Title to land is bought and sold, and its price is based on expectations of future incomes from its ownership. As these incomes and the expectations of future incomes increase, the selling value of land increases as well. That is why people acquire land as an appreciating asset. Sometimes land is completely unused; too often it is under used; it is held in part or in whole for the increase in its selling value. The faster the potential productivity of a site increases or is expected to increase, the greater the

incentive to hold it for future gains. The more land that is unused and under used, the more it extends the free-land opportunity.

The United States expanded from the Atlantic to the Pacific oceans, and by 1867 it had amassed nearly 448 million acres of arable land. The Federal government was selling it for a dollar per acre (\$20 in 2015 dollars) in the beginning of the 19th century, and after the Civil War, it was practically giving it away under the Homestead acts. By 1893 all but the poorest of arable land was privately owned. There were 35 acres of arable land for every family in the country, but the free-land frontier that had made America the land of opportunity with full employment and the highest wages in the world was gone.

In the absence of a free-land opportunity, wages tend to an amount below which productivity would fall. The wages of the least skilled and educated fall to an amount below which the workers would get hungry and productivity would fall. Wages of superior workers would fall to the point below which the incentive to learn the skills and accumulate the knowledge would diminish and productivity would fall. When there is no free land, the return to buildings, machinery, products in the course of being made and exchanged, tend to an amount below which the supply of such products would decrease and productivity would fall. Without a free-land opportunity, all the increase in material progress goes to the owners of land and other monopolies.

As long as an individual has a better education than the average or majority of the workforce, he or she will enjoy higher wages. However, it is not absolute. As the general level of education is raised, the requirements for higher wages rise too. When people that could read and write were the exception, they enjoyed higher pay. Now, reading and writing are requirements for even the lowest paying jobs. Over time, all the benefits of inventions, infrastructure, divisions of labor, and economies of scale goes to the owners of land -- no matter how much is produced.

The more land is held for speculation, the more people will be unemployed and homeless. You can't put two things in the same place at the same time. The increase in the selling value of land does not always go up in the short run. There are periods when it falls for a few years, and in some exceptional instances it takes the better part of a decade to reach its previous high before continuing to rise again in harmony with the increase and expected increase in productivity. This has happened every 16 to 20 years for the last two centuries. It is caused when too much land is held for speculation (an appreciating asset). As machines replace workers, there aren't enough places for the workers to be re-employed. The unemployed workers reduce their demand for goods and services, and the demand for land falls as well. Eventually, enough land is sold that most of the unemployed can go to work, and the economy expands again. As the economy expands, the price of land increases with it. The price of land is increased by the (continued on page 15)

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extension of credit and low interest rates. When credit is withdrawn, as it is before a recession, it lowers the amount that can be offered and the value of land falls.

Ending Poverty

The rental value of land measures exactly the value of the benefits received by the landowner from the community. Therefore, equity requires that each title to land be conditional upon the payment of its rental value. When this payment is made, it puts no undue burden on the user of land, for the value of land like anything else is set by the willingness of the recipient to pay it. However, anyone who held title to land and left it idle would lose, for the rent would have to be paid and there would be no income from which to pay it.

With all valuable land being put to its most economic (highest & best) use cities and suburbs would increase in population, and rural areas would decrease. Not only would

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this increase the efficiency and the relative value of urban and suburban land, but it would decrease the value of rural land. Significant areas of what is now the least valuable land would have no value at all. Here would emerge a free-land opportunity for people to live and work in a homesteading lifestyle. Whatever standard of living could be enjoyed on a free-land homestead would set the rate of wages everywhere. As inventions and innovations come into being, as knowledge advances, the standard of living on the free-land opportunity increases and wages everywhere increase by the same amount.

It is easy to imagine that the free-land opportunity would soon be overwhelmed, but because the owners of valuable land will be paying the rent, they will have a great incentive to hire the people who would otherwise go to the free-land opportunity. If they don't hire enough workers, they won't be able to put their land to its most profitable use; if they don't put the land to its most profitable use, they won't be able to pay the rent and get a return on their buildings and machinery etc. Therefore, there is every confidence that the free-land opportunity will remain and continue to offer an increasing standard of living for succeeding generations.

The density of population creates the potential for the divisions of labor and economics of scale. And the infrastructure - roads and bridges, pipes and wires that run along them, the preservation of order and public safety - enable a denser population with a far greater efficiency of cooperation. So, much of the rent of land will be spent to maintain the infrastructure and pub-

lic service. However, the rental value of land is far greater than enough to pay for these and it increases with material progress. Here is a fund out of which we can take care of those who are mentally and physically unable to take care of themselves. Not only will this fund suffice to pay for all the legitimate functions of government, but it would surely be enough to pay for national healthcare and social security. It could pay for medical and environmental research. It could pay off the national debt, and it could eventually offer a cash dividend to all the inhabitants of this country.

This dividend, when it came, would not be a redistribution of wealth from those who produced it to those who didn't, because the rent of land can not be attributed to the efforts of individuals and corporations. The dividend would simply be sharing part of the results of the conscious and subconscious cooperation of the community as a whole. It would be a leveler for those who were blessed with less intelligence, physical strength, or psychological health.

Collect for social purpose the rental value of land. Abolish all taxes that confiscate the rightful property of people who work and invest in production, socialize all business which are in their nature monopolies, in which there cannot reasonably be competition, like the roads and bridges and the pipes and wires that run along them — and abolish all other government granted monopolies.

If we do that, we will certainly abolish poverty in America.

(Mike Curtis may be emailed at mikecurtisarden@icloud.com)