

That this is the way in which the increase of population powerfully acts in increasing rent, whoever, in a progressive country, will look around him, may see for himself. The process is going on under his eyes. The increasing difference in the productiveness of the land in use, which causes an increasing rise in rent, results not so much from the necessities of increased population compelling the resort to inferior land, as from the increased productiveness which increased population gives to the lands already in use. The most valuable lands on the globe, the lands which yield the highest rent, are not lands of surpassing natural fertility, but lands to which a surpassing utility has been given by the increase of population.

The increase of productiveness or utility which increase of population gives to certain lands, in the way to which I have been calling attention, attaches, as it were, to the mere quality of extension. The valuable quality of land that has become a centre of population is its superficial capacity; it makes no difference whether it is fertile, alluvial soil like that of Philadelphia; rich bottom land like that of New Orleans; a filled-in marsh like that of St. Petersburg, or a sandy waste like the greater part of San Francisco.

And where value seems to arise from superior natural qualities, such as deep water and good anchorage, rich deposits of coal and iron, or heavy timber, observation also shows that these superior qualities are brought out, rendered tangible, by population. The coal and iron fields of Pennsylvania, that today are worth enormous sums, were fifty years ago valueless. What is the efficient cause of the difference? Simply the difference in population. The coal and iron beds of Wyoming and Montana, which today are valueless, will, in fifty years from now, be worth millions on millions, simply because, in the meantime, population will have greatly increased.

It is a well provisioned ship, this on which we sail through space. If the bread and beef above decks seem to grow scarce, we but open a hatch and there is a new supply, of which before we never dreamed. And very great command over the services of others comes to those who as the hatches are opened are permitted to say, "This is mine!"

To recapitulate: The effect of increasing population upon the distribution of wealth is to increase rent, and consequently to diminish the proportion of the produce which goes to capital and labour, in two ways: First, by lowering the margin of cultivation. Second, by bringing out in land special capabilities otherwise latent, and by attaching special capabilities to particular lands.

I am disposed to think that the latter mode, to which little attention has been given by political economists, is really the more important. But this, in our inquiry, is not a matter of moment.

THE PRIMARY DIVISION OF WEALTH: RENT AND EARNINGS

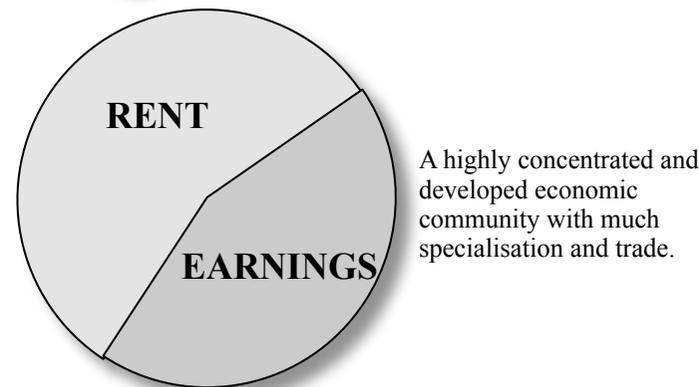
An important lesson that may be drawn from Henry George's Savannah Story is how the wealth that is produced within an economic community divides between (a) the rent which people who compete with each other for a location must pay and (b) the earnings (i.e. wages plus interest) which the suppliers of labour and capital receive for their endeavours and enterprise.

In a simple economy Rent is small compared with Earnings whilst in a highly developed community, where there is much specialisation and trade, Rent represents a large share of a much larger amount of total and average wealth produced. Average and total Earnings may be larger but compared with Rent they represent a smaller share.

From this it may be appreciated how Rent is produced by the presence, protections and services provided by the whole community and thus forms a natural source of public revenue in place of taxes on the wealth produced by individuals and groups.



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A Savannah Story

By Henry George

EFFECTS OF MATERIAL PROGRESS AND INCREASE OF POPULATION ON THE DISTRIBUTION OF WEALTH
Extract from *Progress and Poverty*, Book IV. Chapter 2

Here, let us imagine, is an unbounded savannah, stretching off in unbroken sameness of grass and flower, tree and rill, till the traveller tires of the monotony. Along comes the wagon of the first immigrant. Where to settle he cannot tell every acre seems as good as every other acre. As to wood, as to water, as to fertility, as to situation, there is absolutely no choice, and he is perplexed by the embarrassment of richness. Tired out with the search for one place that is better than another, he stops somewhere, anywhere and starts to make himself a home. The soil is virgin and rich, game is abundant, the streams flash with the finest trout.

Nature is at her very best. He has what, were he in a populous district, would make him rich; but he is very poor. To say nothing of the mental craving, which would lead him to welcome the sorriest stranger, he labours under all the material disadvantages of solitude. He can get no temporary assistance for any work that requires a greater union of strength than that afforded by his own family, or by such help as he can permanently keep. Though he has cattle, he cannot often have fresh meat, for to get a beefsteak he must kill a bullock. He must be his own blacksmith, wagon-maker, carpenter, and cobbler in short, a "jack of all trades and master of none." He cannot have his children schooled, for, to do so, he must himself pay and maintain a teacher. Such things as he cannot produce himself, he must buy in quantities and keep on hand, or else go without, for he cannot be constantly leaving his work and making a long journey to the verge of civilization; and when forced to do so, the getting of a vial of medicine or the replacement of a broken auger may cost him the labour of himself and horses for days. Under such Circumstances, though nature is prolific, the man is poor. It is an easy matter for him to get enough to eat; but beyond this, his labour will suffice to satisfy only the simplest wants in the rudest way.

Soon there comes another immigrant. Although every quarter section of the boundless plain is as good as every other quarter section, he is not beset by any embarrassment as to where to settle. Though the land is the same, there is one place that is clearly better

for him than any other place, and that is where there is already a settler and he may have a neighbour. He settles by the side of the first corner, whose condition is at once greatly improved, and to whom many things are now possible that were before impossible, for two men may help each other to do things that one man could never do.

Another immigrant comes, and, guided by the same attraction, settles where there are already two. Another, and another, until around our first comer there are a score of neighbours. Labour has now an effectiveness which, in the solitary state, it could not approach. If heavy work is to be done, the settlers have a logrolling, and together accomplish in a day what singly would require years. When one kills a bullock, the others take part of it, returning when they kill, and thus they have fresh meat all the time. Together they hire a schoolmaster, and the children of each are taught for a fractional part of what similar teaching would have cost the first settler. It becomes a comparatively easy matter to send to the nearest town, for some one is always going. But there is less need for such journeys. A blacksmith and a wheelwright soon set up shops, and our settler can have his tools repaired for a small part of the labour it formerly cost him. A store is opened and he can get what he wants as he wants it; a post office, soon added, gives him regular communication with the rest of the world.

Then come a cobbler, a carpenter, a harness maker, a doctor; and a little church soon arises. Satisfactions become possible that in the solitary state were impossible. There are gratifications for the social and the intellectual nature for that part of the man that rises above the animal. The power of sympathy, the sense of companionship, the emulation of comparison and contrast, open a wider, and fuller, and more varied life. In rejoicing, there are others to rejoice; in sorrow, the mourners do not mourn alone. There are husking bees, and apple parings, and quilting parties. Though the ballroom be un-plastered and the orchestra but a fiddle, the notes of the magician are yet in the strain, and Cupid dances with the dancers. At the wedding, there are others to admire and enjoy; in the house of death, there are watchers; by the open grave, stands human sympathy to sustain the mourners.

Occasionally, comes a straggling lecturer to open up glimpses of the world of science, of literature, or of art; in election times, come stump speakers, and the citizen rises to a sense of dignity and power, as the cause of empires is tried before him in the struggle of John Doe and Richard Roe for his support and vote. And, by and by, comes the circus, talked of months before, and opening to children whose horizon has been the prairie, all the realms of the imagination princes and princesses of fairy tale, mail clad crusaders and turbaned Moors, Cinderella's fairy coach, and the giants of nursery lore; lions such as crouched before Daniel, or in circling Roman amphitheatre tore the saints of God; ostriches who recall the sandy deserts; camels such as stood around when the wicked brethren raised Joseph from the well and sold him into bondage; elephants such as crossed the Alps with Hannibal, or felt the sword of the Maccabees; and glorious music that thrills and builds in the chambers of the mind as rose the sunny dome of Kubla Khan.

Go to our settler now, and say to him: "You have so many fruit trees which you planted; so much fencing, such a well, a barn, a house in short, you have by your labour added so much value to this farm. Your land itself is not quite so good. You have been cropping it, and by and by it will need manure. I will give you the full value of all your improvements if you will give it to me, and go again with your family beyond the verge of settlement." He would laugh at you. His land yields no more wheat or potatoes than before, but it does yield far more of all the necessaries and comforts of life. His labor upon it will bring no heavier crops, and, we will suppose, no more valuable crops, but it will bring far more of all the other things for which men work. The presence of other settlers the increase of population has added to the productiveness, in these things, of labour bestowed upon it, and this added productiveness gives it a superiority over land of equal natural quality where there are as yet no settlers. If no land remains to be taken up, except such as is as far removed from population as was our settler's land when he first went upon it, the value or rent of this land will be measured by the whole of this added capability. If, however, as we have supposed, there is a continuous stretch of equal land, over which population is now spreading, it will not be necessary for the new settler to go into the wilderness, as did the first. He will settle just beyond the other settlers, and will get the advantage of proximity to them. The value or rent of our settler's land will thus depend on the advantage which it has, from being at the centre of population, over that on the verge. In the one case, the margin of production will remain as before; in the other, the margin of production will be raised.

Population still continues to increase, and as it increases so do the economies which its increase permits, and which in effect add to the productiveness of the land. Our first settler's land, being the centre of population, the store, the blacksmith's forge, the wheelwright's shop, are set up on it, or on its margin, where soon arises a village, which rapidly grows into a town, the centre of exchanges for the people of the whole district. With no greater agricultural productiveness than it had at first, this land now begins to develop a productiveness of a higher kind. To labour expended in raising corn, or wheat, or potatoes, it will yield no more of those things than at first; but to labour expended in the subdivided branches of production which require proximity to other producers, and, especially, to labour expended in that final part of production, which consists in distribution, it will yield much larger returns.

The wheat grower may go further on, and find land on which his labour will produce as much wheat, and nearly as much wealth; but the artisan, the manufacturer, the storekeeper, the professional man, find that their labour expended here, at the centre of exchanges, will yield them much more than if expended even at a little distance away from it; and this excess of productiveness for such purposes the landowner can claim just as he could an excess in its wheat producing power. And so our settler is able to sell in building lots a few of his acres for prices which it would not bring for wheat growing if its fertility had been multiplied many times. With the proceeds, he builds himself a fine house, and furnishes it handsomely. That is to say, to reduce the transaction to its lowest

terms, the people who wish to use the land build and furnish the house for him, on condition that he will let them avail themselves of the superior productiveness which the increase of population has given the land.

Population still keeps on increasing, giving greater and greater utility to the land, and more and more wealth to its owner. The town has grown into a city a St. Louis, a Chicago or a San Francisco and still it grows. Production is here carried on upon a great scale, with the best machinery and the most favourable facilities; the division of labour becomes extremely minute, wonderfully multiplying efficiency; exchanges are of such volume and rapidity that they are made with the minimum of friction and loss. Here is the heart, the brain, of the vast social organism that has grown up from the germ of the first settlement; here has developed, one of the great ganglia of the human world. Hither run all roads, hither set all currents, through all the vast regions round about. Here, if you have anything to sell, is the market; here, if you have anything to buy, is the largest and the choicest stock. Here intellectual activity is gathered into a focus, and here springs that stimulus which is born of the collision of mind with mind. Here are the great libraries, the storehouses and granaries of knowledge, the learned professors, the famous specialists. Here are museums and art galleries, collections of philosophical apparatus, and all things rare, and valuable, and best of their kind. Here come great actors, and orators, and singers, from all over the world. Here, in short, is a centre of human life, in all its varied manifestations.

So enormous are the advantages which this land now offers for the application of labour, that instead of one man with a span of horses scratching over acres, you may count in places thousands of workers to the acre, working tier on tier, on floors raised one above the other, five, six, seven and eight stories from the ground, while underneath the surface of the earth engines are throbbing with pulsations that exert the force of thousands of horses.

All these advantages attach to the land; it is on this land and no other that they can be utilised, for here is the centre of population the focus of exchanges, the market place and workshop of the highest forms of industry. The productive powers which density of population has attached to this land are equivalent to the multiplication of its original fertility by the hundredfold and the thousandfold. And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly. Our settler, or whoever has succeeded to his right to the land, is now a millionaire. Like another Rip Van Winkle, he may have lain down and slept; still he is rich not from anything he has done, but from the increase of population. There are lots from which for every foot of frontage the owner may draw more than an average mechanic can earn; there are lots that will sell for more than would suffice to pave them with gold coin. In the principal streets are towering buildings, of granite, marble, iron, and plate glass, finished in the most expensive style, replete with every convenience. Yet they are not worth as much as the land upon which they rest the same land, in nothing changed, which when our first settler came upon it had no value at all.