ANSWERS TO LESSON II

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

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

3. a) No; it is not a product of labor.
b) 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) No; they are not material things. They are human qualities, attributes of labor.
d) No; they are human beings whose labor is exploited.

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

5. a) ***Land:*** The entire material universe exclusive of man and his products.
b) ***Labor:*** All human exertion in the production of wealth.
c) ***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 or a combination of the three basic factors.)

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

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

8. When the product reaches the ultimate consumer.

9. The division of wealth among the factors which produce it.

10. a) ***Rent:*** That part of wealth which is the return for the use of land.
b) ***Wages:*** That part of wealth which is the return to labor.
c) ***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.)

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

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

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

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

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

16. Yes, labor must first produce the wealth from which its wages come.

17. a) No.
b) The value his labor is adding to the enterprise.
c) From the product of his labor.

18. 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.

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

20. 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.

21. 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 IV

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

2. 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. 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. Capital is a form of wealth, not a person or persons. Capital is used by labor as an aid in producing wealth and it is always labor that employs capital.

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

8. a) There will be a tendency to produce more capital; b) 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. a) There will be a tendency to produce less capital; b) A lesser portion of existing wealth will be applied to use as capital. The resulting scarcity of capital will tend to increase interest rates.

10. a) It would rise. b) More would be produced. c) When interest fell to a normal point.

11. a) They would rise. b) More workers would be attracted to it. c) When wages fell to a normal point.

12. On land obtainable without the payment of rent, i.e., at the margin of production. On all land superior to the margin, rent would command the excess production.

13. "As rent arises, interest will fall as wages fall, or will be determined by the margin of production." (The first part of this law as given in the text, dealing with the "reproductive modes of production," is not essential. See last paragraph on page 203).

14. a) Receptionist. b) Toward receptionist jobs. c) When the salaries of the two occcupations were relatively equivalent.
15. Because of different skills and abilities; agreeableness or diagreeableness of occupations; expense of learning them; etc.

16. The extractive industries, those which procure wealth directly from nature; farming, mining, lumbering, hunting, etc.

17. What he can earn working for himself.

18. The whole product.

19. The whole product less interest for the use of capital.

20. Wages will be determined by what labor can produce from the best available free land, i.e., the margin of production.

21. Wages depend upon the margin of production (or upon the produce which labor can obtain at the highest point of natural productiveness open to it without the payment of rent), falling as it falls and rising as it rises.

22. Wages would tend, by competition of laborers for natural opportunities and jobs, to the minimum necessary for subsistence.

23. It is a law of proportion.

24. From the principle that men seek to satisfy their desires with the least exertion. This principle establishes an equilibrium between wages and interest, as men move to more advantageous opportunities; but it acts reversely as beween rent and wages, because land is fixed in quantity, is non-reproducible, is necessary to production, and its ownership confers a monopoly.

25. At the margin of production.

26. Yes.

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25. At the margin of production.

26. Yes.

ANSWERS TO LESSON V

1. 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.]

2. 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. Extend it to lower levels without lessening total productivity.

4. To increase rent and lower wages proportionately.

5. Yes, increased population makes possible greater powers of cooperation and exchange. This increases production on densely populated localities, increasing their rents over other lands in use, without decreasing wages and interest as quantities.

6. No.

7. To increase of population.

8. They enable the same result to be secured with less labor, or a greater result with the same labor.

9. To increase production. The labor saved by invention can be used to produce either more of the same thing or other things.

10. 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. a) It lowers the margin when inferior land is brought into use; b) It increases rent.

12. By increasing the productivity of all lands - the best and the poorest.

13. Inventions cause a) a larger proportion of the product to go to rent; and b) a smaller proportion to wages and interest.

14. As inventions increase production, a) rent usually goes up as a quantity; b) wages and interest may go up as quantities (although going down as proportions); or c) wages and interest may go down both as quantities and proportions.

15. They increase the value of land.

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

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

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

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

20. 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.

21. 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.

22. Land speculators sometimes misjudge the future increase in values - and when the "bubble" bursts, they may lose on their holdings.

23. To restrict the production of wealth.

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

25. It increases the price of land, thus making it more difficult for the prospective purchaser to afford a home. Since the land is so expensive, people usually have to settle for a smaller or cheaper house.

26. 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.

ANSWERS TO LESSON VI

1. a) A stoppage of production (or a failure of production to increase proportionately to the growth of the community) causing a cessation of demand and resulting in a general economic paralysis. b) The term "recession" usually refers to a milder form of depression, with the same symptoms in less severe degree.

2. Even in times of prosperity, there is uncertainty as to whether a recession, or even a depression, lies ahead. This indicates that the problem has not been solved despite the measures that have so far been adopted.

3. The growing complexity of production which makes each stoppage propagate itself; defective currencies; sharp alternations in the volume of credit; protective tariffs.

4. Land speculation.

5. a) It lowers the margin of production. b) It raises rent. c) It lowers wages and interest.

6. As the margin is lowered, and wages and interest fall, labor and capital no longer find employment at their accustomed returns, and production begins to stop.

7. Stoppage of production at one point causes a cessation of demand, which then checks production at other points. Thus an industrial depression occurs.

8. a) Speculation in commodities raises the price until production is stimulated, which tends to lower the price again. b) Land is fixed in quantity and speculation cannot increase the supply, so increased demand for land increases its price.

9. The exchange of commodities for commodities.

10. A cessation of production; and likewise a cessation of production means a cessation of demand.

11. On the land. The primary and fundamental occupations which create a demand for all others are those which extract wealth from nature.

12. 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.

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

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

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

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

17. 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.

18. 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).

19. An increase in wages in any one industry does not affect the margin of production which determines the general level of wages.

20. Theoretically yes, but it would be practically impossible. Note too that strikes involve tyrannical and destructive methods; they are endurance struggles in which labor starves, capital wastes and landowners can wait.

21. No. Cooperatives, when effective, tend to increase production, as do improvements in skills, machinery, inventions, etc. Their ultimate effect is to increase the demand for land, thereby lowering the margin.

22. 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).

23. No.

24. No, it would merely increase the number of landowners.

ANSWERS TO LESSON VII

1. "We must make land common property."

2. a) Equal rights of all to land. b) Common property is freely accessible to all, whereas government property is owned and regulated by the state.

3. a) It must be just; it must be practicable; it must accord with social development. b) The test of justice. "Is it right?" must be asked before "Will it work?"

4. Yes.

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

6. Yes, an equal right to life implies an equal right to the use of land, which is necessary to life.

7. No. This follows from the above.

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

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

10. No, land is not the product of labor.

11. a) Yes b) No c) No d) No

12. 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.

13. a) Conquest, force and fraud. 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.

14. 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.

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

16. By paying its rent to the community.

17. 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.

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

19. No, because the landowner does not produce rent. It is an unearned income.

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

21. Every one, including the present landowners, would retain ownership of his improvements and personal property.

22. 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.

23. 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.

24. "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.

ANSWERS TO LESSON VIII

1. Security of possession of the product of one's labor.

2. It is not. The use of leased land for building and agriculture prevails everywhere a large extent.

3. In New York, some of the leading skyscrapers are built on rented land. Examples are Radio City, Chrysler Building, Pan Am Building.

4. The individual owner is permitted to prevent others from using what he cannot or will not use himself.

5. As soon as there was a need for it.

6. The private right to improvements.

7. a) Public purchase of land; b) confiscation of land; c) confiscation (public collection) of rent.

8. It would be unjust for the community to have to purchase what rightfully belongs to a community in the first place.

9. No. It is merely necessary to confiscate rent. ("Confiscate" comes from the Latin: "con", together, and "fiscus", purse; in other words the public treasury. To confiscate simply means to take into the public treasury.)

10. To appropriate rent by taxation.

11. They would remain undisturbed.

12. 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 percentage of the rent. See supplement.)

13. To abolish all taxation save that upon land values. Appropriation of rent would thus be substituted for all taxes now imposed on labor and capital.

14. Taxation should: a) bear as lightly as possible upon production; b) be easily and cheaply collected and fall as directly as possible upon the ultimate payers; c) be certain; d) bear equally so as to give no individual an advantage.

15. Taxes on sales, manufacturing, commerce, capital, improvements. Illustrations of the above: sales tax, federal cigarette tax, federal transportation tax, property tax levied on improvements.)

16. The increased cost of production raises prices, forcing consumers to buy less. This lessens production.

17. It would not be a burden upon production. It would stimulate the maximum use of salable land, on which greater production could be obtained.

18. 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 part of the rent could be used to collect more without any added expense.

19. 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.)

20. No. Since land is not produced by labor,

taxes upon rent cannot lessen supply and thus raise rents. The owner cannot collect more rent, as rent is determined by the margin of production. Thus an effort by the landowner to shift the tax to the tenant by raising his rent would make the rent higher than the land was worth, and the tenant would move. (This principle does no apply to taxes on buildings, which may be shifted, as is generally the case with taxes on labor products.)

21. 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.

22. The tax on land values. Land cannot be moved or concealed, and its value can be determined easily.

23. 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.

24. A tax on land values.

25. Yes. Assessors habitually estimate these two values separately. Frequently land is owned by one person (to whom rent is paid) and the building by another. If buildings are destroyed, land value remains.

26. 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.

ANSWERS TO LESSON IX

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

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

5. a) The selling price of land is based on present and future income the owner may expect. If all or nearly all the rental value is taken in taxation, the owner would have little left to sell and the price would fall. b) Land speculation would tend to disappear as there would be no profit in it.

6. 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. 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. 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. Labor would have the incentive to become more productive. Poorly paid labor is inefficient labor. Well-paid labor uses brainpower to a greater degree. (examples are: the incentive system used by the Lincoln Electric Company in Cleveland, the "lattice-type" organization of the W.L. Gore Company in Delaware, and the extensive worker-ownership system of the Mondragon Communities in Spain)

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

12. 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) The absentee owner could no longer collect an unearned income.

13. 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.

14. 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. 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. 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. Elsewhere, George makes it clear that he is not in favor of state ownership in the generally accepted sense of the term.)

17. 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. The collection of land value taxes and their use for the common benefit; the preservation of law and order; the administration of justice. (note: When George speaks of "the dream of socialism," he speaks of the dream, not the system. That is, he presupposes a certain natural harmony that would develop under full conditions of freedom.)

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

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

22. 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 X

1. 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 so much the differences in individuals, as the different traditions, beliefs, customs and laws which grow in every society.

2. Why past civilizations arose and decayed. Which social adjustments tend to advance and which to retard civilization.

3. The desire to gratify physical, mental and social wants.

4. That which is left after mental power is expended in non-progressive pursuits of maintenance and conflict.

5. ***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. ***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. ***Association in Equality.*** Association frees mental power for improvement; equality prevents dissipation of this power in fruitless struggles.

8. 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. a) The concentration of political power in one person or small groups. b) Specialization of functions which create privileged classes, such as the military, the judges, politicians, etc. c) Increasing value of land which leads to greater power and wealth for those who have monopolized it.

10. No. They can be prevented by making proper social adjustments as new conditions arise.

11. The "have-nots" are compelled to expand their mental power in merely maintaining existence, while the "haves" expend mental power in keeping up and intensifying the system of inequality.

12. 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. No. It does not prevent the tendency to inequality in the ownership of land, which leads to unequal distribution of wealth and power.

14. Increasing crime and worsening slums in cities. Riots and civil disturbances, War and preparation for war. Increasing taxes and governmental interferences. Land speculation and the constantly rising price of land.

15. 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. 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. "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. "Behind the problems of social life lies the problem of individual life."

19. A summary should include: Definitions of economic terms. 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.