

POVERTY
IS NOT
NATURAL

George Curtis



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INTRODUCTION

IN HIS TRAFALGAR SQUARE SPEECH in 2005 Nelson Mandela offered a challenge, which remains relevant to each one of us today, and a call to action:

Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural. It is man-made and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. YOU can be that great generation.

The United Nations lists ending ‘poverty in all its forms everywhere’ as its first Sustainable Development Goal. This is a noble and desirable aspiration, but it is questionable whether the IMF’s neo-classical ‘trickle down’ theory or a redistributive tax system and an expensive, bureaucratic welfare state are adequate for the task. The evidence shows that inequality is on the increase both in the developed and developing world, regardless of economic policy, suggesting the existence of a common cause which neither is addressing.

This book picks up the gauntlet that Mandela threw down and offers a completely different approach, seeking first to establish the fundamental *cause* of poverty worldwide. Drawing on the work of the 19th century American economist, Henry George, whose book, *Progress and Poverty*, probed the question of why it was that, as the Industrial Revolution increased wealth enormously, poverty was not lessened. On the contrary, the richer the society, the greater the inequality. The position remains the same today as it was in the 19th century, again suggesting a common cause, some flaw in the way in which wealth is distributed.

Adam Smith was in no doubt about the cause:

As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. His rent makes the first deduction from the produce of the labour which is employed upon land.¹

This raises a moral issue: is it right that ownership of land should entitle the owner to take the lion's share of the wealth produced when they may have contributed little or nothing to its production?

1 Adam Smith, *The Wealth of Nations*, Bk 1, ch 8.

Indeed, if they have contributed, then their entitlement to a share should be based on their labour, just as it would be for their co-workers, not on their ownership of the land.

In fact, is land *ownership* necessary for the efficient functioning of an economy? Clearly, nobody is going to sow if they cannot reap the benefits of their work, so some form of land tenure is necessary to ensure that producers get the product of their labour, but the present economic arrangements have created a system whereby a class of people, land-owners, are entitled to a share of the wealth produced without having to contribute to its production, thereby depriving the producers of their full reward. This is a man-made system and is not sacrosanct. It can be replaced by a fairer system.

Henry George expressed a steadfast belief in the efficacy of natural law, properly understood and respected, to erase social problems – problems which, indeed, result from society’s denial of natural law. Solving the curse of poverty requires distinguishing what is rightly private property from what is public property, thereby aligning the economy and society with natural law.

This book explores the moral and practical arguments for a major economic reform that would end

involuntary poverty by changing the way government is funded. As Nelson Mandela pointed out above: 'poverty is not natural' and 'can be overcome and eradicated by human beings'. He also stressed that 'overcoming poverty is not a task of charity, it is an act of justice'.

1

THE GREAT ENIGMA OF OUR TIMES

‘I believe that there is in true Christianity a power to regenerate the world’

Henry George, *The Land Question*

HENRY GEORGE is best known for his 1879 classic, *Progress and Poverty*. This sought to explain why poverty tends to increase and deepen, just as human society becomes more efficient at producing wealth. In his Introduction, he described how ‘it was natural to expect, and it was expected, that labor-saving inventions would lighten the toil and improve the condition of the laborer’, and how ‘the enormous increase in the power of producing wealth would make real poverty a thing of the past’. Yet, in

George's day – and even now in the 21st century – all of these productivity-enhancing forces have failed to abolish widespread 'want and fear of want'.²

Observing that poverty is as much a feature where autocratic government prevails as where political power is in the hands of the people, George inferred that there must be a common cause for this failure. He observed that we find the deepest poverty, the sharpest struggle for existence, and the most enforced idleness, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed.

He acknowledged that wealth had been greatly increased by technological progress and the average standard of living had been raised with labour-saving devices making all manner of everyday tasks less toilsome, but in this the poorest did not share.

I do not mean that the condition of the lowest class has nowhere nor in anything been improved; but that there is nowhere any improvement which can be credited to increased productive power. I mean that the tendency of what we call material progress is in nowise to improve the condition of the lowest class in the essentials of healthy, happy human life.

² *Progress and Poverty* (1879), Henry George, Robert Schalkenbach Foundation, 1992.

In illustration of this, George offered an image that has been widely quoted:

The new forces, elevating in their nature though they be, do not act upon the social fabric underneath, as was for a long time hoped and believed,³ but strike it at a point intermediate between top and bottom. It is as though an immense wedge were being forced, not underneath society, but through society. Those who are above the point of separation are elevated, but those who are below are crushed down.

Unfortunately, Henry George's explanation of the cause of this phenomenon, and the solution he proposed, have received less attention. By and large, history has looked upon Henry George's *Progress and Poverty* more as a stirring call to justice than as a source of rational understanding of social problems, or as a practical means of addressing them. But he warned:

This association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social and political difficulties that perplex the world, and which statesmanship and philanthropy and education grapple in vain. From it

³ President Kennedy suggested that progress was like 'the tide that lifts all boats'.

comes the clouds that overhang the future of the most progressive and self-reliant nations. It is the riddle which the Sphinx of Fate puts to our civilization and which not to answer is to be destroyed.

Virtually every attempt to solve this riddle has conceived the problem in either/or terms: either society must remorselessly embrace free markets, though under present circumstances many are inevitably left behind, or it must confiscate and redistribute wealth to enforce fairness, though waste and fraud are the inevitable concomitants. Henry George rejected this dichotomy, recognising that under the right conditions labour and capital worked hand in glove.

The problem, George realised, lies with the way economics is taught as he stated in the concluding chapter of *Progress and Poverty*:

Political Economy has been called the dismal science, and as currently taught, is hopeless and despairing. But this, as we have seen, is solely because she has been degraded and shackled; her truths dislocated; her harmonies ignored; the word she would utter gagged in her mouth, and her protest against wrong turned into an indorsement of injustice. Freed, as I have tried to free her – in her own proper symmetry – Political Economy is radiant with hope.

This remains the case: today's mainstream views on political economy, particularly as they inform public policy, recognize no such 'symmetry'. In George's view, this symmetry revealed that the natural way to fund government was from the rent of land rather than from taxation, and that, in doing so, a major cause of poverty would be removed so that all would share equitably in the wealth produced.