Henry George and Economic Intervention:

A Critic Proposes That George's Strictures on Industrial Monopolies Be Revised

By Robert V. Andelson*

ABSTRACT. Henry George, the 19th century American economist and social philosopher, was recognized as an individualist. His Single Tax on the value of land and all natural resources would socialize the rent while preserving private ownership and use. His positions on industrial monopolies were not so clear. He urged the abolition of all special privileges but did not see clearly that this would end many such monopolies. He understated the effects of the single land value tax and the abolition of special privileges; they would go a long way toward ending all industrial monopolies.

The anti-statist credentials of Henry George scarcely require documentation; their recognition by such libertarian luminaries as Albert Jay Nock and Frank Chodorov is exemplified in the following statement by the latter:

George is the apostle of individualism: he teaches the ethical basis of private property; he stresses the function of capital in an advancing civilization; he emphasizes the greater productivity of voluntary cooperation in a free market economy, the moral degeneration of a people subjected to state direction and socialistic conformity. His is the philosophy of free enterprise, free trade, free men.¹

With the essential thrust of this assessment I do not take issue. Nevertheless, George's thought exhibits some features that fail to jibe with it. For in various passages in Progress and Poverty, in Protection or Free Trade?, and especially in Social Problems, George advocated a degree of government intervention in certain areas that is not only inconsistent with basic aspects of his own teaching, but the necessity for which, insofar as it exists, would, I hope to show, be obviated by the implementation of the fundamental policy proposal with which his name is popularly linked.²

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When I speak of "government intervention," I do not, of course, mean the taxation of land values. George's distinctive policy proposal to publicly appropriate land rent should present no difficulty to the libertarian who

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accepts Nozickian entitlement and minimal State theories. If the legitimacy of any government activities, however limited, be conceded, surely it is preferable from a non-interventionist standpoint for those activities to be funded from a publicly-created source (rent) rather than from a levy upon the fruits of individual production (wages and interest). Further, a land value tax is, in Walter Rybeck's apt phrase, a "super user charge" paid to the rest of the community for the privilege of exclusive access to and disposition of a natural good. This in itself should be enough to recommend it to the libertarian. That the taxation of land values "is perfectly 'neutral' in that it does not disturb an otherwise desirable allocation of resources" is the standard view among economists; moreover, all or most land rent could be appropriated in taxation without adding a single functionary to the bureaucracy that now administers the appropriation of a small fraction of it, and if other taxes were concurrently eliminated or reduced as George prescribed, the bureaucracy could be reduced accordingly.

Nor, when I speak of "intervention," do I refer to George's speculations as to the possible disposition of any surplus that the land value tax might yield over and above the revenues required to support protective governmental functions. The question of the disposition of such a surplus may seem academic under present circumstances, but it was not so at the time he wrote. With some of his suggestions in this regard, set forth in Progress and Poverty (Book IV, chapter 4), I have little sympathy: dance halls and shooting galleries, for example, seem to me to be inappropriate subjects for the expenditure of even surplus public funds. These suggestions were advanced, however, only tentatively and hypothetically. In The Land Question, the more bizarre of them are omitted from his list; those that remain are coupled with alternatives that I think make better sense—e.g., "We could divide this, if we wanted to, among the whole community, share and share alike." What is important in connection with this discussion is that none of these suggestions in either work is for economic intervention in any commonly accepted sense of the term. Many do envisage, it is true, the inclusion of "positive" functions such as the provision of "free libraries, lectures, museums, art galleries, observatories, gymnasiums, baths, parks [and] theaters" among the operations of government. But it would not be government "as a directing and repressive power" that would carry out these operations, only government "as the administration of a great cooperative society . . . , the agency by which the common property was administered for the common benefit." Like nearly everything, these activities present opportunities for abuse. Yet, if funded from a superfluity of revenue that must, in justice, be collected, they offer no intrinsic threat either
to individual freedom or to economic efficiency, so long as they are open also to the private sector.

II

GEORGE'S INTERVENTIONISM, properly so-called, comes out in his treatment of things that he regarded or tended to regard as non-land monopolies. This treatment is quite unsatisfactory and ambiguous, because some of these "monopolies" are natural, and others, artificial, while some are not really monopolies at all. Railways, telephone and telegraph service, textbook publishing, and even inn-keeping and taxi-cab operation, are all lumped together as peculiarly suitable objects for public ownership or, in some cases, regulation.

Part of this confusion may be attributed to his notion that, with the growth and increasing complexity of society, "in obedience to the law of integration, industry tends to become more specialized and interdependent, leading to greater and greater concentration and bigness." As sheer bigness chokes off competition, government must step in "in order to secure the equal rights and liberty of all." This notion is, even today, so prevalent that it would be unreasonable to fault George for accepting it. Yet the demise of many a corporate dinosaur bears striking witness that, although volume may permit economies in buying power, mere size never guaranteed the survival, let alone the success, of any business.

Could it be because our economy was then still young that this phenomenon escaped an observer so perceptive as was Henry George? In any case, he wrote:

So... does concentration operate in all businesses. The big mill crushes out the little mill. The big store undersells the little store till it gets rid of its competition. At the top of the building of the American News Company, on Chambers Street, New York, stands a newsboy carved in marble. It was in that way that the managing man of that great combination began. But what was at first the union of a few sellers of newspapers for mutual convenience has become such a powerful concern, that combination after combination, backed with capital and managed with skill, have gone down in the attempt to break or share its monopoly. The newsboy may look upon the statue that crowns the building as the young Englishman who goes to India to take a clerical position may look upon the statue of Lord Clive. It is a lesson and an incentive, to be sure; but just as Clive's victories, by establishing the English domination in India, made such a career as his impossible again, so does the success of the American News Company make it impossible for men of small capital to establish another such business.10

Yet two of George's friends, "men of small capital," provided a practical refutation of the general import of this very statement. They did so by forming
a news-gathering service, the American Press Association, which succeeded in breaking the Associated Press-Western Union monopoly in California.\textsuperscript{11}

It is becoming ever more evident that concentration begets inefficiency, and that the trend is toward corporate decentralization of management if not of ownership. By the same token, since government is by its very nature a crude instrument, it is of all agencies the least fitted to deal with social functions as they become complex and intricate. As Walter Lippman put it, "the more complex the interests which have to be regulated, the less possible it is to direct them by the coercion of superior authority."\textsuperscript{12}

Urbanization, with its attendant specialization and complexity, leads, in some respects, to competition rather than to monopoly. I happen to live in a small town which, together with an adjoining one, comprises a community of about 50,000 inhabitants. With a couple of marginal exceptions, there are no superior restaurants in this community, and the few that pretend to gourmet status are able to obtain whopping prices for their fare. In San Francisco, on the other hand, despite far higher rent and labor costs, there are numerous establishments where one may dine superbly at a relatively modest charge. Since the same situation obtains in Los Angeles, it cannot be accounted for merely by the gastronomical sophistication for which San Franciscans are noted. No, the size and heterogeneity of the populations of both cities have given rise to conditions that favor competition in this field—conditions which, unhappily (in this respect), are absent in East Central Alabama.

Perhaps George's most vulnerable passage on the subject of monopoly is the following, intended to justify the prohibition of discrimination by common carriers and places of public accommodation:

In the division of labor and the specialization of vocation that begin in an early stage of social development, and increase with it, the assumption by individuals of certain parts in the business of society necessarily operates to the exclusion of other individuals. Thus when one opens a store or an inn, or establishes a regular carriage of passengers or goods, or devotes himself to a special trade or profession of which all may have need, but doing of these things operates to prevent others from doing them, and leads to the establishment of habits and customs which make resort to him a necessity to others, and which would put those who were denied this resort at a great disadvantage as compared with other individuals.\textsuperscript{13}

Not a shred of evidence is given for this assertion, and I can think of numerous instances that tell against it. Even where an established concern has a strong position in the market because of the quality of its goods or services, the readily observable tendency is less to discourage than to attract new concerns to the vicinity.

The truth is that there is nothing inherently monopolistic about shops,
hotels, or common carriers except where duplication of facilities is unfeasible as in the case of railways, streetcars, and trolley buses. George speaks with obvious approval of "the authority which prevents extortion on the part of a hack driver." But how could hack drivers practice extortion on any regular basis other than through monopolies granted by that same authority?

To operate a cab, the skill requirements are relatively low and the initial capital costs are minimal. Yet, in New York and many other cities, a taxi driver is required to own a "medallion" to provide cab service. In New York City, the supply of these medallions is fixed, and they can be purchased only from other operators at a going price of anywhere between $50,000 and $60,000. Thus, it is not surprising that there are fewer cabs (and hence cab driver jobs) per person in New York City than elsewhere in the country where the restrictions are not nearly as costly. In Washington, D.C., for example, there are no limits on entry. Not only does the city have one of the highest ratios of cabs anywhere in the country, but almost all drivers are from minority groups, who are usually hurt the most by professional regulations. Rather than protecting the consumer, in other words, licensing requirements frequently do nothing more than restrict entry to occupations and allow the fortunate few to earn monopoly profits for their services. 

"No one would . . . think of proposing to abandon the government postal service, and turn the business over to individuals or corporations," George maintains. One wonders why not. The transport and delivery of letters is by no stretch of the imagination a natural monopoly. His enthusiasm for socialized mail delivery, which seems doubly curious in this day of ever-rising rates and deteriorating service, stemmed evidently from his acceptance of that "well-advertised generality" in which what Chodorov calls "the myth of the Post Office" is grounded: that which can best be done collectively should not be done privately. "That, however, begs the question. Why is the transmission of private messages peculiarly a government function? How can we know that public operation is superior when private operation is outlawed?" George presents a virtual panegyric on the subject:

The post-office is managed with greater efficiency than any other department of the National Government, because it comes close to the people. To say the least, it is managed as efficiently as any private company could manage such a vast business, and I think, on the whole, as economically. And the scandals and abuses that have arisen in it have been, for the most part, as to out-of-the-way places, and things of which there was little or no public consciousness.

These remarks are baffling. However much postal scandals and abuses may have escaped general public notice, they were, in the mid-19th century, so rife as to have given rise to a full-scale Congressional investigation, which substantiated them. As for the assertion of efficient management, despite heavy subsidies the Post Office Department managed to show a deficit in all but eight years of its entire history, while the record of the U.S. Postal Service
that succeeded it in 1971 has been no better. On the other hand, private companies were able to turn a profit while providing much cheaper and often faster and more convenient service until the government, embarrassed by their competition, used the power of the sword to drive them from the field.

III

George's position in these matters is difficult to reconcile with his skepticism toward central planning, reflected in his strongly expressed conviction that "whatever savors of regulation and restriction is in itself bad," and in his opposition to wage and hour laws and limits on the non-predatory acquisition of wealth. Its most plausible explanation may be found in his belief that, with the implementation of the single tax, government would change its character and cease to be repressive. This belief he derived from the quite reasonable assumption that his "one great reform" would vastly simplify governmental machinery, remove occasions for corruption, and keep official functions under direct and perpetual public scrutiny. George was unrealistic, not in making this assumption but in claiming too much for it. It is one thing to give the repressive inclinations of government less opportunity for expression, quite another, to transform the nature of government itself. For government is, however else it may be defined, always and necessarily a legal monopoly of physical force. Like a wild predatory animal kept as a housepet, it may perhaps be held in check by appropriate arrangements, but its latent nature never changes. A monopoly of physical force is, regrettably, integral to the effective discharge of some essential functions. Therefore, we cannot dispense with government. But, like a "domesticated" ocelot, it must be kept on a short leash.

George recognizes a distinction between monopolies "that spring from legislative commission or omission" (e.g., tariff advantages) and "businesses which in their nature do not admit of competition" (e.g., telegraph lines). Although in at least one passage he appears to conflate the two, this is probably because he has in mind an example (railroads) in which the conceptual distinction is blurred empirically by their combination and interpenetration.

Monopolies of the first class he would abolish, save for the temporary monopolies created by copyright laws, which "are, but recognitions of the right of labor to its intangible productions." Monopolies of the second class he would have the State manage or regulate, holding that, as a practical matter, management is usually preferable to regulation, as being less liable to corruption.
What is remarkable, however, is the extent to which these natural monopolies would disappear with the implementation of his "simple and sovereign remedy."

The monopoly of capital cannot stray very far from natural resources. No matter how complete may be the capitalist control of machinery and all the actual instruments of production, any significant separation of that "capital" from mineral, timber, fuel, railroad "land," would be fatal to monopoly. The very close connection that our "capitalistic" monoplies maintain with land in all its forms is more than suggestive. It seems that, Antaeus-like, capital derives its strength from land, and it would appear that the breaking of the land monopoly—which must follow once the value of land has been socialized—might operate upon the very foundations of capitalistic monopoly. 20

This is something which George, surprisingly enough, did not seem fully to grasp. True, his works contain some references to the dependence of capital monopoly upon land monopoly, but they are glancing and infrequent, 29 and he fails to draw (as George R. Geiger draws in the passage just quoted) the obvious conclusion implied by that dependence. We are thus presented with the irony of George, arch-foe of regulation and central planning, advocating the control of natural monopolies by government regulation and/or ownership, when his own prescription for the public appropriation of land values would obviate the need for such contrivances.

Aaron Fuller, in a recent publication, charges George with hyperbole in characterizing the regeneration to be expected from the adoption of his plan, 39 and I have myself judged him guilty of errors of exaggeration. 31 This judgment, on balance, I still consider accurate. Yet, in one important particular, it would seem that his claims were not excessive but unduly modest!

Notes


2. These three works were written prior to George's battle with the socialists for control of the United Labor Party in 1887, and the interventionist views in question are not advanced in later books. Whether he actually abandoned these views as his relationship with the socialists became increasingly antagonistic is a question that could perhaps be answered by an examination of his later correspondence and periodical writings—an endeavor for which I lack the time and inclination but that might prove worth pursuing for someone in need of a topic for a thesis.

3. Nozick's acceptance of the "Lockean Proviso" commits him to the moral premises from which George developed his system (see Robert Nozick, Anarchy, State, and Utopia [New York: Basic Books, 1974], pp. 174–82). Doubtless increasing familiarity with George's work will in time move Nozick to acknowledge his affinity. Even such anarcho-capitalists as Benjamin Tucker and Joshua Ingalls, be it noted, held no brief for the monopoly of land; Ingalls, in fact, sought to extirpate rent altogether. Their criterion for land tenure was "occupancy and use"; how this criterion could be implemented without at least a minimal State is problematical.
10. Ibid., p. 45. See also “The Land Question,” p. 102.
11. Charles Albro Barker, Henry George (New York: Oxford Univ. Press, 1955), pp. 118, 139, 173. George himself served as the American Press Association's California agent. Western Union eventually took over the weak telegraph company upon which the Association depended, and introduced radical rate increases that forced it to the wall. But it was absorbed in 1882 by a strong, new independent group, the first United Press. When, in the course of time, suspicious accommodations were reached between this body and the Associated Press, both were forced to reorganize, and other independent groups emerged. It is worth noting that the Associated Press monopoly, to the extent that it existed, was based upon discriminatory collusion with Western Union, a natural monopoly. The evidence seems clear that no monopoly can long endure that does not rest upon control of some scarce natural advantage. (See Note 27, infra.) Or upon legal privilege (see Walter Lippmann, The Good Society, [Boston: Little, Brown, 1937]). Or upon violence or the threat thereof (see V. Orval Watts, Union Monopoly [Los Angeles: Foundation for Social Research, 1954, pp. 14-21]). Or upon some combination of these four conditions.
12. Lippmann, p. 35.
16. Social Problems, p. 188.
22. “Property in Land” (1884), pp. 41-42, and “The Condition of Labor,” pp. 60, 71-73, in The Land Question [and Other Essays]. “Property in Land” combines “The Prophet of San Francisco,” the Duke of Argyll’s attack on George, with “The Reduction to Invisibility,” George’s reply. Both were originally published in the Nineteenth Century, in April and July, respectively, of 1884.
27. *Protection or Free Trade?* pp. 310–11. The choice between public management and regulation is for the libertarian scarcely one of principle but merely of pragmatic efficacy.

The Hawaii Land Case Decision

The Hawaii Land Case Decision of the Supreme Court of the United States, written by Justice Sandra Day O’Connor and concurred in by seven of the eight other justices, is a milestone in the history of federal and state economic policy: it establishes the right of the people to use the power of government to correct a malignant economic problem.

In Hawaii all land was held by island chiefs who permitted others to use it, rent it or lease it but never to own it. In the struggle to end the feudal system, federal and state governments gained ownership over 49 per cent of the land, according to a state survey 20 years ago. But ownership of the rest remained heavily concentrated; 72 landowners controlled 47 per cent. Other persons owned only 4 per cent.

To get land for single and multiple dwellings, people had to be content with long period leases from large landowners. This “was responsible for skewing the state’s residential” market and “inflating land prices,” according to the decision.

In 1967 the state enacted a law providing that if half the tenants leasing a tract of land request it, state officials must hold a hearing to see if taking the property would be in the public interest. If it is, the State Housing Authority was empowered to buy the land and sell it to the tenants, only one lot to each tenant. It also could act as mortgage lender when necessary.

Some landowners, challenging the law, convinced an appeals court in San Francisco that the law violated the Fifth Amendment to the U.S. Constitution,