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Author(s): Nahid Aslanbeigui and Adele Wick

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Progress: Poverty or Prosperity?

Joining the Debate Between George and Marshall on the Effects of Economic Growth on the Distribution of Income

By NAHID ASLANBEIGUI *and* ADELE WICK*

ABSTRACT. *Henry George* and *Alfred Marshall* agreed that *prosperity*—growth in *national income*—was necessary but not sufficient to eliminate the *poverty* both believed impeded the mental and moral *development of mankind*. This inherent optimism in the potential benefits of *economic growth* was, however, their only common ground. George asserted that as long as *land* was privately owned, prosperity would increase poverty; and called for the fiscal remedy of a “single tax” to appropriate land rent. Marshall argued that increased poverty was only a temporary concomitant of growth caused by a *population* that was too big in numbers but too low in skills; and advocated “taming” competition by *education, charity, thrift, and breeding restraint*. This study constructs a joined debate on progress and poverty by aligning the arguments of these two influential authors whose different personalities and personal histories precluded any true communication during their lifetimes.

I

Two Late 19th Century Authors

HENRY GEORGE and Alfred Marshall were among the most influential authors of the late 19th century. George’s best-selling *Progress and Poverty* fueled many policy debates of the time; and Marshall’s *Principles of Economics*, the standard textbook for decades, laid the foundation for modern economics. Each recognized the other’s influence. In 1883, at the height of George’s fame in the British Isles, Marshall acknowledged George’s “singular and almost unexampled power of catching the ear of the people”;¹ and over a decade later, when Marshall’s *Principles* had begun to establish its academic preeminence, George described this text as “the latest and largest, and scholastically the most highly indorsed, economic work yet published in English.”²

* [Nahid Aslanbeigui, Ph.D., is assistant professor of economics, Monmouth College, West Long Branch, NJ 07764; Adele Wick, M.A., of 4 Bayview Terrace, Greenland, NH 03840, is a graduate student.] An earlier version of this paper was awarded a 1985–86 Henry George Prize by the Henry George Program at St. John’s University, Jamaica, NY.

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Not only were George and Marshall important figures in intellectual history, but they had an important common ground in their deep concern with poverty. Both considered poverty mentally and morally debasing in large part because of its general association with relentlessly hard manual labor. The commonality of their views is best seen by simple juxtaposition. Said George:

The poverty to which in advancing civilization great masses of men are condemned . . . is a degrading and embruting slavery, that cramps the higher nature, dulls the finer feelings, and drives men by its pain to acts which the brutes would refuse.³

In a similar vein, Marshall stated:

We scarcely realize how subtle, all-pervading and powerful may be the effect of the work of man's body in dwarfing the growth of the man . . . the poor labourer may live and die without even realizing what a joy there is in knowledge, or what delight in art; he may never have conceived how glorious a thing it is to be able to think and to feel about things and with many men.⁴

Indeed, the "destruction of the poor is their poverty" and the study of the causes of poverty is the study of "the causes of the degradation of a large part of mankind."⁵

George and Marshall also shared the optimistic belief that "progress" could eliminate poverty from society. Neither carefully—nor casually, for that matter—defined this term,⁶ but it is tellingly equivalent to growth in national income in George's work. Marshall therefore uses the same terminology in his three lectures on George's issues, and we employ it here instead of the modern term because of the importance of the historical coupling of "progress" and "poverty."

Unlike some modern critics of economic growth who emphasize the concomitants of debasing materialism, degradation of the environment, dehumanization of the masses by technology, and destruction of important elements in the "quality" of life, both George and Marshall were keen advocates of economic progress and regarded it as necessary but not sufficient for the good life. For George, as we shall see, sufficiency conditions involved redistributing land rents, while Marshall required educating the population and inculcating habits of thrift and restraint in breeding. Without such public distribution of rents, George owned that industrialization worsened the plight of the poor because of the deleterious effects of the division of labor on the laborers' independence and well-roundedness. Marshall deplored the unhealthy living conditions of the urban poor as a temporary cost of growth before the effects of his training programs became apparent.

However, George and Marshall both asserted that because poverty is the major source of moral degradation, a society rich enough to eliminate material poverty could achieve in spiritual wealth as well. In such a society, wages for crude

labor would become so high that the hours anyone expended in such work would be minimal. To George,

The hard toil of routine labor would disappear. Wages would be too high and opportunities too great to compel any man to stint and starve the higher qualities of his nature, and in every avocation the brain would aid the hand. Work, even of the coarser kinds, would become a lightsome thing, and the tendency of modern production to subdivision would not involve monotony or the contraction of ability in the worker; but would be relieved by short hours, by change, by the alternation of intellectual with manual occupations.⁷

Similarly, in Marshall's ideal world, manual work would be limited by high wages and improved technology; and people would no longer ". . . carry on mere physical work to such an extent as to dull their higher energies . . . The active vigour of the people would continuously increase; and in each successive generation it would be more completely true that every man was by occupation a gentleman."⁸

Here the similarity ends however; for George and Marshall stated profoundly different analyses of the theoretical and actual relationships between progress and poverty. To George, actual progress was not uplifting the poor, but rather increasing their want; while to Marshall, progress had temporarily worsened the plight of the poor but was now dramatically improving their lot along with that of the rest of the society. As a result, the interaction between George and Marshall unhappily belied the belief that men with the time and energy for reflection would be noble and co-operative in bent.

Consider first the following indirect exchanges. Far from cowed by the British endorsement of Marshall's *magnum opus*, George called the work utterly incoherent and incomprehensible.⁹ Although Marshall found George's *topic* of sufficient importance to deliver "Three Lectures on Progress and Poverty"¹⁰ in 1883, he intended "to avoid talking very much about George but to discuss his subject"¹¹ because "[t]rying to refute George . . . was like throwing oneself against a door that is not fastened. There was no resistance anywhere."¹² George was neither an economist nor a "scientific thinker." Rather, he was "by nature a poet" and "a successful rhetorician" who did not understand the economic doctrines he had attacked with such vituperation.¹³

George and Marshall's only direct exchange, during the former's public lecture at Oxford (see *infra*), was even less gentlemanly. Perhaps because of the rigors of his intensive travel and his many sleepless nights, perhaps because of the "patronizing phrases [Marshall] chose to direct towards him, George answered [even the don's more serious] questions all too captiously."¹⁴ Also, Marshall's opening remarks set a remarkable rowdy tone for the entire question-and-answer period that followed the speech.

George and Marshall wrote for wide but disparate audiences. George's readership was basically nonacademic; his purpose, the increasingly messianic one of persuading the public to adopt his policy recommendations. Marshall spoke almost exclusively to the economics profession, modestly hoping to "put in one brick just where it should be in the slowly rising economic edifice."¹⁵

In any event, because they communicated so successfully to their own audiences, but never, it seems, to each other, it is our purpose to join their debate on the important topic of progress and poverty after a century has stilled their tempers and tongues. Trying to keep our own voices silent, we place side by side for perhaps the first time George's and Marshall's strikingly disparate analyses of the relationship of progress and poverty followed by the policies they advocated to help progress eliminate poverty. Because these recommendations differ as much as their causal explanations, we set up a rebuttal drawn from both their writings and their direct confrontation and conclude the paper with summary remarks.

II

Causes of Poverty

GEORGE AND MARSHALL IDENTIFY profoundly different relationships between progress and poverty. To George, progress has worsened the distribution of income and created more poverty; while to Marshall, progress temporarily debased the poor, but is now dramatically improving their condition.

Henry George

George approaches the problem of progress and poverty as essentially a question of relative power and relative income. When land is privately owned, as population grows landowners will increase their share of income in spite of labor's increased average productivity and regardless of what happens to the quality of land at the margin. George therefore rejects the Malthusian population dynamic that ineluctably drives wages to subsistence levels and employs Ricardian rent theory as a condition that is sufficient but not necessary for his results.¹⁶

George begins with the premise that land¹⁷ is crucial to man's existence.

[L]and is the habitation of man, the storehouse upon which he must draw for all his needs, the material to which his labor must be applied for the supply of all his desires; for even the products of the sea cannot be taken, the light of the sun enjoyed, or any of the forces of nature utilized, without the use of land or its products . . . Take away from man all that belongs to land, and he is but a disembodied spirit.¹⁸

Because land is so economically and existentially important to labor, landowners have immense power, the power to command large shares of income

in a growing economy. Moreover, as we shall see, they maintain this “monopoly” power, because in any bargaining game, landlords can wait, while workers cannot.

Rejecting Malthus’ theory of population growth without any replacement of his own, George simply assumes the population, and therefore the supply of labor, continues to grow. He then asserts that this growth increases, rather than decreases, the average productivity of labor—even without any technological advances and *a fortiori* with them: because “with every additional pair of hands which increasing population brings, there is a more than proportionate addition to the productive power of labor,” population growth “seldom can, and probably never does, reduce the [average] production of wealth.”¹⁹

All of the benefits from this growth in average output, however, “attach” themselves to the land, increasing the income only of the landlords.

[T]he increased power which comes with increased population . . . brings out a superior power in labor, which is localized on land—which attaches not to labor generally, but only to labor exerted on particular land; and which thus inheres in the land as much as any qualities of soil, climate, mineral deposit, or natural situation, and passes, as they do, with the possession of land.²⁰

When the land is more valuable, landlords can and do force workers to pay higher rent for its use. All increased benefits from growth are therefore “intercepted,” and labor and capital²¹ become relatively worse off.

[T]hus all the advantages gained by the march of progress go to the owners of land, and wages do not increase. Wages cannot increase; for the greater the earnings of labor the greater the price that labor must pay out of its earnings for the opportunity to make any earnings at all. The mere laborer has thus no more interest in the general advance of productive power than the Cuban slave has in the advance in the price of sugar.²²

Land speculation can, however, make workers lose absolute as well as relative ground as society progresses. During an economic upswing, some speculators deliberately withdraw land from production, holding it only for the anticipated appreciation in its price. They therefore accelerate the increase in rent²³ both by increasing the demand for land and by reducing the amount in use, pushing production prematurely out to inferior margins. Hence,

the condition of the free laborer [may] be positively, as well as relatively, changed for the worse by the increase in the productive power of his labor. For begotten of the continuous advance of rents, arises a speculative tendency which discounts the effect of future improvements by a still further advance of rent, and thus tends, where this has not occurred from the normal advance of rent, to drive wages down to the slave point—the point at which the laborer can just live.²⁴

Thus can landlords over time “command all the fruits of labor save enough to enable labor to exist,” conveying the impression that the world operates

according to Malthusian principles because Malthusian predictions are confirmed. In truth, however, poverty is created not by overpopulation but by “the causes which prevent social organization from taking its natural development and labor from securing its full return.”²⁵

Alfred Marshall

Marshall sharply disagrees with George that private land ownership causes poverty in a growing economy. Nothing intrinsic to that process forces people into pauperism. In a free market economy, with its ability to harness individual energy and to sustain incentives, progress improves the plight of all—“though unfortunately at a very slow rate” for the lowest stratum of society.²⁶

In general, the highest wages are found in countries with the highest national incomes. Marshall agrees with Ricardo that there are eventual diminishing returns to land; indeed, “[t]he diminishing productiveness of the free soil has a greater influence in lowering wages than the payment of rent fees.” But he argues that increasing returns from technological advances, internal and external economies created by expansion of industries, and other benefits from the “closeness” of population have a tendency to offset this check to prosperity “[s]o long as the population is not excessively thick.”²⁷

“Alas! there is one great hindrance” to progress. One of the first applications of increased knowledge

is, as it ought to be, to save from disease and want multitudes who . . . would have sunk under their influence. As a result, population is increasing rapidly . . . [and] there is kept up a constant supply of unskilled labourers, who have nothing but their hands to offer for hire, and who offer these without stint or reserve. Thus competition for food dogs the heels of progress, and perpetually hinders it.²⁸

The problem is not growth in the population *per se*, but growth of the unskilled. Marshall’s explanation relies on supply and demand analysis in a competitive framework.²⁹ He concludes that workers are paid low wages not because they are exploited by landowners, but because there are too many of them and/or their marginal productivity is low.

The supply of unskilled workers is growing too fast not only because medical advances are saving the sickly, but also because the market system has replaced traditional arrangements and their “preventive check” to population growth. When “civilization is settled and simple in form, custom quietly does the work that is done by cruel struggle for existence among wild animals and among savage nations.” In such a society, neither the “physically or morally infirm, nor anyone else without a definite position in the village which would enable him to bring up a family,” can marry. As a result, “children brought into the world

find places ready made for them."³⁰ However, the process of industrialization has replaced the personal relationships of stable village life with the impersonal market nexus and the mobility of modern life; and population growth has accelerated as a result.

Two external shocks and two inappropriate government policies in Britain exacerbated these inevitable difficulties of transition from pre-industrial to industrial life. Not only did bad harvests and an expensive war cut back on available resources, but the Corn Laws prevented foreign trade from acting as a buffer for domestic grain shortages and the Poor Laws provided an "artificial stimulus" to population growth. Indeed, the well-intentioned but ill-conceived poor laws were responsible, in Marshall's estimation, for "probably half of all the lives of extreme misery and want in the country."³¹

Factors on the demand side interacted with this "keenest of competition" among working men to depress wages of the unskilled even further. "The employers, many of them but recently working men, were often harsh and ignorant," and their resources were "straitened" by the war.³² Additionally,

[t]he truth that every father owes to his children the duty of providing them with a lot in life, happier and better than his own, has not yet been grasped. Men who have been brought up, to use their own phrase, 'anyhow' are contented that their children should be brought up 'anyhow.'³³

These children become workers whose low marginal productivity keeps the demand for them low.

III

Remedies for Poverty

HAVING IDENTIFIED the primary causes of poverty, George and Marshall advocate with ardor and energy special remedies for this gripping problem. Their policy recommendations have as little in common as their causal analyses.

Henry George

George's solution is to eliminate private ownership of land. He argues not for land nationalization, but for the appropriation of all rent by a land tax that exempts the income from its increased value due to improvements. All other taxes can be eliminated, because this single tax can produce sufficient revenue to finance all appropriate government spending. Much current spending will no longer be necessary when people become more co-operative (see *infra*).

George believes that his reform has numerous advantages. It "accords with all that is politically, socially, or morally desirable." Equal right to land is nec-

essary, George argues, to fulfill the political equality of the Declaration of Independence: "Political liberty, when the equal right to land is denied, becomes, as population increases and invention goes on, merely the liberty to compete for employment at starvation wages."³⁴

By eradicating "the monopolization of the opportunities which nature freely offers to all," the single tax will promote the "fundamental law of justice" and remove the "great cause of unnatural inequality in the distribution of wealth and power."

The tax upon land values is . . . the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community.³⁵

Compensation for the social appropriation of rent would be morally wrong. Private land has always been stolen from the community, and even if everyone at one time overtly agreed to its privatization, each generation thereafter would be born with rights to this land.³⁶

In addition to providing society with political liberty and justice, a single tax on land promotes economic efficiency. It eliminates taxes on labor and capital that raise prices and reduce incentives and output. Because it "expresses nothing but the advantage of expropriation," rent is "in every respect fitted for taxation."

Hence the community can take it all without in any way lessening the incentive to improvement or in the slightest degree lessening the production of wealth. Taxes may be imposed upon the value of land until all rent is taken by the State, without reducing the wages of labor or the reward of capital one iota; without increasing the price of a single commodity, or making production in any way more difficult.³⁷

George realizes that landowners will bear the burden of this fiscal reform. But "a moment's reflection," he argues, will show that the costs are not significant. "[T]his measure would make no one poorer but such as could be made a great deal poorer without being really hurt," and the richest landlord "would still have all he could by any possibility enjoy, and a much better state of society in which to enjoy it." Moreover, although they may experience a relative loss, total production will increase so much that these landlords may gain more from their interests as capitalists and workers than they will lose as rentiers.³⁸

Nor should farmers, the small landowners, be alarmed. They gain from the single tax because taxes on land improvements would be eliminated. "The land of the working farmer is improved land, and usually the value of the improvements and of the stock used in cultivating it bears a very high proportion to the value of the bare land." The farmers will also benefit from the elimination of all other taxes.

Let the working farmer consider how the weight of indirect taxation falls upon him without his having power to shift it off upon any one else; how it adds to the price of nearly everything he has to buy, without adding to the price of what he has to sell; how it compels him to contribute to the support of government in far greater proportion to what he possesses than it does those who are much richer, and he will see that by the substitution of direct for indirect taxation, he would be largely the gainer.³⁹

Finally, because the single tax eliminates land speculation, the population will be diffused

where it is too dense and . . . concentrate[d] . . . where it is too sparse . . . The people of the cities would thus get more of the pure air and sunshine of the country, the people of the country [will no longer be] cut off by the sparseness of population from the conveniences and amusements, the educational facilities, and the social and intellectual opportunities that come with the closer contact of man with man.⁴⁰

Liberty, justice, and the natural law become one; justice and expediency are one. Equality of opportunity, fully understood to include access to Nature's bounty, promotes growth in production as well as in humanity by reducing the amount of time and energy spent in squabbling. As society approaches the ideal of a Jeffersonian democracy, the government need no longer be a "directing and repressive power;" it can provide fewer jails and more public baths, music and dancing halls, technical schools, shooting galleries, and the like.⁴¹

In brief and in sum, this "simple, yet sovereign" remedy

will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals, and taste, and intelligence, purify government and any civilization to yet nobler heights.⁴²

Truly, for George the single tax is *the many in the one, the one in the many!*

Alfred Marshall

Marshall recoils from anything so sweeping and radical. In his view, *natura non facit saltum*. Instead, Marshall believes in educating the poor so that competitive forces gradually raise their wages above poverty levels. Education⁴³ of the masses will create "direct" as well as "indirect" benefits. The direct benefits come from eliminating much of "that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work." "All that is spent during many years in opening the means of higher education to the masses would be well paid for if it called out one more Newton or Darwin, Shakespeare or Beethoven." Education also

confers great indirect benefits even on the ordinary workman. It stimulates his mental activity; it fosters in him a habit of wise inquisitiveness: it makes him more intelligent, more ready, more trustworthy in his ordinary work; it raises the tone of his life in working hours and out

of working hours; it is thus an important means toward the production of material wealth; at the same time that, regarded as an end in itself, it is inferior to none of those which the production of material wealth can be made to subserve.⁴⁴

Another benefit of education is that it reduces income inequality by raising incomes at the bottom and lowering them at the top. Other things equal, education reduces the supply of unskilled workers, thus raising their wages. Moreover, "the remedy for the too large fortunes of employers" is to educate the children of working men so that they may gain "every advantage to climb up to become employers, to compete with employers and force down employers' earnings, and distribute a large share of an increased total production amongst the working classes."⁴⁵

Marshall has no doubt that the benefits of education far exceed the costs. Education is therefore a good investment from a material as well as a moral perspective. However, ignorance and the long-run and social nature of the benefits preclude parents and employers from making this investment. Even though "most parents are willing enough to do for their children what their own parents did for them; and perhaps even to go beyond it if they find themselves among neighbours who happen to have a rather higher standard," they have not yet acquired the habit of "discounting the future at a low rate of interest."⁴⁶ Moreover, "[to] get as much out of people and put as little as you can into their bodies and into their minds may be penny wise from the point of view of the individual [employer], but it is pound foolish for the nation at large."⁴⁷

Accordingly, "the State should give, at a nominal price, a good general and technical education to all, and a first-rate education to even the poorest child who shows a special fitness for it."⁴⁸ Although Marshall boldly asserts that "[t]o this end public money must flow freely," he makes no specific tax policy recommendations. Not all the revenue will, however, come from the State. The financial burden will be shared in vague proportion among parents, the State, and wealthy people imbued with principles of economic chivalry so strong that they voluntarily contribute to this cause.⁴⁹

Although Marshall's commanding solution to the problem of poverty is education, he also exhorts individuals to behave responsibly, with thrift and self control. They should postpone marriage and have fewer children so that excessive breeding does not offset education in its effect on the supply of unskilled workers. Moreover, he urges the rich to grasp the social possibilities of "economic chivalry" or charitable contributions.⁵⁰

Once a state of high education and prosperity is attained, it is maintained by the heightened sense of parental duty and absence of the degrading effects of

keen poverty. Diminished competition from a smaller labor supply as well as enhanced education thereby unite to eliminate poverty.

A century ago we took off the last shackles from that fierce monster—competition. That was necessary for our own freedom. Without it there have been free aristocracies, but there has never been, and cannot ever be, a free nation. The unshackled monster was terrible to deal with; but we are learning fast how to manage him. The education of working men's children in schools, and the education of working men in managing their own affairs, is progressing at an enormous rate . . . Let us then take courage. It may be too late to get rid of poverty in our generation; let us resolve that our children, or at any rate our children's children, shall be free from it.⁵¹

IV

The Reactions of Henry George and Alfred Marshall

HENRY GEORGE AND ALFRED MARSHALL'S INTERACTION was quite limited. Their only direct encounter occurred on the Ides of March in 1884 when an exhausted George addressed an Oxford audience that included Marshall, then a political economy lecturer just beginning to build his reputation. When George's "simple [and] inspirational" speech was cut short to answer questions,⁵² Marshall was the first to rise. Abandoning completely his customarily calm and co-operative stance, he excoriated George for using his admittedly "magnificent talents" of oratory "to instill poison" into the minds of the people. He had repeatedly challenged "any person to show him one single economic doctrine in Mr. George's book that was both new and true. But no one had come forward." George had not understood "in any single case . . . the authors whom he had undertaken to criticize" nor could he have been expected to, lacking, as he did, any "special training."⁵³

With equal phlegm, George responded that Mr. Marshall was correct that the book "contained nothing that was both new and true" because "the book was based upon the truth; and the truth could not be a new thing; it always had existed and it must be everlasting."⁵⁴ "Mr. Marshall," added George, "said he had already refuted [George's] doctrines. Well, he was a good deal like their English General, he did not know when he was beaten."⁵⁵

In this part of the paper, we dispassionately construct Marshall and George's reaction to each other by using not only this direct encounter stripped of its phlegm, but also Marshall's indirect response in his three lectures on George's topic, and various of his and George's other writings that address the arguments without the argumentativeness.

Alfred Marshall

Marshall emphasizes that the system of land ownership in England "suits [the English people] on the whole fairly well." This system

is the only one in which whatever farming skill there is in the country can be turned to the best account. It is chiefly owing to this cause . . . that England has been the pioneer of agricultural progress of the world. Almost every grand improvement in modes of cultivation, in agricultural machinery, and in breeding of cattle has been made in England. . . .⁵⁶

The English laborer is now better off “as far as material enjoyments go” than the foreign peasants under other land tenure systems, and in fifty more years the economies of large farms would make them better off “in almost every respect” provided that “all the changes of the last fifty years continue in the same direction.”⁵⁷

Moreover, ownership of land involves more sentimental than material incentives.

A man who buys land gets a much smaller net income from it than he could get in other ways; he pays this extra price chiefly for the social position that it gives. If he makes himself unpopular he deprives himself to that very thing for which he has paid so high a price. He has every inducement to befriend his poorer neighbours. Allowing for some exceptional cases, it is . . . indisputable that he exerts himself more to do good to others than the rich man in any other country of the world does.⁵⁸

People in England are *not*, therefore, in the “power of landlords,” Marshall argues. Indeed, the monopoly power that George decries arises not from *private* ownership *per se*, but from *single* ownership of all the land. He challenges George “to prove in an island owned by many, who were not acting in combination but in competition, it would be possible for the landlord to screw the people down to the verge of subsistence.” In such an island, the landlords “could only get as much as competition allowed them,” which does not “amount to much more than a shilling a pound.”⁵⁹

Moreover, rent appropriation would not raise enough revenue to eliminate all other taxes. Marshall debunks the notion of revenue sufficiency by showing that current public spending figures in Great Britain are significantly greater than the total rent from unimproved land. Taxes on capital and labor would have to finance the difference, so George’s tax could not remain a single tax.⁶⁰

In addition to its practical defects, Marshall considers George’s single-tax remedy unfair. It will not promote justice because ancient wrongs cannot be corrected by incorrect policies. Even if one concedes that

the original landholders had no good right to their title-deeds, are not an immense number of the present landholders the descendants of working men and others who have bought the title-deeds with the sweat of their brow?⁶¹

Although Marshall considers much speculation “anti-social” and even an “evil manipulation of the sources from which ordinary investors derive their guidance,” he calls for more economic studies before policy recommendations are

advanced. "Hasty attempts to control speculation by simple enactments have invariably proved either futile or mischievous."⁶²

George is not only wrong to blame the landlords, but even more at fault to do so at the expense of discounting the role of thrift. "Mr. George said, 'If you want to get rich, take land,' and he was far from saying that if [the poor] wanted to get well off they should work well and be thrifty." George is unjustified to allocate only one chapter in *Progress and Poverty* to thrift, and that solely with the intention of showing "working men how they could not benefit their position by thrift and industry."⁶³

Henry George

Denying Marshall's assertions about the improvements in the lives of the common laborers in England, George invites his audience to

go anywhere almost through this country and see with their own eyes human beings who had gained nothing whatever by the advance of civilization. Go up into the north and see the cotters . . . living on poorer and poorer than their fathers had been, crowded down and driven off good land on to poor land. Their crops had been diminishing, and they could not keep their cattle; the women were used as beasts of burden to do work that horses ought to do. If they went into their great cities they would see men and women living in dens in which no decent man would keep a dog.⁶⁴

Marshall's theory, George argues, fails to address the important issue of disparities in power. Monopoly power can result not just from single ownership, as Marshall believes, but also from class ownership. With support from Adam Smith, George argues that landlords operate "almost under a tacit combination." By virtue of their ownership, landlords

could hold out for the highest price for the land and they could wait; the man who must eat could not wait, and the man who could not wait must give way in the bargain to the man who could.⁶⁵

The apparatus of supply and demand, George asserts, may provide insights into how *relative wages* are determined, but it is altogether inappropriate for the determination of *average wages*.⁶⁶ Marshall therefore errs in his analysis of how education affects the working classes. "To educate men who must be condemned to poverty, is but to make them restive."⁶⁷ Education adds "but to the capacity for suffering. If the slave must continue to be a slave, it is cruelty to educate him."⁶⁸ As long as rents are expropriated as private income, education succeeds only in raising the relative wage of the educated worker; average wages continue to fall.⁶⁹ The same holds true for thrift. Thrift cannot improve the conditions of the working class as long as land remains privately owned.

Let one man save and he would get ahead of his fellows, but let the whole class save, let them reduce the expenses of living, and by an inevitable law so long as land is private

property wages must fall proportionately. If the working classes of England were to-day to agree to live on rice like a Chinaman, how long would it be before wages would come down to a rice-eating level? They stood merely on the verge of starvation, and the only thing that kept wages above a certain point was that below that point men, with the habits of Englishmen, could not live.⁷⁰

Nor will charity improve the lot of the poor.

. . . there were but few men who, looking round them and seeing the misery and vice and degradation that existed, could rest content without doing something; their charitable societies, with the enormous sums that were spent in efforts to alleviate the conditions of the poor proved that . . . But what was accomplished? . . . something more was needed than charity, and that something was justice . . . and that was the highest call that could be made to any man.⁷¹

Not only does George make a frontal attack on the applicability of supply and demand to problems of excessively low average wages, but he also fires some salvos at the relevance of Marshall's theory of competitive labor markets to the problem of poverty. Competition for *land* and not for *wages* forces the wages down to subsistence. The problem is not "overpopulation" or excess supply of unskilled workers. In fact, George believes, "in a natural state of things they would never have an overwhelming population."⁷²

V

Conclusion

GEORGE AND MARSHALL BOTH BELIEVE that aided by a proper set of policies, progress can eliminate poverty. With a tax that appropriates rent from the unimproved value of land, George sweeps away all other taxes, all unearned and undeserved private income, poverty, greed, and only one aspect of private land-ownership—its entitlement to residual income. With more public education and a higher sense of duty, Marshall's tamed competition gradually eliminates poverty and its attendant evils.

Marshall had such respect for special training that he insisted on the separation of Economics from the other Cambridge Tripos. But although George once remarked that the only title he cared for was "Professor," he also believed that "[f]or the study of political economy you need no special knowledge, no extensive library, no costly laboratory. You do not even need text-books nor teachers"; and advised his eldest son to work at a newspaper rather than go to Harvard.⁷³

George thought that he had the Truth—a Land Theory of History and a Labor Theory of Ownership, if you will; while Marshall thought he had an accurate

engine of analysis to track down the Truth—and delayed publishing it in hopes of finding It.

And so George found Marshall incomprehensible and incoherent, while Marshall found George to have said nothing new and true—nor new and false, for that matter.⁷⁴

Notes

1. Cf. George Stigler and Ronald Coase, “Alfred Marshall’s Lectures on Progress and Poverty,” *Journal of Law and Economics*, April, 1969, p. 221.

2. Henry George, *The Science of Political Economy* (New York, 1898), p. 125.

3. Henry George, *Progress and Poverty* (New York, 1879), pp. 298–99.

4. Cf. Arthur C. Pigou, ed., *Memorials of Alfred Marshall* (London, 1925), pp. 105–6.

5. Alfred Marshall, *Principles of Economics*, 8th ed. (New York, 1920), p. 3.

6. Nor did they explicitly define “poverty.” As with many of his other terms, George seems to shift between relative and absolute concepts, and it is important at all times that the former can be eliminated only by equalizing incomes, a plan George emphatically opposes. Marshall also discusses both absolute and relative poverty, emphasizing the former. His relative concept is more inter-generational in spirit.

7. *Progress and Poverty*, p. 392.

8. Cf. Arthur C. Pigou (ed.), *op. cit.*, pp. 114–15.

9. *The Science of Political Economy*, pp. 126, and 208.

10. The New York Public Library has a bound copy of the three lectures entitled: “Wealth and Want” (cf. Bernard Newton, “The Impact of Henry George on British Economists,” *American Journal of Economics and Sociology*, (April and July 1971), p. 317, fn. 41). We have chosen Stigler and Coase’s title because it coincides with Marshall’s own selection: “‘Progress and Poverty,’ the title of the course of three lectures that I am about to deliver, is taken from a book by Mr. George, which is the last outcome of the feeling that we ought not to be content with our progress as long as there is so much suffering in the world . . .” (cf. Stigler and Coase, *op. cit.*, p. 184).

11. *Ibid.*, p. 184, fn. 1.

12. Cf. Robert F. Hebert, “Marshall: A Professional Economist Guards the Purity of His Discipline,” in Robert V. Andelson, ed., *Critics of Henry George* (London: 1979), p. 57.

13. Cf. Stigler and Coase, *op. cit.*, pp. 186, and 185, fn. 1.

14. Cf. Charles Albro Barker, *Henry George* (New York: 1955), p. 404.

15. Cf. Stigler and Coase, *op. cit.*, p. 185, fn. 1.

16. *Progress and Poverty*, p. 198.

17. George’s definition of land is an expansive one. It includes “the whole material universe outside of man himself . . . The term land embraces, in short, all natural materials, forces, and opportunities, including such natural resources as raw materials, land surface, air, water, and minerals” (*ibid.*, p. 32). We shall honor this definition throughout the paper.

18. *Ibid.*, p. 248.

19. *Ibid.*, pp. 195, and 197.

20. *Ibid.*, p. 198.

21. George pays little attention to the theory of capital because “[i]n truth, the primary division of wealth in distribution is dual, not tripartite. Capital is but a form of labor, and its distinction

from labor is in reality but a subdivision, just as the division of labor into skilled and unskilled would be." Wages and interest thus always move in the same direction: interest falls as wages fall, and vice versa. Because labor is the only "active" factor of production and can produce wealth on land without capital, "the law of rent and the law of wages must correlate each other and form a perfect whole without reference to the law of capital." "Profit," to George, is a nonsensical term. It is really a combination of wages, the reward to capitalists' labor; and interest, which springs from "the power of increase which the reproductive forces of nature, and the in effect analogous capacity for exchange, give to capital" (*Progress and Poverty*, pp. 170, 137, and 157–58).

22. *Ibid.*, p. 230.

23. George divides rent into a "necessary or real" component determined by its use and an "unnecessary or fictitious" element determined by speculation (cf. Henry George Jr, *The Life of Henry George* (New York: 1900), p. 223).

24. *Progress and Poverty*, p. 230.

25. *Ibid.*, pp. 247, and 102. Speculative advances in land values also provide George with a theory of "periodical industrial depressions" to which all countries with the institution of private land ownership "seem increasingly liable." As speculation, not current productivity, raises rent, the returns to labor and capital must fall. Once they hit subsistence or maintenance levels, production declines sharply, and a depression ensues (*ibid.*, pp. 221, and 222). Land prices and real values gradually come back in line, and the economy begins to recover; but this very recovery sets the stage for the next cycle. George therefore predicts wild swings of activity in most economies over time, and asserts that land speculation, which raises prices but reduces output, is their primary cause.

26. Cf. Stigler and Coase, *op. cit.*, p. 188.

27. *Ibid.*, pp. 188, and 196.

28. Cf. Pigou, *op. cit.*, pp. 116–17.

29. Indeed, Marshall uses the apparatus of supply and demand to determine the prices of all factors of production—not just the wages of unskilled workers, but also wages of the skilled, rent, and interest; and to show how wages and interest can move in opposite directions according to their relative scarcity and productivity.

30. Cf. Stigler and Coase, *op. cit.*, pp. 188–89.

31. In Marshall's view, the poor laws discriminated "against the industrious and in favour of the dissolute." He held: "The industrious were so much worse provided for than those who went to the parish, that in time independent labourers almost ceased to exist. Wages were lowered all round and eked out by parish aid. He got on best who was the best adept at the arts of imposition . . . Mischief was done, not by the amount of relief given, but by its being given in the wrong way and to the wrong persons, so as to cause the survival of the worst in place of the best" (*ibid.*, p. 189).

32. *Ibid.*

33. Cf. Pigou, *op. cit.*, p. 117.

34. *Progress and Poverty*, p. 456.

35. *Ibid.*, pp. 455–56, and 353.

36. *Ibid.*, p. 284.

37. *Ibid.*, pp. 346–47.

38. *Ibid.*, pp. 375, 379, and 375.

39. Henry George, *Social Problems* (New York, 1883), p. 222.

40. *Progress and Poverty*, p. 378.
41. *Ibid.*, pp. 457, 307, and 382–83.
42. *Ibid.*, p. 340.
43. Education for Marshall implies much more than teaching children how to read and write: “The schoolmaster must . . . educate character, faculties and activities; so that the children even of those parents who are not thoughtful themselves, may have a better chance of being trained up to become thoughtful parents of the next generation” (*Principles of Economics*, p. 718).
44. *Ibid.*, pp. 212, 216, and 211.
45. Cf. Stigler and Coase, *op. cit.*, p. 198.
46. *Principles of Economics*, pp. 216, and 217.
47. Cf. Stigler and Coase, *op. cit.*, p. 197.
48. *Ibid.*, p. 209.
49. *Principles of Economics*, pp. 718, and 719. Marshall was, however, more explicit about these financial matters in the *Economics of Industry* co-authored with his wife, Mary P. Marshall. They proposed having the government pay for education by borrowing at the current interest rate (then three percent). With such an attractive rate, this expenditure was a good investment: “About a tenth of the total income of the country is paid to Government in Imperial and Local taxes; so that with the present rate of taxes Government will gain about a tenth of whatever increases in the national wealth comes from an improved system of education. And it is probable that this tenth would be sufficient to repay with interest any outlay that Government may make on that general and technical education” ((London: 1879), p. 113).
50. *Principles of Economics*, p. 719.
51. Cf. Stigler and Coase, *op. cit.*, p. 197.
52. Bernard Newton, *op. cit.*, p. 321. Perhaps George’s fatigue explains cutting the lecture short, the “captious” tone of many of his responses, telling Marshall “his head was small and his mind was tired, and he could not remember so many questions when they were put together,” and professing not even to remember his own book (cf. Stigler and Coase, *op. cit.*, p. 221).
53. *Ibid.*
54. Cf. Henry George Jr., *op. cit.*, p. 436.
55. Cf. Stigler and Coase, *op. cit.*, p. 224. The antagonists’ lack of sympathy and understanding, their captiousness and condescension were due more, we believe, to basic differences in personality and background than to the peculiar setup of the Oxford encounter. On the one hand, George was self-trained and messianic, a true son, says Barker, of his city of birth, Philadelphia, “during the age we name for Andrew Jackson . . . [In this] bustling city . . . an idealist’s mind turns naturally to events of state and society . . . [to] Jefferson’s ideas and the historic statement of great principles” (*op. cit.*, pp. 3–4). On the other hand, Marshall had impeccable formal training, and was careful and qualifying—the very model of a modern academic economist. He was a diffident public speaker, generally eschewed controversy, and used his magnificent talents in mathematics as a private language to check the internal consistency of his theories.
56. Cf. Stigler and Coase, *op. cit.*, pp. 202, and 204.
57. *Ibid.*, p. 204.
58. *Ibid.*, pp. 203, and 202. Marshall does mention the desirability—in *new* countries—of long-term government leases of land, a policy resembling George’s rent appropriation. But Marshall does not develop this idea in his more formal writings as he does most of the other concepts in the three lectures; and it seems to be made more in response to other land reform schemes than

as a proposal standing on its own merits. We relegate it to the footnotes rather than incorporating its mention into the main body of the text.

59. *Ibid.*, pp. 221, and 223–34.

60. *Ibid.*, pp. 207–8.

61. *Ibid.*, p. 201.

62. *Principles of Economics*, p. 719.

63. *Cf.* Stigler and Coase, *op. cit.*, pp. 221 and 222.

64. *Ibid.*, p. 219.

65. *Ibid.*, p. 223.

66. George argues: "When it is said, as is commonly said, that the general rate of wages is determined by supply and demand, the words are meaningless. For supply and demand are but relative terms. The supply of labor can only mean labor offered in exchange for labor or the produce of labor, and the demand for labor can only mean labor in the produce of labor offered in exchange for labor. Supply is thus demand, and demand supply, and, in the whole community, one must be coextensive with the other" (*Progress and Poverty*, pp. 174–75).

67. *Ibid.*, pp. 8–9.

68. *Social Problems*, p. 147.

69. *Progress and Poverty*, p. 258.

70. *Cf.* Stigler and Coase, *op. cit.*, p. 222.

71. *Ibid.*, p. 219.

72. *Ibid.*, pp. 225.

73. *Cf.* Henry George Jr., *op. cit.*, pp. 275, 278, and 365.

74. *Cf.* Hebert, *op. cit.*, p. 57.

The Henry George Birthplace

HENRY GEORGE was born over 150 years ago at 413 South 10th Street, Philadelphia. This house has been carefully restored for use as a Henry George School and as a Museum. It is listed in the National Register of Historic Places. The house is an example of a "poorman's house" of the early nineteenth century. There is a library and archives of Henry George and of the Single Tax Movement. The Museum is open daily to the public from 1 to 4 PM.

State Lotteries

THE MARKETING OF LOTTERIES by state governments has become increasingly popular as they seek to increase their revenue without more taxation. In his book, *Lotteries*, (New Brunswick, NJ: Transaction Publishers, 1989), Alan J. Karcher, an expert in state tax policy, examines the history of lotteries, the reason for their popularity and the dangers they pose as they grow. Separation of the regulatory agency and the revenue raising bodies is one of the many reforms that he recommends. He would eliminate the higher ratio of sale outlets in the poorer sections of cities and would prohibit lottery betting by telephone.

C.E.G.