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Frank H. Knight's Criticism of Henry George

By ROSS B. EMMETT*

ABSTRACT. The ferocity of Knight's comments on Henry George may come as a surprise to those who are not familiar with his criticisms of other economists and philosophers. But, in fact, his criticisms of George are not due to specifically Knightian insights on George's approach, but rather reflect the different philosophical framework from which neoclassical economists like Knight think. At the core of Knight's disagreements with George is his neoclassical theory of rent, as the Georgist critics of Knight understand. The article reviews the philosophical, economic, and ethical ideas that underlay Knight's neoclassicism, and hence inform his criticism of George.

The economic and social ideas of Henry George are as a whole at the same pre-arithmetical level, the level of those held before and since his time by all who have held any at all, apart from an insignificant handful of competent economists and other negligible exceptions. Henry George's claim to be an economist (or social philosopher either) rests on the possession of linguistic powers not uncommon among frontier preachers, politicians, and journalists, and on the fact that his particular nostrum for the salvation of society appeals to a number of people, no doubt for the same reasons that made it appeal to him, and which give many other nostrums their appeal.¹

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The intensity of Frank Knight's attack on Henry George's system of political economy may come as a surprise to some. For those who know of Knight's attacks on the systems of other philosophers and social scientists of the time—from John Dewey and Mortimer Adler to Jacques Maritain and Terence Hutchison—it has a familiar ring.² What comes as a surprise to someone familiar with those other attacks is that, whereas their intensity is matched by their frequency, Knight only makes his attack on George twice—in a review of a book on George's philosophy in 1933 and then again in a short essay on the “single tax” published 20 years later in *The Freeman*.³ Other views that Knight attacked with equal ferocity were accorded more frequent attention in his work. Despite the forcefulness of his attack on George, Knight grouped his system with that of Major Douglas and other populist approaches, all of which receive little attention in his work. In the short compass of my comments on this session, I will identify three aspects of Knight's attack on George that may help us to understand the nature of his attack, and why Georgist critiques of Knight such as the one offered recently by Tideman and Plassmann are less a criticism of unique Knightian views than the difference between the philosophical positions underlying George's interpretation of classical economics and neoclassical theory.

Let me preface my remarks by thanking Tideman and Plassmann for providing a Georgist response to Knight that usefully focuses the issues between Knight and George. Their article demonstrates that Knight didn't simply misunderstand George, but disagreed with him on what both authors thought were central philosophical, ethical, and economic issues. As they say at the end of their article:

The heart of the disagreement between Knight and George's supporters is that George's supporters see an important difference between the rent of land and other returns.⁴

Knight would agree with this characterization of the disagreement, but refuses to give ground to George's supporters. What we are presented with, then, is a contrast between two economic approaches that disagree strongly about a central assumption. I have no intention of trying to settle the dispute!

The first aspect of Knight's response to George is philosophical. To put it simply, Frank Knight was allergic to proposals that called for

single solutions to the problems of modern society. Today, we know him as a pluralist.⁵ In his own time, he was known for his skepticism about the overextension of any single principle of social or economic philosophy. George's single-tax proposal seemed tailor-made to draw Knight's ire: The single principle is that land rents should return to the society at large. George's public promotion of his principle emphasized the fact that it would cure the evils of society, ending poverty through common prosperity.

Knight's response to philosophical systems that suggest one remedy for society's ills is encapsulated in his 1951 presidential address to the American Economic Association:

The right principle is to respect all the principles, take them fully into account, and then use *good judgment* as to how far to follow one or another in the case in hand. All principles are false, because all are true—in a sense and to a degree; hence, none is true in a sense and to a degree which would deny to others a similarly qualified truth. There is always a principle, plausible and even sound within limits, to justify any possible course of action and, of course, the opposite one. The truly right course is a matter of the best compromise, or the best or "least-worst" combination of good and evil. As in cookery, and in economic theory, it calls for enough and not too much, far enough and not too far, in any direction. Moreover, the ingredients of policy are always imponderable, hence there can be no principle, no formula, for the best compromise.⁶

This argument was repeated time and time again in his responses to various "solutions" to the social problem. His three favorite targets in the early 1930s were the neoscholasticism of Robert Hutchins and Mortimer Adler, the pragmatism of John Dewey, and positivism.⁷ He eventually combined the former with other religious approaches under the general heading of moralism. The second and third of these approaches were also merged, under the term he introduced: scientism.

The second aspect of Knight's attack on George that bears mention is, of course, economic. In the early 1930s, Knight began to rethink his way through economic theory, starting with cost theory. George's single-tax theory was built upon the classical cost theory of David Ricardo, with its tripartite division between land, capital, and labor. It was this classical cost theory on which Knight focused his theoretical criticism. The language was strong, reminding us of

Knight's general rhetorical strategy of attack: His article on Ricardian theory (Knight 1999c), he tells us, is written on the premise that study of the classics is motivated by an interest in correcting their mistakes.

Tideman and Flassmann make Knight's rejection of classical cost theory the center of their critique of his response to George. They argue that Knight's refusal to treat land differently than labor and capital simply misses the obvious fact that marginal land is brought into economic use not by its improvement, but by one economic agent excluding others from use of the land. Assuming that justice demands that everyone be able to enjoy land's rewards, taxing land rents brings economics and ethics together.

The problem here is not that Knight rejected what Georgists see as the obvious claims of justice, nor is it that Knight misunderstood the economic process of bringing marginal land into economic use. Rather, Knight disagrees with George and classical economics on the central issue of land use. Knight's economic theory is built on the assumption that there is no difference between the way in which land, labor, and capital are brought into economic use. As he says in the second essay, the acquisition of "unearned wealth" by the heirs of those who initially acquired land is "not a sequel peculiar to land."⁸ In Knight's estimation, no factor of production is simply acquired—they are always produced. Or, to put it differently, if land may be acquired unimproved, so too may labor or capital. Knight's position is one of the fundamental differences between neoclassical and classical economics.

Finally, Knight's attack on George has an ethical aspect. For Knight, social problems are ultimately ethical in character, not simply economic. No "single tax" can replace the wisdom gained from judgment of what we want now, and what we may come to be later. For Knight, social problems can only be addressed by social discussion, in which we consider the options, judge the relevance of various principles, and reflect upon who we are and what is good for us. The outcomes of those discussions can never be known in advance, either by appeal to moral principles or scientific prediction. George's single-tax proposal, in Knight's estimation, tries to substitute "scientific" conclusions for social discussion.⁹

Notes

1. Knight, F. H. (1933b). "Review of *The Philosophy of Henry George*, by George R. Geiger." *Journal of Political Economy* 41(5): 687–690.
2. See Knight, F. H. (1947). "Pragmatism and Social Action." In: *Freedom and Reform: Essays in Economics and Social Philosophy*. New York: Harper & Bros; Knight, F. H. (1999). "'What is Truth' in Economics?" In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press; Knight, F. H. (1999). "The Rights of Man and Natural Law." In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press; and Knight, F. H. (1999). "God and Professor Adler and Logic." In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press.
3. The review was actually published twice: Knight, F. H. (1933a). "Review of *The Philosophy of Henry George*, by George R. Geiger." *International Journal of Ethics* 44(1): 162–165; (1933b). "Review of *The Philosophy of Henry George*, by George R. Geiger." *Journal of Political Economy* 41(5): 687–690; (1953). "The Fallacies of the 'Single Tax'." *Freeman* August: 809–811.
4. Tideman, N., and F. Plassmann. (2004). "Knight: Nemesis from the Chicago School." In: *Critics of Henry George: An Appraisal of Their Strictures on Progress and Poverty*. Ed. R. V. Andelson. Malden, MA, Blackwell.
5. Hands, D. W. (1997). "Frank Knight's Pluralism." In: *Pluralism in Economics: New Perspectives in History and Methodology*. Ed. A. Salanti and E. Screpanti. Cheltenham, UK: Elgar.
6. Knight, F. H. (1999). "The Role of Principles in Economics and Politics." In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press.
7. Knight, F. H. (1947). "Pragmatism and Social Action." In: *Freedom and Reform: Essays in Economics and Social Philosophy*. New York: Harper; Knight, F. H. (1999). "'What is Truth' in Economics?" In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press; Knight, F. H. (1999). "Modern Thought: Is It Anti-Intellectual?" In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press.
8. Knight, F. H. (1953). "The Fallacies of the 'Single Tax'." *Freeman* August: 809–811.
9. Knight, F. H. (1999). "Virtue and Knowledge: The View of Professor Polanyi." In: *Selected Essays by Frank H. Knight*. Ed. R. B. Emmett. Chicago: University of Chicago Press.

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