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# Henry George's Theory of State's Agenda:

## *The Origins of His Ideas on Economic Policy in Adam Smith's Moral Theory*

By FRANK PETRELLA\*

ABSTRACT. The tension between *Henry George's reformism* and his *laissez-faire liberalism* was resolved through a *system of natural liberty* which George derived from the relation between *Adam Smith's ethics* and *economics*. Crucial for George's *nonutilitarian philosophy of government* was the interdependence between the *moral sense (sympathy)* and the prevailing *socioeconomic order*. In the appropriate *institutional* environment, the role of the government was diminished since the pervasive moral sense insured *justice* by monitoring the individual's pursuit of *economic self-interest*. In contrast, a defective socioeconomic order required *government intervention*. For example, *land monopoly* and the *maldistribution of income* undermined the role of sympathy, promoted excessive self-interest and the breakdown of the system of natural liberty. Government action through the *single tax* eliminated the "fear of want," restored an operative moral sense and guaranteed *justice* in *society*. Under these conditions, government can provide additional *services* for a growing society without being susceptible to "corrupt and tyrannous" behavior.

### I

#### **Liberal-Conservative Dualism in Henry George**

A VALID INTERPRETATION of the theory of "State's agenda" or theory of economic policy in Henry George's work is a difficult task. As Steven Cord has noted, "Many historians and economists were confused by George because he was a reformer without being a liberal. But neither is his basic philosophy that of a conservative."<sup>1</sup> Consequently, conflicting interpretations of George's views on government are not unusual. For example, although recognizing the diversity of his thought, Bruchey sees George as essentially non-*laissez-faire*.<sup>2</sup> Yet Nock thought Henry George to be the classic individualist!<sup>3</sup> On the other hand, in her excellent analysis of 19th century British Political Economy, Ellen Frankel Paul states unequivocally, "It was, then, left for others to draw different conclusions from Ricardo's rent doctrine. Most notable among these were the

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socialist Henry George and the later group of Fabian socialists whom George influenced.”<sup>4</sup>

We recognize the danger in focusing on the conflicts in George’s thought. George wrote much of his work under a variety of conditions over a long period of time. As Harriss noted: “Followers and critics can cite sources for items that do seem to conflict. . . . We can mislead ourselves by yielding to a temptation to pick on what are essentially matters of secondary importance, even to quibble.”<sup>5</sup> However, the liberal-conservative dualism in George’s work is not a matter of “secondary importance”; it is fundamental to an understanding of Henry George.

Moreover, George’s work gives ample evidence of this dualism and its consequent, the apparent ambiguity concerning government’s role in society. For example, in *Social Problems*, George stated:

Thus, out of the principle that it is the proper end and purpose of government to secure the natural rights and equal liberty of the individual, grows the principle that it is the business of government to do for the mass of individuals those things which cannot be done, or cannot be so well done, by individual action.<sup>6</sup>

Contrast the paternalist and interventionist government above with the ostensible *laissez-faire* of George found in *A Perplexed Philosopher*, a commentary on Herbert Spencer’s views on the land question. Although George would assign more functions to government than Spencer, he chose, nevertheless, to emphasize his opposition to government interference:

I have been an active, consistent and absolute free trader, and an opponent of all schemes that would limit the freedom of the individual. I have been a stauncher denier of the assumption of the right of society to the possessions of each member, and a clearer and more resolute upholder of the rights of property than has Mr. Spencer. I have opposed every proposition to help the poor at the expense of the rich. I have always insisted that no man should be taxed because of his wealth, and that no matter how many millions a man might rightfully get, society should leave to him every penny of them.<sup>7</sup>

Clearly, the Henry George who would have government act in the place of individuals is difficult to reconcile with the Henry George who opposes all schemes that would limit the freedom of the individual.

Perhaps the conflict in George’s views on government reflects the evolution of George’s thought over the course of his career. For example, Edward Rose believes George’s *Social Problems* and its conception of government “. . . has remained George’s most bluntly socialistic book. Coming as it did between his first two visits to the British Isles and reflecting his personal commitment to active reform movements, its socialistic character is everywhere in evidence.”<sup>8</sup> Rose’s view, perhaps, implies that George’s later works might be less socialistic. For example, George’s references to a conservative philosophy of government

in his *The Science of Political Economy*, might be attributed to the conservatism of age or a diminished commitment to social reform. But on the contrary, the liberal-conservative dualism persisted throughout George's work. It can be found, for example, in *Social Problems* between the classic statement for absolute natural rights of the individual (Chapter 10) and the argument for more government activity as life becomes more complex (Chapter 17);<sup>9</sup> it is also found in *The Condition of Labor* where George argued against the State curing poverty by setting wages above equilibrium, "the tendency of the market," yet posed the solution to all poverty by the State's socialization of rent.<sup>10</sup>

To some extent, any evaluation of the dualism in George's thought is complicated by the popular view that *laissez-faire* and government activity are mutually exclusive concepts, or its corollary that government activity implies socialism. Although the rhetoric of 18th and early 19th century *laissez-faire* liberalism identified individual freedom with the absence of government control, the substance of liberalism restrained rather than negated the role of government in economic life. Consequently, it is difficult to find an example of pure *laissez-faire, laissez-passer*.<sup>11</sup> With this in mind, any formulation of George's "State's agenda" theory must not dichotomize individual freedom and government activity; instead, it must inhere in a framework which explains the nature, degree, and timing of State activity consistent with George's view concerning the natural rights and liberty of individuals.

## II

### George's State's Agenda Theory and Classical Economics

SINCE THERE EXISTS a large body of evidence indicating that Henry George's economic analysis was influenced by the English classical school, especially Smith, Malthus, Ricardo and J. S. Mill,<sup>12</sup> it would be reasonable to expect and find classical and possibly neoclassical influences on Henry George's theory of economic policy. However, some scholars stressed other influences on George's economics and social policy. For example, in his classic work on 19th century American economic thought, Teilhac noted:

Although George is now very near to the Physiocrats by reason of his *laissez-faire* policy, he reminds one of the Physiocrats even more . . . by his fiscal policy. This fiscal policy is bound up with his preference for agriculture, an agrarianism based upon a profound naturalism which, in turn, is inseparable from extreme rationalism. In reality, George is a doctrinal descendant of the Physiocrats not only in his political theories, but also by his economic theories . . . and, most of all, in his philosophy. We shall see that the end he hopes to reach, by means of the single tax, is the proof of his philosophical sympathy with the Physiocrats.<sup>13</sup>

Although Teilhac conceded some Smithian influence on George's "social economics," it was only by way of the Physiocrats via Adam Smith and the English socialists' response to the pessimism of Ricardo and Malthus.<sup>14</sup>

Although the link between George and Physiocracy has been challenged by Geiger,<sup>15</sup> the most notable refutation came from Henry George himself. At the level of economic policy, George disclaimed a Physiocratic influence; however, at the level of theory, although he noted some compatibility of analytical concepts, George denied a direct influence: "As I am acquainted with the doctrines of Quesnay and his disciples only at second hand through the medium of the English writers. . . ."<sup>16</sup> Thus, if we are to find a model for George's conception of government which reconciles the obligation of government to act with the autonomy and freedom of the individual, it is to be found, in George's words, ". . . through the medium of the English writers."

Such a model is present in the works of the first classical economist, Adam Smith. Moreover, the reasons for seeking an understanding of George's conception of government through the works of Adam Smith are compelling. To begin with, both George and Smith accept the doctrine of natural rights. In addition, both reject utilitarianism as a philosophical rationale for government activity. After Bentham and John Stuart Mill, the classical and neoclassical theory of economic policy depended more and more on the Benthamite principle of utility as both determinant and object of State activity,<sup>17</sup> or, as George put it, to ". . . shifting notions of expediency or the vague formula of the greatest good to the greatest number."<sup>18</sup> Finally, and most important, Smith's philosophy of government resides ultimately in his moral theory. And, as this paper will show, it was Smithian moral theory which provided the model for Henry George's theory of "State's agenda."<sup>19</sup>

### III

#### **Adam Smith and the System of Natural Liberty**

ANY CONSIDERATION of Adam Smith's rationale for government activity in society must begin with his statement of what may be termed the "best interests" principle, that is, the notion that the individual is the best judge of his own best interests. This natural rights assertion of the primacy of individual freedom was clearly expressed in Adam Smith's definition of the system of natural liberty:

All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a

duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society.<sup>20</sup>

Yet, Adam Smith recognized a need for government activity. Most notable is the duty of government to provide a common defense against external aggression, to establish an "exact administration of justice" and to supply certain goods which yield positive externalities, that is, those public works and public institutions, ". . . which it can never be for the interest of any individual . . . to erect and maintain . . . because the profit could never repay the expense to any individual . . . though it may frequently do much more than repay it to a great society."<sup>21</sup>

Moreover, there are implications of additional government activity in Smith's work. He was well aware of the emerging fissures in the system of natural liberty as a consequence of economic growth and the increasing commercialization of society. For example, Smith criticized the persistent monopolistic spirit of the rentier class as well as the price-fixing tendencies of master workmen, merchants, and manufacturers. In addition, Smith lamented the dehumanizing effects of the division of labor, a concept so crucial to his theory of economic growth and development. For Smith, government could moderate if not eliminate some of these tendencies in commercial society. For example, although government legislation cannot and should not prevent meetings at which tradesmen and manufacturers conspire to raise prices, government should not "facilitate such assemblies" or sanction their consequences. The simplicity and repetitive nature of the division of labor raised more serious questions for Smith. It rendered man ". . . stupid and ignorant . . . incapable of rational conversation . . . or tender sentiment, and consequently of forming any just judgment concerning many even of the ordinary duties of private life." Thus, the pursuit of enlightened self-interest in commercial society is threatened "unless government takes some pains to prevent it" through education.<sup>22</sup>

The atrophy of the "tender sentiments" by the division of labor both illustrates Smith's concern about the dangers of commercial society, and provides a key to understanding his theory of government activity consistent with his natural rights doctrine and the system of natural liberty. In an earlier work, *The Theory of Moral Sentiments*, Smith developed a highly refined system of moral philosophy which foreshadows his later work including the *Wealth of Nations*.<sup>23</sup> Crucial to his moral theory was Smith's awareness of the forces which undermine the moral sentiments thus weakening the important relationships which must exist among people in a well ordered commercial society.

Through the innate moral sense of sympathy, Smith established a common moral bond among men in society. According to Smith, all men are interested in the fortune and happiness of others; and, "As we have no immediate experience of what other men feel, we can form no idea of the manner in which they are affected, but by conceiving what we ourselves should feel in the like situation."<sup>24</sup> In the imperative mood, the fulfillment of this moral bond represented the highest form of human behavior:

And hence it is, that to feel much for others and little for ourselves, that to restrain our selfish, and to indulge our benevolent affections, constitutes the perfection of human nature; and can alone produce among mankind that harmony of sentiments and passions in which consists their whole grace and propriety. As to love our neighbour as we love ourselves is the great law of Christianity, so it is the great precept of nature to love ourselves only as we love our neighbour, or what comes to the same thing, as our neighbour is capable of loving us.<sup>25</sup>

This call to perfection presupposed the harmonious relation between the two cardinal virtues most important to the success of commercial society, Prudence and Justice. Smith defined Prudence as the obligation to "self-interest" or, "The care of the health, of the fortune, of the rank and reputation of the individual, the objects upon which his comfort and happiness in this life are supposed principally to depend . . ."<sup>26</sup> Yet, the pursuit of prudence must recognize the requirements of justice: ". . . we are said to do justice to our neighbour when we abstain from doing him any positive harm, and do not directly hurt him, either in his person, or in his estate, or in his reputation."<sup>27</sup>

However, Adam Smith, especially in the later editions of the *Theory of Moral Sentiments*, saw no natural harmony between the two virtues. He was certain that the ". . . prevalence of injustice must utterly destroy it [society] . . ."<sup>28</sup> Moreover, he knew the weakening of the moral sentiments impeded the role of sympathy in harmonizing prudence and justice. In turn, the importance of prudence was exaggerated. The immediate origin of excessive self-interest was found in Ambition as it related to our natural sympathies:

It is because mankind are disposed to sympathize more entirely with our joy than with our sorrow, that we make parade of our riches, and conceal our poverty. Nothing is so mortifying as to be obliged to expose our distress to the view of the public, and to feel, that though our situation is open to the eyes of all mankind, no mortal conceives for us the half of what we suffer. Nay, it is chiefly from this regard to the sentiments of mankind, that we pursue riches and avoid poverty.<sup>29</sup>

Thus, the "fear of want" nurtures excessive self-interest and causes the decay of the moral sentiments:

This disposition to admire, and almost to worship, the rich and the powerful, and to despise, or, at least, to neglect persons of poor and mean condition, though necessary both to establish and to maintain the distinction of ranks and the order of society, is, at the same time, the great and most universal cause of the corruption of our moral sentiments.<sup>30</sup>

Nevertheless, Adam Smith believed society provided "Two different models to . . . fashion our character and behaviour," acquisitiveness unrestrained by justice, or enlightened and virtuous self interest. However, even though enlightened self interest, "the road to virtue and that to fortune are . . . very nearly the same . . . in the middling and inferior stations of life," Smith thought the presence of excessive self interest was a continuing threat to justice and stability in commercial society.<sup>31</sup>

Consequently, economic growth yielded both material benefits and moral costs to society. The severe effects of the division of labor on the sentiments and sympathy increased the probability of unenlightened self-interest prevailing. Moreover, although Smith did not make the case, poverty or the "fear of want" caused by the maldistribution of income promoted the acquisitive rather than virtuous model of individual behavior outlined in the *Theory of Moral Sentiments*. As a result, Smith's system of natural liberty in the *Wealth of Nations* presumed an appropriate institutional environment in which the individual was more likely to link the virtues of prudence and justice.

This environment included such social and economic institutions as a system of law and administration of justice, private property and contracts, competition rather than monopoly and the presumption of an operative morality in society.<sup>32</sup> If the institutional order breaks down, for example, competition is displaced by the growth of monopoly market structures, then, prudence and justice will conflict; consequently, government has the responsibility to discourage monopoly and to promote competition. Another example concerns the importance of morality to the operation of the system of natural liberty. Although Smith had little faith in government's ability to eliminate public immorality, still, he believed that government, indirectly, might reduce the "unsocial" or "disagreeably rigorous" state of morals in society by promoting such cultural activities as poetry, painting, dancing, and the drama.<sup>33</sup>

#### IV

### **The Role of Government in Henry George's System of Natural Liberty**

HENRY GEORGE'S POLITICAL ECONOMY was also characterized by a pervasive "best interests" principle. Even when George criticized self-interest in light of other more noble human instincts, he still concluded: "Self-interest is, as it were, a mechanical force—potent, it is true; capable of large and wide results."<sup>34</sup> George's clearest expression of the "best interests" principle occurred when he distinguished directed from spontaneous cooperation. The former involved the ". . . conscious direction of a controlling will to a definite end"; the latter,



the “. . . correlation of actions originating in many independent wills, each aiming at its own small purpose without care for or thought of the general result.” To George, the unnecessary outside interference of “conscious regulation” restricted rather than aided the force of the “best interests” principle. The only alternative was to “. . . let it alone; to give it freedom to grow, leaving men free to seek the gratification of their own desires in the ways that to them seem best. . . .”<sup>35</sup>

As was true in the work of Adam Smith, Henry George’s “best interests” principle must be understood in the context of George’s conception of the system of natural liberty. Like Smith, George established the primacy and wisdom of individual action in the economy:

The equal, natural and unalienable right to life, liberty and the pursuit of happiness, does it not involve the right of each to the free use of his powers in making a living for himself and his family, *limited only by the equal right of all others?* . . . Whatever any man has added to the common stock of wealth, or has received of the free will of him who did produce it, let that be his as against all the world—his to use or to give, to do with it whatever he may please, *so long as such use does not interfere with the equal freedom of others.* . . . It is not the business of government to direct the employment of labor and capital, and to foster certain industries at the expense of other industries. . . .<sup>36</sup>

Thus, George’s conception of natural liberty proscribed the exercise of economic self-interest by the requirements of justice or, its equivalent, the “equal freedom” of others. Although inspired by Adam Smith, George’s “equal freedom” principle was borrowed from Herbert Spencer. Even in his most critical work on Spencer, *A Perplexed Philosopher*, George thought Spencer’s principle was a sure guide in “political ethics.”<sup>37</sup> As Spencer had noted in his work, *Social Statics*, “Every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man.”<sup>38</sup> Moreover, according to Spencer, the operative element in the “equal freedom” principle was Smithian sympathy:

. . . an impulse to maintain liberty of action is most likely essential to the completeness of human constitution. How this impulse to maintain liberty of action can generate regard for the liberty of action of others is explicable by an extension of Adam Smith’s doctrine of Sympathy. . . .<sup>39</sup>

In a perfect society where the Moral Sense (sympathy) insured the harmonious relation of self-interest and justice, George might agree with Spencer that no government was necessary.<sup>40</sup> But the world of Henry George presented less than a perfect although amendable order:

There are deep wrongs in the present constitution of society, but they are not wrongs inherent in the constitution of man nor in those social laws which are as truly the laws of the Creator as are the laws of the physical universe. They are wrongs resulting from bad adjustments which it is within our power to amend.<sup>41</sup>

The malfunction of institutions, particularly the economic institutions, threatened the operation of sympathy; consequently, in George's view, the ameliorative functions of government became imperative. Although right order depended on justice and the moral sense, George emphasized that government cannot directly command the restoration of sympathy:

It is not the business of government to make men virtuous or religious, or to preserve the fool from the consequences of his own folly . . . For while the tendency of laws which prohibit or command what the moral sense does not, is to bring law into contempt and produce hypocrisy and evasion, so the attempt to bring law to the aid of morals as to those acts and relations which do not plainly involve violation of the liberty of others, is to weaken rather than to strengthen moral influences; to make the standard of wrong and right a legal one, and to enable him who can dexterously escape the punishment of the law to escape all punishment.<sup>42</sup>

However, government can harmonize self-interest and justice by adjusting the institutional framework within which individuals pursue their economic self-interest. For example, concerning the most desirable market structure for the system of natural liberty, George argued “. . . that the sphere of government begins where the freedom of competition ends . . .” and monopoly begins.<sup>43</sup> Or, on the need to “secure a just distribution of wealth,” the primary function of government was to strengthen the institutional order by securing the free and equal liberty of all and the right of one's enjoyment “. . . of his own earnings . . . When we have done this we shall have done all that we can do to make social institutions conform to the sense of justice and to the natural order.”<sup>44</sup>

## V

### Smith's and George's Moral Theory

ALTHOUGH THE OCCASION and nature of government intervention in George's work is clear, what still must be demonstrated is the parallel structure between Smith's and George's moral theory and, especially in George's thought, how a defective social order or system of natural liberty undermined the role of sympathy as the moral watchdog protecting justice from the pursuit of legitimate self-interest. The nature of this relationship is found in George's major work, *Progress and Poverty*. Like Adam Smith, Henry George believed that sympathy was “. . . one of the strongest—perhaps with many men the very strongest—springs of human action.”

The desire for approbation, the feeling that urges us to win the respect, admiration, or sympathy of our fellows, is instinctive and universal. Distorted sometimes into the most abnormal manifestations, it may yet be everywhere perceived. It is potent with the veriest savage, as with the most highly cultivated member of the most polished society; it shows

itself with the first gleam of intelligence, and persists to the last breath. It triumphs over the love of ease, over the sense of pain, over the dread of death.<sup>45</sup>

But, man's sympathetic instincts depended on the social order, especially the economic institutions. In a society characterized by monopoly in land and the maldistribution of income—the central message of *Progress and Poverty*—the resulting economic insecurity and “want and fear of want” retarded the sympathetic instinct in men:

And thus the sting of want and the fear of want make men admire above all things the possession of riches, and to become wealthy is to become respected, and admired, and influential. Get money—honestly, if you can, but at any rate get money! This is the lesson that society is daily and hourly dinning in the ears of its members. Men instinctively admire virtue and truth, but the sting of want and the fear of want make them even more strongly admire the rich and sympathize with the fortunate.<sup>46</sup>

Thus, *excessive* self-interest had a common origin in both Smith's and George's moral theory. In George, it is poverty and the “fear of want;” in Smith, it is Ambition occasioned by our perception that other men sympathize more with our joy than our sorrow, thus leading us to “pursue and parade” our riches and “conceal and avoid” poverty.<sup>47</sup> For both Smith and George, the growth of excessive self-interest corrupted the moral sentiments and impeded the operation of the system of natural liberty. As George concluded:

And so in society, as at present constituted, men are greedy of wealth because the conditions of distribution are so unjust that instead of each being sure of enough, many are certain to be condemned to want. It is the “devil catch the hindmost” of present social adjustments that causes the race and scramble for wealth, in which all considerations of justice, mercy, religion, and sentiment are trampled under foot; in which men forget their own souls, and struggle to the very verge of the grave for what they cannot take beyond.<sup>48</sup>

Therefore, in *Progress and Poverty*, government intervention in the form of the single tax served a dual function. Frequently emphasized is the role of the single tax in correcting the maldistribution of income; overlooked, and equally important to Henry George in light of his moral theory, is the role of the single tax in restoring the human potential of civilized society. By eliminating monopoly and promoting competition, the single tax restored George's system of natural liberty. By eliminating the “fear of want,” the single tax reduced excessive self interest—“the admiration of riches would decay”—<sup>49</sup> and assured the exercise of a legitimate self-interest principle grounded in a fully operative moral sense, sympathy. As a result, the balance between self-interest and justice is restored; economic growth and human progress are compatible:

The law of human progress, what is it but the moral law? Just as social adjustments promote justice, just as they acknowledge the equality of right between man and man, just as they insure to each the perfect liberty which is bounded only by the equal liberty of every other, must civilization advance. Just as they fail in this, must advancing civilization come to a halt and recede.<sup>50</sup>

However, just as George's views on the role of government have been subjected to multiple and conflicting interpretations, so has the single tax solution to the problem of poverty. It is not uncommon to find the single tax viewed as liberal if not radical economic policy; actually, it is a "classical" if not conservative solution to the problem of poverty and income inequality and far less radical than typical solutions to income inequality found in the late 19th century theory of economic policy. To begin with, we have already seen where the object of the single tax in preserving sympathy thus insuring the compatibility of self-interest and justice was consistent with the moral theory and attendant theory of State's agenda in Adam Smith.

Moreover, George carefully rationalized the single tax in terms of Adam Smith's "canons of taxation."<sup>51</sup> Further, George recognized that a graduated income tax might also reduce income inequality; however, his arguments against this solution were consistent with classical economic theory and policy, namely, that an income tax reduced ". . . the incentive to the accumulation of wealth, which is one of the strong forces of industrial progress."<sup>52</sup> In contrast, George's single tax solution was less radical than the income tax solution to income inequality proposed by Henry Sidgwick, late 19th century English philosopher, ethicist, and minor neoclassical economist who influenced the thinking of Alfred Marshall and A. C. Pigou.<sup>53</sup> As precursor to many turn of the century utilitarian policy theorists, Sidgwick argued that the existence of income inequality coupled with the law of the diminishing marginal utility of income naturally encouraged the redistribution of income toward greater equality since this would logically increase the "greatest happiness" (greatest aggregate utility) of the greatest number in society.<sup>54</sup>

Although the single tax was grounded in non-utilitarian criteria, it is legitimate to explore possible utilitarian influences on Henry George's theory of State's agenda. If present, these influences would not alter the similarity between the moral theory of Smith and George and their sanctions of government action to support the system of natural liberty. However, in the late 19th century, a period of utilitarian dominance in early neoclassical economics, the character of government intervention changes. Although the primacy of individual freedom is emphasized, government's role in the economy becomes more direct, increasingly acting in place of the individual to improve his welfare invariably under the auspices of aggregate welfare, social utility, or some other social ideal. In contrast, the role of government in the late 18th and early 19th century view was more passive and superintending in character, supporting a framework of institutions within which the individual was free to act and improve his own welfare. This latter philosophy of government is more compatible with our view of George thus far.

However, in George's work, there is evidence of an "active" as opposed to a "passive" form of government intervention. For example, although it is the proper function of government to secure the natural rights and equal liberty of all individuals, in some cases, certain functions ". . . cannot safely be left to individuals;" thus, ". . . grows the principle that it is the business of government to do for the mass of individuals those things which cannot be done, or cannot be so well done, by individual action."<sup>55</sup> Moreover, restrictions on the liberty of action although ". . . evil in their nature . . . may sometime be necessary . . ." especially when the object of such restrictions is to moderate or eliminate some previous restriction of individual natural rights.<sup>56</sup> While clearly paternalistic and actively interventionist in character, George's advocacy of State action was never justified by utilitarian criteria. Although the legislative decision to displace or restrict individual initiative might conceivably be made on pragmatic grounds, George might have argued that such intervention was justified insofar as it secured or enhanced the freedom of the individual within the system of natural liberty, and not that it produced the "greatest happiness of the greatest number."

In the final analysis, Henry George's conception of government activity was more Smithian than paternalist or utilitarian in nature. The efficient and virtuous government assumed only those functions sufficient to maintain the institutional framework of the system of natural liberty. Moreover, wherever possible, decentralization or the "principle of local self-government" should prevail.<sup>57</sup> On the other hand George, unlike Smith, lived in a more complex society subjected to more rapid socioeconomic change. The pressures of change created a need for more government:

. . . with the progress of society, the functions which government must assume steadily increase. It is only in the infancy of society that the functions of government can be properly confined to providing for the common defense and protecting the weak against the physical power of the strong.<sup>58</sup>

However, George's recognition of the growing need for government to regulate natural monopolies (railroads, utilities) and to provide additional public services (roads, schools, museums, etc.) was not premised on utilitarian criteria.<sup>59</sup> For example, Henry Sidgwick and William Stanley Jevons, both English contemporaries of George, responded to the growing complexity of society in an entirely different way. As Sidgwick noted, the consequence of complex change is that ". . . an average man's ability to judge of the adaptability of means to ends, even as regards the satisfaction of his everyday needs, is likely to become continually less."<sup>60</sup> For Sidgwick, only the State, in the name of maximizing social utility, can ameliorate the consequences of complexity. Because of concessions to the principle of utility, even John Stuart Mill's *Principles*, first

published more than three decades earlier than *Progress and Poverty*, contained a much longer list of the "necessary" and "optional" functions of government.<sup>61</sup>

Although the government of Sidgwick and Jevons is more paternalistic, what exonerates George from the criticism of rationalizing more government action on a weak form of the principle of utility, (government provides services viewed as useful and necessary by the popular will) is George's extension of the public functions of government under the rubric of the single tax. Recall, it is the single tax which not only eliminates the monopoly in land, but also, by reducing the "fear of want," restores the regulatory force of sympathy and, consequently, reduces excessive self-interest and insures the practice of justice in economic society. The system of natural liberty and the law of equal freedom are maintained.

In George's view, the restored system of natural liberty not only tamed the exercise of private self-interest, it also restrained the exercise of public interest by government. For one, it reduced the demand for some government functions: "The growth of morality consequent upon the cessation of what would tend to a like diminution in other civil business of the courts. . . ."<sup>62</sup> For another, the same abolition of the "fear of want" and the enhancement of the sympathetic instincts of men improved the quality of public service: ". . . there would be brought to the management of public affairs, and the administration of common funds, the skill, the attention, the fidelity, and integrity that can now be secured only for private interests. . . ."<sup>63</sup>

Independent of the single tax, George realized that an increasingly complex and growing society will need more government services; but without the single tax and elimination of land monopoly, the danger is that government will become simply larger and more corrupt:

In all institutions which involve the lodgment of governing power there is, with social growth, a tendency to the exaltation of their function and the centralization of their power, and in the stronger of these institutions a tendency to the absorption of the powers of the rest. Thus the tendency of social growth is to make government the business of a special class. And as numbers increase and the power and importance of each become less and less as compared with that of all, so, for this reason, does government tend to pass beyond the scrutiny and control of the masses. . . . To prevent government from becoming corrupt and tyrannous . . . in all its parts it should be kept as close to the people and as directly within their control as may be.<sup>64</sup>

However, with the single tax and its beneficial effects on the system of natural liberty, government would be able to do more and provide more public services, but "Government would change its character, and would become the administration of a great co-operative society."<sup>65</sup>

Then, within the context of a Smithian inspired system of natural liberty, the "equal freedom" principle and the "dream of socialism" are united:

Society would thus approach the ideal of Jeffersonian democracy, the promised land of Herbert Spencer, the abolition of government. But of government only as a directing and repressive power. It would at the same time, and in the same degree, become possible for it to realize the dream of socialism. All this simplification and abrogation of the present functions of government would make possible the assumption of certain other functions which are now pressing for recognition. . . . With present functions so simplified and reduced, functions such as these could be assumed without danger or strain, and would be under the supervision of public attention, which is now distracted. There would be a great and increasing surplus revenue from the taxation of land values, for material progress.<sup>66</sup>

## VI

**Conclusion**

INSPIRED BY THE 18th century moral theory of Adam Smith and the doctrine of natural rights yet compatible with the moral imperatives of Christianity, Henry George's philosophy of government transcended the dictates of both Social Darwinism and Utilitarianism. The artful blend of elements in George's theory of "State's agenda" may be the source of his wide appeal to both conservatives and liberals. While forever cognizant of the rights of the individual, George was never blind to the need for reform. Yet, his reformism was temperate and measured, always aimed at specific evils in society as he saw them. In a modern version of the Burkean reform tradition, government intervention for George ameliorates rather than discards, thus accepting what is best from the weight of tradition and institutions seen as Burkean "deposits of wisdom."

George's openness to reform may also explain why both he and Herbert Spencer who begin their theory of State's agenda from the same moral premise of natural rights and respect for the principle of "equal freedom," arrive at very different conclusions. Spencer's synthetic philosophy and Social Darwinism prevented him from developing a theory of government essentially more than 'anarchy plus the constable.'<sup>67</sup> In commenting on *Man vs. The State*, George noted that Spencer's individualism was as "short-sighted as socialism, and brutal as well" since it assumed "that nothing at all is needed, in the nature either of palliative or remedy. . . ."<sup>68</sup> Thus, while Spencer may have been a prophet among men in his time, it was George's moral posture which makes him, unlike Spencer, a social theorist who is now remembered as a prophet for all times.

**Notes**

1. Steven B. Cord, *Henry George: Dreamer or Realist?* (Philadelphia: Univ. of Pennsylvania Press, 1965), p. 244. The concept of "State's agenda" is found in the work of Jeremy Bentham. Typical contemporary use of the phrase can be found in Lionel Robbins who defined the theory

of economic policy as “. . . the general body of principles of governmental action or inaction—the *agenda* or *nonagenda* of the State as Bentham called them—in regard to economic activity.” *Theory of Economic Policy* (London: Macmillan and Co., Ltd., 1961), p. 2. Also see, John Bowring, ed., *The Works of Jeremy Bentham* (11 vols., New York: Russell and Russell, Inc., 1962), III, pp. 35, 41.

2. Stuart Bruchey, “The Twice Forgotten Man: Henry George,” *American Journal of Economics and Sociology*, 31 (April, 1972), p. 130.

3. Albert J. Nock, *Henry George: An Essay* (New York: William Morrow and Co., 1939), pp. 128, 173–174.

4. Ellen Frankel Paul, *Moral Revolution and Economic Science* (Westport, Connecticut: Greenwood Press, 1979), pp. 103–104. Italics added. Unfortunately, Paul also states, incorrectly, that George argued for the “nationalization of all land.”

5. C. Lowell Harriss, “Rothbard's Anarcho-Capitalist Critique,” Chapter 25 in Robert V. Andelson, ed., *Critics of Henry George: A Centenary Appraisal of Their Strictures on Progress and Poverty* (Rutherford, N.J.: Fairleigh Dickinson Univ. Press, 1979), p. 355.

6. Henry George, *Social Problems* (Chicago and New York: Belford, Clarke and Co., 1884), p. 242. Hereafter cited as George, *Social Problems*.

7. Henry George, *A Perplexed Philosopher* (New York: Robert Schalkenbach Foundation, 1965), pp. 70–71.

8. Edward J. Rose, *Henry George* (New York: Twayne Publishers, 1968), p. 93.

9. George, *Social Problems*, pp. 130–46, 234–63.

10. Henry George, “The Condition of Labor: An Open Letter to Pope Leo XIII,” *The Complete Works of Henry George* (Garden City: Doubleday, Page, 1906), III, pp. 72–73, 75–76. Hereafter cited as George, *Works*.

11. Even the school which founded the phrase, *laissez-faire, laissez-passer*, believed that a strong central government was necessary to achieve certain economic objectives. Although Physiocracy may appear *laissez-faire* when compared to the excesses of Colbert's brand of French Mercantilism, nevertheless, Quesnay's *Maximes Generales* was a detailed blueprint of the ways in which a strong, efficient government could maximize the surplus derived from agriculture. See Warren J. Samuels, “The Physiocratic Theory of Economic Policy,” *Quarterly Journal of Economics*, 76 (February, 1962). Also, see Elizabeth Fox-Genovese, *The Origins of Physiocracy* (Ithaca and London: Cornell Univ. Press, 1976), pp. 46–52, 102–117.

12. Evidence of the classical influence on George's economics can be found in Charles A. Barker, *Henry George* (New York: Oxford Univ. Press, 1955), pp. 122, 133–35, 136–38, 208, 241–42, 266–68, and in George R. Geiger, *The Philosophy of Henry George* (New York: The Macmillan Company, 1933), pp. 200–15. For recent interpretations of George's work within a classical framework, see Charles Collier, “Henry George's System of Political Economy,” *History of Political Economy* 11 (Spring, 1979), pp. 64–93; Michael A. MacDowell, “Malthus and George on the Irish Question: The Single-Tax, Empiricism, and Other Positions Shared by the 19th. Century Economists,” *American Journal of Economics and Sociology*, 36 (October, 1977); Frank Petrella, “Henry George, the Classical Model and Technological Change,” *American Journal of Economics and Sociology*, 40 (April, 1981); Terence M. Dwyer, “Henry George's Thought in Relation to Modern Economics,” *American Journal of Economics and Sociology*, 41 (October, 1982).

13. Ernest Teilhac, *Pioneers of American Economic Thought in the Nineteenth Century*, translated by E. A. J. Johnson (New York: Russell and Russell, 1967), p. 145. Author's italics.

14. *Ibid.*, pp. 166–67, 162.



15. Geiger, *op. cit.*, pp. 172–80. Geiger notes the serious differences between George and the Physiocrats not only in the origin and unique nature of the *produit net*, the nature and determination of the *l'impôt unique*, but, more importantly, in the social purpose of the *l'impôt unique*. Unlike George, the Physiocrats viewed the “single-tax” not as a “. . . remedy for social evils but rather a simplification of the burdensome tax system of eighteenth century France.” Consequently, the *l'impôt unique* never challenged the concept “of the equity of property in land” (pp. 174–75).

16. Henry George, *Progress and Poverty: An Inquiry Into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth* (New York: Modern Library edition, 1929), p. 424. Hereafter cited as *Progress and Poverty*.

17. Ellen Frankel Paul, *op. cit.*, pp. 1–7. Also see Frank Petrella, “Benthamism and the Demise of Classical Economic Ordnungspolitik,” *History of Political Economy*, 9 (Summer, 1977). Paul also notes the scholarly controversy concerning Adam Smith as early utilitarian or natural rights philosopher. On balance, she finds the latter view more credible. p. 20.

18. Henry George, *A Perplexed Philosopher*, *op. cit.*, p. 1.

19. In a recent commentary, Aaron B. Fuller suggests but does not develop the relationship between Adam Smith’s philosophical and economic works as a guide for understanding the analytics and social policy of *Progress and Poverty*. “Rae: A Journalist Out of His Depth,” Chapter 10 in Robert V. Andelson, ed., *Critics of Henry George*, *op. cit.*, pp. 155, 160. There is evidence that George attempted directly to synthesize apparently disparate elements in Smith’s economics and ethics. Barker, for example, hypothesized that Smith influenced George through George’s reading of Henry Thomas Buckle’s, *History of Civilization in England*. Barker, *op. cit.*, pp. 267–68. In his work, Buckle noted, although incorrectly, that Smith was aware of but failed to reconcile adequately the interdependence between egoism in the *Wealth of Nations* and sympathy in the *Theory of Moral Sentiments*. Henry Thomas Buckle, *History of Civilization in England* (3 vols., London: Longmans, Green, and Co., 1873), III, pp. 304–30. Thus, if Barker is correct, Adam Smith established the moral parameters of human behavior within which George developed his theory of “State’s agenda.”

20. Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, ed., Edwin Cannan (New York: Random House, 1937), p. 651. Hereafter cited as *Wealth of Nations*.

21. *Ibid.*, p. 651.

22. *Ibid.*, pp. 49, 66–67, 98, 247–50, 128, 734–35.

23. Adam Smith, *The Theory of Moral Sentiments*, eds., D. D. Raphael and A. L. Macfie (Oxford: Clarendon Press, 1976). Hereafter cited as *Moral Sentiments*. Early scholarship saw a fundamental contradiction between the “sympathy” of the *Moral Sentiments* and the “egoism” of the *Wealth of Nations*. For a classic statement of the conflict, see Elie Halevy, *The Growth of Philosophic Radicalism* (Boston: The Beacon Press, 1955), pp. 12–16. However, Jacob Viner’s classic work “Adam Smith and Laissez Faire,” *Journal of Political Economy*, 35 (April, 1927), although it saw no formal relation between each treatise, did hypothesize a connection given certain presumptions about the underlying philosophical character of each work. Later scholarship, however, details a greater compatibility between Smith’s ethical and economic theory.

24. *Moral Sentiments*, p. 9.

25. *Ibid.*, p. 25.

26. *Ibid.*, p. 213.

27. *Ibid.*, p. 269.

28. *Ibid.*, p. 86.

29. *Ibid.*, p. 50.

30. *Ibid.*, p. 61.
31. *Ibid.*, pp. 62, 63.
32. For a more detailed discussion of this framework in classical and neoclassical economics, see Frank Petrella, "Individual, Group, or Government? Smith, Mill, and Sidgwick," *History of Political Economy*, 2 (Spring, 1970).
33. *Wealth of Nations*, p. 748.
34. *Progress and Poverty*, p. 462.
35. George, *Works*, "The Science of Political Economy," VII, pp. 383, 391.
36. George, *Social Problems*, pp. 135, 124, 243, Italics added.
37. Henry George, *A Perplexed Philosopher*, *op. cit.*, p. 1.
38. Herbert Spencer, *Social Statics* (New York: Robert Schalkenbach Foundation, 1954), p. 95.
39. *Ibid.*, p. 94.
40. *Ibid.*, pp. 214–16.
41. George, *Social Problems*, p. 85.
42. George, *Social Problems*, p. 237.
43. Henry George, *A Perplexed Philosopher*, *op. cit.*, p. 70.
44. George, *Social Problems*, p. 120.
45. *Progress and Poverty*, p. 458.
46. *Progress and Poverty*, p. 459.
47. See footnote 29 above.
48. *Progress and Poverty*, p. 465.
49. *Progress and Poverty*, p. 461.
50. *Progress and Poverty*, p. 526.
51. *Progress and Poverty*, pp. 408–21. Also, see the *Wealth of Nations*, pp. 777–78.
52. *Progress and Poverty*, p. 320; *Social Problems*, p. 121. Also see John Stuart Mill on "Direct Taxes," *Principles of Political Economy*, edited with introduction by W. J. Ashley (New York: Augustus M. Kelley, 1965), pp. 823–32. On the other hand, Mill supported progressive inheritance taxes as a way of curtailing "this unearned advantage" and reducing inequality in the distribution of property. See pp. 219, 226–27.
53. T. W. Hutchison, *A Review of Economic Doctrines* (Oxford: Clarendon Press, 1953), p. 51.
54. Henry Sidgwick, *The Principles of Political Economy* (London and New York: Macmillan and Co., 1887), pp. 519–20.
55. George, *Social Problems*, pp. 241–42.
56. George, *Social Problems*, pp. 237–38.
57. George, *Social Problems*, p. 238.
58. George, *Social Problems*, p. 239.
59. George, *Social Problems*, pp. 242–43, 247–48; *Progress and Poverty*, p. 456.
60. Henry Sidgwick, *op. cit.*, p. 417. Also, W. S. Jevons, *The State in Relation to Labour* (London and New York: Macmillan and Co., 1894), p. 15.
61. John Stuart Mill, *op. cit.*, Book V, "On The Influence of Government," pp. 795–979.
62. *Progress and Poverty*, p. 455.
63. *Progress and Poverty*, p. 462.
64. George, *Social Problems*, pp. 24–25, 234.
65. *Progress and Poverty*, p. 456.
66. *Progress and Poverty*, pp. 455–56.

67. Herbert Spencer, *op. cit.*, pp. 214–363. Also see, *The Evolution of Society: Selections from Herbert Spencer's Principles of Sociology*, edited with introduction by Robert L. Carneiro (Chicago and London: Univ. of Chicago Press, 1967), pp. xlii–xlvi.

68. Henry George, *A Perplexed Philosopher, op. cit.*, p. 66.

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