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SYMPOSIUM ON HENRY GEORGE AND HIS LEGACY

Why the Georgist Movement Has Not Succeeded

A Speculative Memorandum

By WARREN J. SAMUELS*

ABSTRACT. The article surveys factors external and internal to the Georgist movement that account for its relative lack of success. Key factors are the identification of income with productivity and the belief in a right to privatize economic rent. The Georgist defense of productive property thus was seen as an attack on property.

For a number of reasons one would have expected the so-called single tax movement to have been a great success. Actually, Georgism enjoyed considerable success until around 1920, evidenced by the relative growth of property taxation compared to other taxes, by the increase in the land component of property taxes due to improved assessment practices, and by early efforts to exempt labor income from the income tax. Efforts to create effluent charges are based, at least in part, on the Georgist premise that the environment is common property.

While Georgist ideas have influenced policies around the world, the level of success, compared to what one might have expected, has been so miniscule as to border on, if not constitute, failure. The question arises: Why has this happened? The answers—the many factors and forces combined (each of which is capable of being stressed by different interpreters)—tend to center on ideology, interest, and policy, but are laden with irony and subtlety.

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Of two reasons why one would have foreseen success, one is a matter of logic applied to experience and the other is a matter of ideology.

As a matter of logic the singular position of the economic rent of (unimproved) land and its suitability for relatively intensive taxation, if not capture, is unshakeable. The value and thus economic rent of land, which is permanently inelastic in supply, is governed by the growth in demand for land for purposes of food production and housing, which in turn is driven by population growth. The increasing value and rent is, in the Ricardo-George context, entirely due to the growth of population; accordingly, the rent arises in such a way that the taxation of unimproved land will have no adverse effects on incentives. (Part of the process of the formation of rent is that of bidding land away from alternative uses. This does not negate the basic Ricardo-George theory.)

As a matter of ideology, the foregoing logic is eminently consistent with the dominant ideology. This ideology lauds hard work and productivity, and legitimizes the income and property that derive therefrom. Inasmuch as land value is not a matter of the landowner's hard work and productivity, and economic rent is a transfer, as it were, from the incomes of those who are productive, one would expect intensive taxation to appeal to devotees of this ideology.

The increase in land values is due not solely to some aggregate force called "population." It is also due to public expenditures and infrastructure policies that make land more (or less) valuable. Differential fertility is influenced (for example) by government expenditures on agricultural research and land and water conservation and reclamation; and differential location is influenced by the government's highway expenditures and by the government-subsidized transport system. The increase in productivity is often governmental and social, not entirely individual, in origin.

Both bases have failed, however, in part because people strongly tend to identify income as productivity regardless of source—what is mine, I have earned—entirely disregarding the social and not individual basis of land values and rent.

Georgist ideas were seen as radical for the following reason. If one assumes that one's legitimate income both belongs to one and is due

to one's own productivity, then the intensive taxation of unimproved land conflicts with the dominant ideology of property. Although that ideology stresses productivity, it is amenable to the *ipso facto* identification of income with productivity. Henry George was in most if not all other major respects conservative, advancing his single tax as a means of reinforcing incentives to productivity and limiting income to productivity. This fact clashed with and was overwhelmed by the identification of income as due to productivity, period.

This identification of income as productivity—even though cleverness in acquiring land that in time appreciated in value faster than other land is not productivity—was reinforced by a number of other ideological and self-interested beliefs.

First, given the belief that one's income and property value was due to one's productivity, and that one's property was one's own to do with as one would, owners preferred to pass it on through unimpeded inheritance, and any taxation related to land value and inheritance value was deemed an intrusion upon their property rights. The single tax was, to this mentality, socialism, and constituted the nationalization of a form of private property. Property was thus a matter of selective perception.

Second, land-value taxation conflicts with two groups whose immediate interests are at stake: the owners of large amounts of land and the real estate and development interests, all of whom would gain from unimpeded private capitalization of socially generated land rent.

Third, speculation has had, in a continuation of Puritan beliefs and values, a negative reputation. But given the identification of income with productivity (and attendant rationalizations), a felt attack on land value as an object of speculation was seen to be not only bad in and of itself but also a threat to other values of a speculative sort, such as equity securities. Some economists went out of their way to endorse the "economic function" of speculation.

Fourth, the notion of quasi-rent, advanced by Alfred Marshall, or ideas of special individual talents raised the specter that the single tax might be extended to the recipients of income from talents and other conditions in temporary inelastic supply. This idea is a logical extension from the Ricardian idea of permanent inelastic supply, but

the implicit or associated change in meaning of “rent” from a return to the owner of a factor of production provided by nature to essentially a synonym for “sellers’ surplus” may have made it harder for George’s message to be understood.

Fifth, the gradual spread of home ownership, facilitated by the rise of mortgage institutions, served to increase the number of people with an interest in capturing economic rent for themselves. The right to privatize economic rent became, in effect, an element of property, with both widespread enjoyment and, accordingly, widespread approval.

Sixth, the application of George’s principles is not straightforward and without difficulty. For one thing, the choice of a base value for land value (both the base per se and its separation from the value of improvements, each over time) is a matter of judgment, as are future changes in the quantification of rent. For another, the capitalization of the tax means that the tax is borne by the initial owner at the time the tax is proposed or imposed, a situation that has been seen as unfair. Still, the identification of land values can be done fairly easily by extrapolating from the sales of vacant or subsequently demolished property.

Another factor is that the perceived if not unequivocal radicalism of the single-tax proposal conflicted with what may be called an inherent status quo bias in tax policy. Changes in taxation are usually incremental rather than revolutionary or wholesale. This is evidenced, so far at least, by the recent failure of any form of flat-rate income tax to garner support even though many if not most people believe that the current tax code is a mess, is in need of simplification, and contains far too many “loopholes.” People may favor tax reform in principle but find, or are given, reasons to dislike what is actually proposed; and some people, of course, prefer progressive taxation. Actual proposals elicit specific opposition and the opposition’s identification of ostensibly negative points leads to their being counted as costs to a common mindset that treats the incurrence of costs to be conclusively dispositive in matters of policy. Also, it would appear that certain provisions of the tax code are treated as tantamount to entitlements constituting property rights, for example, the mortgage interest tax deduction.

George was dismissed by many economists and others as a quack, crank, radical, or whatever, garnering a favorable reception and attention by a relatively few true believers, but no mass of economists interested in the actual implementation of his ideas and policy. Yet a century ago George had a huge popular following both in the United States and abroad.

In addition, the Georgian single tax was seen not only as an attack on property writ large, whereas it might have been seen as a defense of productive property, but as an ally of socialism, which attacked all private ownership of the means of production.

The opposition to George, his policies, and his ideas was not entirely a casual affair. The opposition was also highly organized, not least by the Catholic Church, a major owner of land. Moreover, once the choice lands in the United States were taken into private ownership, the passivity of the majority was reinforced by what Thorsten Veblen called the vested interests in control of the media, the colleges and universities, the churches, the farm associations, and the political parties—together the principal organs of generating and spreading ideas. Farmers in particular were influential in rural interest-dominated state legislatures; land and its appreciation was their major investment and inheritable asset—an echo of which is agrarian support for abolishing estate taxation in the late 20th and early 21st centuries.

World War I may have helped end early Georgism and the Cold War and Vietnam a second wave. The Bolshevik revolution and the Red Scare and Red baiting in the early 1920s depleted the ranks of left-wing Georgists, leaving the movement to the early libertarian, or right-wing, Georgists.

Henry George himself was a self-taught non-academic and thus a dilettante and outsider to many academics. His working-class background may well have suggested other demands by working-class spokespeople, many if not most of which seem to be socialistic to upper hierarchic levels.

Further, among economists, although there have been cases to the contrary (e.g., Irving Fisher, J. Lawrence Laughlin, E. A. Ross, John Kenneth Galbraith, Milton Friedman), most mainstream economists have looked down upon what they considered popular appeal and

zealotry—and Georgism once had popular appeal and also seemed like zealotry to them, indeed exceedingly unsafe zealotry. More important, in the century after George wrote, economists sought the professional status of objective scientists. Although they were willing if not anxious to reach conclusions applicable to policy, they tended to avoid any unsafe position, any position that might bring identification with radical reform movements. Georgism was one such movement, given its perceived antagonism to private property.

Moreover, George's total system of analysis was very close to that of the English classical political economy of the early 19th century, and mainstream Anglo-American (and Continental) economics was moving considerably beyond the doctrines of the earlier school.

Although this memorandum is not a research piece, it would be remiss to fail to cite in these connections the first two chapters in Mason Gaffney and Fred Harrison's *The Corruption of Economics* (1994), entitled "Who's Afraid of Henry George" and "Neo-classical Economics as a Strategem against Henry George"; and to note (for example) that Richard Ely's *Land Economics* treated George favorably (Ely and Wehrwein 1940:103–104 and 477–78). Ely—an institutional and not a neoclassical economist—was the founder of the academic study of land economics in the United States. Gaffney and Harrison, *passim*, say mixed things about Ely's treatment of George.

Another reason for the failure of Georgism is the diversity of additional agendas, issues, and personal self-interests with which it was often mixed.

A related reason is the predominance of the more captivating issues of regulation of business, the welfare state, and macroeconomic stabilization.

The foregoing largely relate to cultural factors and forces; as the economist would say, to the demand for Georgist ideas. Some of the lack of success is due to factors and forces internal to the Georgist movement, that is, to the supply side.

If much of George's message was conservative, or was interpretable in a conservative way, the message supplied was largely a restatement of classical economics and classical liberalism. On the one hand, therefore, Georgism was supplying a message, much of which was,

as it turned out, more effectively supplied by mainstream economists and others, such as the case for free trade. Because the demand for what was more or less uniquely Georgian, the single tax, was limited, as above, its supply did not fit the market.

It may also be that the Georgist message was not recast in succeeding generations to take account of new conditions, for example, the rise of the regulatory and welfare state. The idea of unearned increment, as unwelcome in some quarters as it was, perhaps could have been more effectively packaged and presented. It may well be that the movement engaged in the dull repetition of inherited ideas and formulas, in doctrinaire thinking, in efforts to wed Georgism with other movements (e.g., natural law; see below), and in other efforts to accommodate to, if not conform with, prevailing intellectual and/or political currents.

Apropos of natural law, George himself believed strongly in natural law—despite the criticisms of the naturalistic fallacy and of “is”-“ought” (the former, having to do with positivist status, that because something exists one cannot unequivocally conclude on that ground alone it is part of the constituent order of nature; the latter, having to do with normative status, that one cannot derive an “ought” from an “is” alone without an additional normative premise). George may have intended his natural law views to constitute a definition of reality, or his use of it may simply reflect a certain linguistic mode. Even granted his intent and belief in natural law, one need not interpret his natural law terminology literally; one may see it as a symbolic or rhetorical way of expressing the idea that economic phenomena cannot be understood or regulated apart from moral considerations. In any event, his efforts to change the actual institution of property constitute both a rejection of any identification of preexisting property with that of natural law and an affirmation of normatively based change of property law; and his argument rests on the social, rather than individual, basis of economic rent.

It was not entirely accurate that George was a man of one idea—the unearned increment—and one policy—the single tax. His supporting analyses of property, social structure, poverty, progress, inequality, and cognate topics were wide ranging and deep, and actually separable from the idea and the policy. But he hit his peak with

Progress and Poverty. Some sympathizers considered him self-righteous, rigid, tendentious, and imperious. His message about the social bases of land valuation, the unearned increment, not only conflicted with the interests of the recipients and would-be recipients of economic rent, it was rendered diffuse and unattractive by a variety of complicating and weakening factors, typically by combining his ideas with other, idiosyncratic ideas.

It may be the case that those attracted to the organizations constituting the Georgist movement may have lacked either the intellectual and/or organizing ability to be effective in promoting Georgist ideas. It may also be the case that such people were more, or sufficiently, motivated to promote their own private agendas that the more or less pure Georgist message was compromised if not lost. Furthermore, different Georgist organizations not only had different agendas but may have competed, with destructive results.

It is also possible that divisions of opinion as to what constituted “true” or “pure” Georgism prevented the presentation of a united front and an effective message.

Also operative may well have been the internal dynamics of sects. When out-groups act in a sectarian way, such behavior is attributed to their being sectarian and myopic; whereas when in-groups do so, it is not called sectarian, only what is rightly done. In out-groups, it seems, there is so little success to go around that the tensions and machinations are, or at least seem to be, greater, or more conspicuous, than in the case of in-groups. Neoclassical economics has not had the divisive schisms found in Marxism in particular and socialism in general and in institutional and Austrian economics, to name a few heterodox or out-groups. In such cases, leaders get chewed up. Paradoxically, one can be an outsider in an out-group in which one is nominally an insider.

One may speculate as to the causes of the relatively greater success of Marxism than Georgism. Among the possibilities are Marxism’s focus on class, a broader and more evocative category than land value (notwithstanding what George and others, such as Achille Loria, said on class and the capture of land value); the greater creative leadership of the leaders of Marxism; historical contingency; the origin of Marxism in Europe (though George had a popular following there);

Marxism's emphasis on the wholesale promises of revolution rather than a single-tax solution; the comforting lure of dialectical materialism; and so on.

It may be that such heterodox individuals as are attracted to Georgism are more individualist than other individuals (those, say, in more orthodox groups), and that their individualism inhibits cooperation.

It may also be the case that, with a few possible exceptions, no one with the intellectual abilities of Henry George succeeded to the leadership of the movement. Harry Gunnison Brown, for example, was a remarkable and talented man, respected as such, I believe, among many other economists of his day, but he was no Henry George—and he was combating the factors and forces identified above.

Another possible factor was that land economists, many or most of whom undoubtedly (a hypothesis like every other proposition in this memorandum) were sympathetic to Georgist reasoning, did not ally themselves with the movement, a non-development that limited the organizational and ideational strength of Georgism. The reasons for non-alignment are those noted above. To my knowledge, for example, the Land Tenure Institute at the University of Wisconsin largely stayed clear of Georgism. The same may well be true of some or many specialists in public finance—although C. Lowell Harris and William Vickrey are conspicuous exceptions. Some praise, of course, can be sufficiently faint as almost to be damning.

The reader will note from my use of different constructions (“It may also be the case . . .”) that I am more confident of the operation of external factors than of internal factors. This is, ironically, because of ignorance: Georgism has been and remains both a complex and a worldwide movement, or at least a body of ideas and policies with worldwide advocates. Accordingly, it is impossible to speculate with confidence on, for example, the characteristics of Georgist organizations that have led to ineffectualness or the relative weight of different factors, internal and external.

It is unclear what would unequivocally constitute a *successful* Georgist movement. In my own mind, it would be widespread adoption of and approval for intensive taxation on unimproved land and on

the land element of improved land, and possibly on such other sources as broadcast licenses, oil leases, landing rights, fishing quotas, taxi medallions, and so on, so as to capture an arguably significant proportion of economic rent. What would constitute “widespread” is subjective. Such taxation has been adopted in many jurisdictions both in the United States and abroad, though I doubt if many Georgists consider this a clear success: a series of minor successes, but not success. The various stories as to why Georgist taxation was adopted would be revealing. But I am sure that others would amend the foregoing answer in various different ways, such as widespread acceptance of Georgist postulates. Even the identity of those postulates may be at issue. One reader of this paper in draft form, Nicolaus Tideman, identifies them as: (1) every person has a right to him/herself, and (2) all people have equal rights to natural opportunities—along with a willingness to explore what these postulates imply. Another reader, Polly Cleveland, puts it differently: When government creates private titles to common resources, it generates privatized rents. These rents are the fair and logical source of public revenue, whether by direct lease payments or by ad valorem taxes.

When the former Soviet Union was being restructured in the early 1990s, a remarkable event occurred. A large group of Western economists signed a petition to President Gorbachev encouraging him to adopt a tax system that would capture the economic rent of land and use the proceeds to fund government programs. The list included a wide range of well-known, indeed eminent, economists, including those normally considered both liberal and conservative. Georgism may not be well, but there still is life in George’s venerable argument.

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