2 An Introduction to Henry George

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Henry George, American economist and philosopher, was born in Philadelphia in 1839 and died in New York in 1897. His major works are: *Progress and Poverty* (1879), *The Land Question* (1881), *Social Problems* (1883), *Property in Land* (1884), *Protection or Free Trade?* (1886), *The Condition of Labor* (1891), *A Perplexed Philosopher* (1892), and *The Science of Political Economy* (posthumous 1898).

Of all these works, *Progress and Poverty* first drew large-scale attention to George. This is the book to which George Soule alludes in his *Ideas of the Great Economists,* when he writes, "By far the most famous American economic writer, author of a book which probably had a larger world-wide circulation than any other work on economics ever written, was Henry George, author of *Progress and Poverty* (1879)" (1955, p. 81).

What was the basis of the fame cited by Soule? Was George's contribution transitory or was it lasting? Can it be ignored or is it an essential part of our economic and philosophic literature? The late John Dewey has said, "It would require less than the fingers of the two hands to

enumerate those who, from Plato down, rank with Henry George among the world's social philosophers. . . . No man, no graduate of a higher educational institution, has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker" (Brown 1928, p. 2).

The Importance of Land

George is largely remembered for the single tax. But the single tax came at the end of a long trail as a means—*the* means, he said—by which to remedy ills previously identified and diagnosed. Behind the single tax lay a closely knit system of thought. To understand George, it is necessary to go behind the single tax and explore that system for its major characteristics.

Notable in George's work is the emphasis he laid on the relation of man to the earth. "The most important of all the material relations of man is his relation to the planet he inhabits" (1881, rpt. 1953, p. 61).

George might well be called a land economist, indeed, the foremost land economist. For George, the basic fact of man's physical existence is that he is a land animal, "who can live only on and from land, and can use other elements, such as air, sunshine and water, only by the use of land" (1881, rpt. 1953, p. 4). "Without either of the three elements, land, air and water, man could not exist; but he is peculiarly a land animal, living on its surface, and drawing from it his supplies" (1883, rpt. 1953, p. 132).

So man not only lives off land, levying on it for its materials and forces, but he also lives on land. His very life depends on land. ". . . land is the habitation of man, the store-house 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. On the land we are born, from it we live, to it we return again—children of the soil as truly as is the blade of grass or the flower of the field. Take away from man all that belongs to land, and he is but a disembodied spirit" (1879, rpt. 1958, pp. 295-96).

Land and man, in that order! These two things are the fundamentals. They are, for instance, the fundamentals of production. It is said that without labor, certainly, there can be no production. Similarly, without land, clearly there can be no agricultural production or mining production. It was just as clear to George that there could be no production of any kind without land. There could be no factory production, no trade, no services rendered, and none of the multitudinous operations of town and city.

All these processes require land: a place, a spot, a site, a location, so many acres or square feet of the earth's surface on which to be performed. "In every form . . . the exertion of human labor in the production of wealth requires space; not merely standing or resting space, but moving space – space for the movements of the human body and its organs, space for the storage and changing in place of materials and tools and products. This is as true of the tailor, the carpenter, the machinist, the merchant or the clerk, as of the farmer or stock-grower, or of the fisherman or miner" (1897, rpt. 1953, p. 359).

The office building, the store, the bank, as well as the factory, need land just as do the farm and mine. Land is needed as sites on which to build structures. Likewise, businesses need land as the locations on which to perform their subsequent operations.

George adds: "But it may be said, as I have often heard it said, 'We do not all want land! We cannot all become farmers!' To this I reply that we *do* all want land, though it may be in different ways and in varying degrees. Without land no human being can live; without land no human occupation can be carried on. Agriculture is not the only use of land. It is only one of many. And just as the uppermost story of the tallest building rests upon land as truly as the lowest, so is the operative as truly a user of land as is the farmer. As all wealth is in the last analysis the resultant of land and labor, so is all production in the last analysis the expenditure of labor upon land" (1883, rpt. 1953, pp. 136–37).

The railroad needs land, not just for its terminals and depots but for its very roadbeds; whoever uses the railroad uses the land that the railroad occupies, as well as the improvements the railroad affords. The State needs land not only for parks and reservoirs but for schools and courts, for hospitals and prisons, and for roads and highways with which to link its residents together.

Our homes require land, whether the home is a country estate, a city apartment, or a room in hotel or tenement. Our diversions require land, whether for a ride in the country, a round on the golf course, a seat at the theatre, or a chair in the library or before the television set. "Physically we are air-breathing, light-requiring land animals, who for our existence and all our production require place on the dry surface of our globe. And the fundamental perception of the concept land – whether in the wider use of the word as that term of political economy signifying all that external nature offers to the use of man, or in the narrower sense which the word usually bears in common speech, where it signifies the solid surface of the earth – is that of extension; that of affording standing-place or room" (1897, rpt. 1953, p. 352).

In George's view, man's dependence on land is universal and endless,

". . . for land is the indispensible prerequisite to life" (1897, rpt. 1953, p. 256). "What is inexplicable, if we lose sight of man's absolute and constant dependence upon land, is clear when we recognize it" (1883, rpt. 1953, p. 133).

Here then is the main element, the distinctive characteristic, of George's work. In George's view, man's relation to the earth is his primary material relation. All other influences, therefore, must be appraised as to how they affect, or are affected by, this basic relation. It is perhaps this to which Soule refers when he says, of *Progress and Poverty,* "This book expounded a theory developed with superb logic" (1955, p. 81).

Land vs. Products: Their Differences

In addition, George differentiated sharply between land itself and the products – or wealth, as he termed them – which labor made from the land. "In producing wealth, labor, with the aid of natural forces, but works up, into the forms desired, pre-existing matter, and, to produce wealth, must, therefore, have access to this matter and to these forces – that is to say, to land. The land is the source of all wealth. It is the mine from which must be drawn the ore that labor fashions. It is the substance to which labor gives the form" (1879, rpt. 1958, p. 272).

George saw, as between land and products, certain elementary differences. "In every essential, land differs from those things which . . . [are] the product of human labor. . . . It is the creation of God; they are produced by man. It is fixed in quantity; they may be increased illimitably. It exists, though generations come and go; they in a little while decay and pass again into the elements" (1883, rpt. 1953, p. 204).

Speculation

Having noted these differences, George proceeded to use them as the basis for his examination of related areas of economics, such as speculation. When asked how speculation worked, George responded that a distinction must be made between speculation in land and speculation in products.

Writing of industrial depressions, he said, "When, with the desire to consume more, there coexist the ability and willingness to produce more, industrial and commercial paralysis cannot be charged either to overproduction or to overconsumption. Manifestly, the trouble is that production and consumption cannot meet and satisfy each other.

"How does this inability arise? It is evidently and by common consent the result of speculation. But of speculation in what?

"Certainly not of speculation in things which are the products of labor . . . for the effect of speculation in such things, as is well shown in current treatises that spare me the necessity of illustration, is simply to equalize supply and demand, and to steady the interplay of production and consumption by an action analogous to that of a fly-wheel in a machine" (1879, rpt. 1958, p. 267). In other words, the tendency of speculation in products is to increase the demand for products and thereby increase the price of products. This increased price will induce more production, which, increasing the supply, will tend to lower the price. Throughout this cycle, there has been a stimulating effect on production in general.

He continued, "Therefore, if speculation be the cause of these industrial depressions, it must be speculation in things not the production of labor, but yet necessary to the exertion of labor in the production of wealth – of things of fixed quantity; that is to say, it must be speculation in land" (1879, rpt. 1958, pp. 267–68).

How can this be? How can speculation in land cause industrial depression? George explains, ". . . that there is a connection between the rapid construction of railroads and industrial depression, any one who understands what increased land values mean, and who has noticed the effect which the construction of railroads has upon land speculation, can easily see. Wherever a railroad was built or projected, lands sprang up in value under the influence of speculation, and thousands of millions of dollars were added to the nominal values which capital and labor were asked to pay outright, or to pay in installments, as the price of being allowed to go to work and produce wealth. The inevitable result was to check production . . ." (1879, rpt. 1958, p. 275).

The tendency of speculation in land is similar to that of speculation in products; it increases the demand for land and thereby increases the price of land. However, here the similarity ends. The supply of land is fixed; as successive units of land become priced beyond the level at which labor and capital can profitably engage in production, an increasing (though artificial) scarcity of land develops. "The inevitable result was to check production" (1879, rpt. 1958, p. 275).

So, according to George, another difference between land and products is that speculation in products tends to stimulate production, whereas speculation in land tends to check production.

The Incidence of Taxation

Another area in which George applied these inherent differences between land and products was the field of taxation. To determine the

incidence of taxation, George had to know what was to be taxed, products or the value of land. In each case he traced out the effect from the essential nature of the thing to be taxed: ". . . all taxes upon things of unfixed quantity increase prices, and in the course of exchange are shifted from seller to buyer, increasing as they go. . . . If we impose a tax upon buildings, the users of buildings must finally pay it, for the erection of buildings will cease until building rents become high enough to pay the regular profit and the tax besides. . . . In this way all taxes which add to prices are shifted from hand to hand, increasing as they go, until they ultimately rest upon consumers, who thus pay much more than is received by the government. Now, the way taxes raise prices is by increasing the cost of production, and checking supply. But land is not a thing of human production, and taxes upon . . . [land value] cannot check supply. Therefore, though a tax on . . . [land value] compels the land owners to pay more, it gives them no power to obtain more for the use of their land, as it in no way tends to reduce the supply of land. On the contrary, by compelling those who hold land on speculation to sell or let for what they can get, a tax on land values tends to increase the competition between owners, and thus to reduce the price of land" (1879, rpt. 1958, pp. 415–16).

Here, then is another derivative difference between land and products, according to George: taxation on products causes an increase in the price of products; taxation on the value of land causes a drop in the price of land.

Taxes: Their Effects on Production

However, what is the effect on production of taxes levied on products and of taxes levied on the value of land?

Of taxes levied on products, George said: "The present method of taxation operates upon exchange like artificial deserts and mountains; it costs more to get goods through a custom house than it does to carry them around the world. It operates upon energy, and industry, and skill, and thrift, like a fine upon those qualities. If I have worked harder and built myself a good house while you have been contented to live in a hovel, the taxgatherer now comes annually to make me pay a penalty for my energy and industry, by taxing me more than you. If I have saved while you wasted, I am mulct, while you are exempt. If a man build a ship we make him pay for his temerity, as though he had done an injury to the state; if a railroad be opened, down comes the taxcollector upon it, as though it were a public nuisance; if a manufactory be erected we levy upon it an annual sum which would go far toward making a handsome profit. We

say we want capital, but if anyone accumulate it, or bring it among us, we charge him for it as though we were giving him a privilege. We punish with a tax the man who covers barren fields with ripening grain, we fine him who puts up machinery, and him who drains a swamp. How heavily these taxes burden production only those realize who have attempted to follow our system of taxation through its ramifications, for, as I have before said, the heaviest part of taxation is that which falls in increased prices" (1879, rpt. 1958, p. 434).

Turning to taxation levied on the value of land, George went on to say:

> For this simple device of placing all taxes on the value of land would be in effect putting up the land at auction to whosoever would pay the highest rent to the state. The demand for land fixes its value, and hence, if taxes were placed so as very nearly to consume that value, the man who wished to hold land without using it would have to pay very nearly what it would be worth to anyone who wanted to use it.
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> And it must be remembered that this would apply, not merely to agricultural land, but to all land. Mineral land would be thrown open to use, just as agricultural land; and in the heart of a city no one could afford to keep land from its most profitable use, or on the outskirts to demand more for it than the use to which it could at the time be put would warrant. Everywhere that land had attained a value, taxation, instead of operating, as now, as a fine upon improvement, would operate to force improvement (1879, rpt. 1958, p. 437).

A few pages before this he had told us that, "It is sufficiently evident that with regard to production, the tax upon the value of land is the best tax that can be imposed. Tax manufactures, and the effect is to check manufacturing; tax improvements, and the effect is to lessen improvement; tax commerce, and the effect is to prevent exchange; tax capital, and the effect is to drive it away. But the whole value of land may be taken in taxation, and the only effect will be to stimulate industry, to open new opportunities to capital, and to increase the production of wealth" (1879, rpt. 1958, p. 414).

In other words, according to George, taxation of products checks production, whereas taxation of land values stimulates production.

The Ethics of Property

Any discussion of Henry George should include a consideration of his ethical ideas, for throughout his works the question of right and wrong is dominant. In *Progress and Poverty,* for instance, he struck this keynote: ". . . whatever dispute arouses the passions of men, the conflict is sure to rage, not so much as to the question 'Is it wise?' as to the question 'Is it right?'. . . I bow to this arbitrament, and accept this test" (1879, rpt. 1958, p. 333)

George wrote as a social philosopher. Therefore his preoccupation in

the field of ethics was with the relations of man to man, rather than with man himself—with stealing rather than with thriftlessness. This necessarily involves the matter of property and ownership.

Once again, the student will find George's analysis to be based on the differences inherent in the two categories of land and products. "The real and natural distinction is between things which are the produce of labor and things which are the gratuitous offerings of nature. . . . These two classes of things are in essence and relations widely different, and to class them together as property is to confuse all thought when we come to consider the justice or the injustice, the right or the wrong of property" (1879, rpt. 1958, p. 337).

What is the moral basis of property?

> Is it not, primarily, the right of a man to himself, to the use of his own powers, to the enjoyment of the fruits of his own exertions?. . . As a man belongs to himself, so his labor when put in concrete form belongs to him.
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> And for this reason, that which a man makes or produces is his own, as against all the world—to enjoy or to destroy, to use, to exchange, or to give. No one else can rightfully claim it, and his exclusive right to it involves no wrong to anyone else. Thus there is to everything produced by human exertion a clear and indisputable title to exclusive possession and enjoyment, which is perfectly consistent with justice, as it descends from the original producer. . . . (1879, rpt. 1958, p. 334).

Here is a justification for private property in products. But what of land, which is not produced by man? Is there any other basis from which a justification for private property in land might be derived? In addition, is there anything in the right of private property in products which precludes the right of private property in land?

George explains, "Now this [the right of the individual to the use of his own faculties] is not only the original source from which all ideas of exclusive ownership arise . . . but it is necessarily the only source. There can be to the ownership of anything no rightful title which is not derived from the title of the producer and does not rest upon the natural right of the man to himself. There can be no other rightful title, because (1st) there is no other natural right from which any other title can be derived, and (2nd) because the recognition of any other title is inconsistent with and destructive of this" (1879, rpt. 1958, pp. 334–35).

To substantiate the first reason he further said,

> Nature acknowledges no ownership or control in man save as the result of exertion. In no other way can her treasures be drawn forth, her powers directed, or her forces utilized or controlled. . . . All men to her stand upon an equal footing and have equal rights. She recognizes no claim but that of labor, and recognizes that without respect to the claimant. If a pirate spread his sails, the wind will fill them as well as it will fill those of a peaceful merchantman. . . . The laws of

nature are the decrees of the Creator. There is written in them no recognition of any right save that of labor; and in them is written broadly and clearly the equal right of all men to the use and enjoyment of nature; to apply to her by their exertions, and to receive and possess her reward. Hence, as nature gives only to labor, the exertion of labor in production is the only title to exclusive possession (1879, rpt. 1958, pp. 335–36).

As to the second reason he said:

This right of ownership that springs from labor excludes the possibility of any other right of ownership . . . . If production give to the producer the right to exclusive possession and enjoyment, there can rightfully be no exclusive possession and enjoyment of anything not the production of labor, and the recognition of private property in land is a wrong. For the right to the produce of labor cannot be enjoyed without the right to the free use of the opportunities offered by nature, and to admit the right of property in these is to deny the right of property in the produce of labor. When nonproducers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied (1879, rpt. 1958, p. 336).

Private property in land, according to George, is unjust because it lets owners of land refuse access to land, and thereby threatens livelihood and life itself. Private property in land is also unjust because it enables owners of land to levy toll on production for the use of land; therefore it is robbery. So another difference between products and land, in George's view, is that private property in products is right, and private property in land is wrong.

The Ethics of Taxation

It was but a short step from the ethics of property to the ethics of taxation. George's position here was that as labor and capital rightfully and unconditionally own what they produce, no one can rightfully appropriate any of their earnings; nor can the State. On the other hand, land value is always a socially created value, never the result of action by the owner of the land. Therefore this is a value that must be taken by society; otherwise, those who comprise the social whole are deprived of what is rightfully theirs. Furthermore, to charge the owner for this value, in the form of taxation, is only to collect from him the precise value of the benefit he receives from society.

As to the justice of taxes on products, George spoke of ". . . all taxes now levied on the products and processes of industry – which taxes, since they take from the earnings of labor, we hold to be infringements of the right of property" (1881, rpt. 1953, p. 8).

Of the justice of taxes on land values, he said, "Adam Smith speaks of incomes as 'enjoyed under the protection of the state'; and this is the

ground upon which the equal taxation of all species of property is commonly insisted upon – that it is equally protected by the state. The basis of this idea is evidently that the enjoyment of property is made possible by the state – that there is a value created and maintained by the community, which is justly called upon to meet community expenses. Now of what values is this true? Only of the value of land. This is a value that does not arise until a community is formed, and that, unlike other values, grows with the growth of the community. It exists only as the community exists. Scatter again the largest community, and land, now so valuable, would have no value at all. With every increase of population the value of land rises; with every decrease it falls . . . .

"The tax upon land values is, therefore, 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. It is the application of the common property to common uses" (1879, rpt. 1958, pp.420–21).

The Single Tax

To recapitulate at this point: man is always dependent upon land for his life and living, both as the source of raw materials for his products and as the place on which to fashion, trade, service, and enjoy these products. Private property in land is inexpedient, for by inducing speculation in land in good times, it brings on bad times; however, private property in products is expedient because it provides the incentive to produce. Private property in land is morally wrong, first because it denies land to mankind in general, and second because it provides a primary way for nonproducers to levy toll on producers. However, private property in products is morally right, deriving as it does directly from the right of a man to himself. The taxation of land values is expedient because it stimulates production whereas the taxation of products is inexpedient because it checks production. The taxation of land values is morally right, for through it the community levies on the precise values the community has created. However, the taxation of products is morally wrong because it deprives labor and capital of their just earnings.

This chain of reasoning, demonstrating that both justice and expediency called for the same course of action, inevitably led George to a "simple yet sovereign remedy" (1879, rpt. 1958, p. 405). That remedy was: *"To abolish all taxation save that upon land values"* (1879, rpt. 1958, p. 406). This is the single tax, with which George's name is so largely associated.

Some Implications of the Single Tax

As is already evident, the single tax was more than a mere fiscal reform, because it dealt with questions of primary social morality, and with matters that permeated the entire economy. Yet George saw even broader implications than these.

> If the conclusions at which we have arrived are correct, they will fall under a larger generalization.
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> Let us, therefore, recommence our inquiry from a higher standpoint, whence we may survey a wider field.
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> *What is the law of human progress?* (1879, rpt. 1958, p. 475).

George saw ours alone among the civilizations of the world as still progressing; all others had either petrified or had vanished. And in our civilization he had already detected alarming evidences of corruption and decay. So he sought out the forces that create civilization and the forces that destroy it.

He found the incentives to progress to be the desires inherent in human nature, and the motor of progress to be what he called mental power. But the mental power that is available for progress is only what remains after nonprogressive demands have been met. These demands George listed as maintenance and conflict.

In his isolated state, primitive man's powers are required simply to maintain existence; only as he begins to associate in communities and to enjoy the resultant economies is mental power set free for higher uses. Hence, association is the first essential of progress:

> And as the wasteful expenditure of mental power in conflict becomes greater or less as the moral law which accords to each an equality of rights is ignored or is recognized, equality (or justice) is the second essential of progress.
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> Thus association in equality is the law of progress. Association frees mental power for expenditure in improvement, and equality, or justice, or freedom — for the terms here signify the same thing, the recognition of the moral law — prevents the dissipation of this power in fruitless struggles (1879, rpt. 1958, p. 508).

He concluded this phase of his analysis of civilization in these words: "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 . . . " (1879, rpt. 1958, p. 526).

However, as the primary relation of man is to the earth, so must the primary social adjustment concern the relation of man to the earth. Only

that social adjustment which affords all mankind equal access to nature and which insures labor its full earnings will promote justice, acknowledge equality of right between man and man, and insure perfect liberty to each.

This, according to George, was what the single tax would do. It was why he saw the single tax as not merely a fiscal reform but as the basic reform without which no other reform could, in the long run, avail. This is why he said, "What is inexplicable, if we lose sight of man's absolute and constant dependence upon land, is clear when we recognize it" (1883, rpt. 1953, p. 133).

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