

## Henry George

### Antiprotectionist Giant of American Economics

*Americans are again confronted, both domestically and internationally, with the clash of protectionist and free trade sentiment. A deeply divided U.S. House just barely passed the Central American Free Trade Agreement. Politicians who a few years back supported the North American Free Trade Agreement now adamantly oppose CAFTA. Americans are torn between enjoying the benefits of globalization, with its increased consumer choices and lower prices, and worrying about the costs to the nation that some claim come with global free trade.*

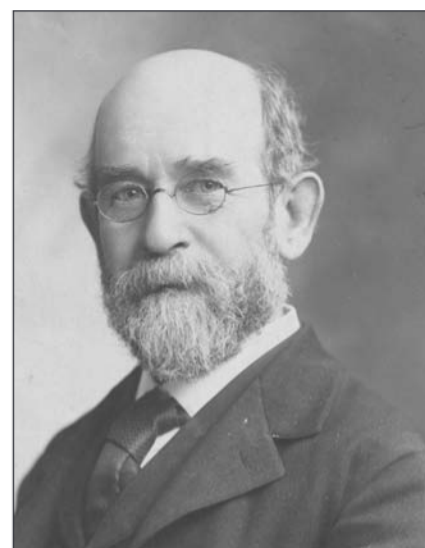
*There is nothing new about this clash of ideas, as this latest Economic Insights points out; they have been vigorously debated before, most notably during the late 19th century. In the center of that debate was one of this nation's most famous economists—Henry George. Today, few Americans recognize his name, yet his Progress and Poverty is the best-selling economics book ever written and outsold all English-language books save the Bible in the late 1890s. He touched off a worldwide movement for major tax reform, and societies and institutions still bear his name and span the globe. Who was George? Why was he so influential? And what did he have to say about protectionism that we might profit from today? We offer this short biographical piece to answer these questions.*

—**Richard W. Fisher**  
President  
Federal Reserve Bank of Dallas

Today's policy discussions are often argued as if the issue under consideration is unique to our time. Because we often forget—or never knew—the relevant history, we can fail to see that almost every policy argument has historical precedent. This is certainly true of the hot-button issues of globalization and protectionism. Although many believe them unique to our day, antiglobalization—with its concomitant protectionist sentiments—salts human history.

Mercantilist doctrine, which is protectionist, dates to mid-17th century Europe. As international trade grew, so, too, did the demand for government intervention to protect domestic manufactures by discouraging imports and subsidizing exports. Even nations committed to obtaining the benefits of free trade have not been immune to mercantile doctrine. For over a century, the American government raised the majority of its tax revenue through the imposition of import tariffs. But protectionist economic policy has always had critics, one of the most thoroughgoing of whom was Henry George.

George was born in 1839 in Philadelphia.<sup>1</sup> His was a varied and fascinating life, shaped by economic hardship. At 16, he shipped out on the *Hindoo* as a deckhand, voyaging from New York to Australia and India. After more than a year at sea, he returned to his family and entered the printing business. When that didn't work out, he decided to emigrate to California and to get there, signed aboard another ship as storekeeper. George docked in San Francisco at age 19, another fortune seeker arriv-



Henry George

ing in California a decade after the state's famous gold discovery.

San Francisco offering little in the way of employment, George accompanied a cousin to British Columbia to help him open a store for gold miners at the northern tip of the Fraser River. The work was hard, and after an argument with his cousin, George left the store's employ. He was on the verge of taking up mining, but the discouraging stories of those returning from the fields sent him back to San Francisco instead in late 1858. Once there, he landed a type-setting job that enabled him to live more comfortably than he had in Canada.

The new job didn't last, though, and George soon became a rice weigher in a local warehouse, studying and reading by night, a man with no friends and no money to go out, socialize and find

## The Single Tax on Land

After studying the classical political economists' writings—including work by the French physiocrats, Adam Smith, David Ricardo, Thomas Robert Malthus and John Stuart Mill—George concluded that economic rent was an unproductive and unfair residual value that served only to enrich landowners while contributing nothing to the productive process itself. The amount of rent was determined solely by the collective demand for land. George's basic idea, which he did not claim was original, was to tax away all land rent and abolish all other taxes. He did not advocate confiscation of the land, arguing that it would be both unfair to current owners and unnecessary for his system to work. The whole community, whose demand for land caused rent, would reap the benefit of those rents. Labor and capital—so often burdened by the patchwork of taxes on labor, savings and entrepreneurs—would be unleashed because none of these would be taxed, nor would improvements to raw land, such as factories and other buildings.

Many taxes of the sort George advocated exist today, including any property tax that distinguishes between raw land value and site improvements. A tax on land, a fixed-supply input, does not have the same supply-side disincentive effect as a tax on labor or capital. No one denies this basic contention of classical economics. Other objections, however, are valid, especially the observation that as total government expenditures rise, no tax on land alone can finance that spending. For his part, George believed that land tax revenues were the upper bound on appropriate, moral taxation. Because of his views on taxes, his ideas have influenced many competing political movements—from Fabian socialism to development economic theory and even modern libertarianism. George's influence can also be seen in modern environmentalism, which views nature as a common gift to all, as well as in urban planning theory. (Gaffney 1987)

*Progress and Poverty* was a big best-seller; it outsold all books in the English language save the Bible as the world entered the 20th century. In some ways, the focus on the single-tax proposal has prevented a general appreciation of the totality of George's work. His was a clear and powerful voice for free international trade, and he convinced even labor union members and many socialists of his day of free trade's superiority. How much has changed!

Because George believed that the only just tax was one applied to land rent, he opposed tariffs on goods traded across international borders. But there is little doubt when reading his work that it wasn't mere logical consistency that motivated him to endorse open trade; he endorsed it because free trade was an economic principle in which he strongly believed. His position arose from a careful theoretical examination of the entire issue, and he shared his views in speeches around the world and in his very popular *Protection or Free Trade*, published in 1886. ■

any. When the warehouse closed, George set off on foot for the gold fields. But broke and hungry, he returned to San Francisco without making it there. He landed work setting type, but found himself unemployed shortly thereafter when the job market dried up. It was then that he finally had a piece of good luck—meeting his future wife, Annie Corsina Fox. Their courtship and marriage coincided with the nation's plunge into civil war and the young groom's unpromising employment prospects. But unlike his other fortunes, which always gyrated wildly, the marriage was a wonderfully successful rock on which he and his wife built the remainder of their lives.

The war years were a time of bitter privation for the couple. They moved

to Sacramento so Henry could set type, but that opportunity soon collapsed with the firm's demise, and they returned to San Francisco to find work scarce there as well. When their second child was born and they were penniless, George was reduced to begging. Happily, he was able to get some money just by asking a stranger for it. Otherwise, he wrote in his journal, he would probably have killed the man to secure funds to feed his children. Hitting bottom, he outlined the steps he planned to take to improve himself and, he hoped, his family's lot. The man who would write *Progress and Poverty*—the best-selling economics book in history—was no stranger to either.


George finally landed steady printing work and began writing pieces for

area newspapers, his first foray into the public arena of ideas and policy debate. His formal education was limited, but that didn't stop him from becoming self-educated in political economy. Having been a protectionist before (he wrote in his journal) engaging in "logical thought on the matter," he quickly converted to the free trade position. In a debate in Sacramento (probably in 1868), he stated his position clearly through a telling rejoinder to the evening's protectionist speaker. If the speaker were correct, George challenged, the remotest places on earth ought to be the best places to live since they would be the most prosperous. It was a simple yet thought-provoking reply that demonstrated the silliness of protectionist dogma. George further announced that at the beginning of the evening he had been a protectionist, but after listening to the speaker's arguments, he was leaving the meeting a free trader because "protection was defensible only upon the theory that the separation of mankind into nations implied their industrial and commercial antagonism."<sup>2</sup>

Over the next 10 years, George edited two small newspapers and ran unsuccessfully for political office. He was appointed state inspector of gas meters in 1876, and dutifully worked to improve the safety of California's natural gas infrastructure, often over the objections of gas-related business interests.

His ideas concerning the relationship between land rents and poverty began to crystallize, and he often wrote pamphlets and editorials arguing his views. His ideas attracted a growing number of followers. On Sept. 18, 1877, in Sausalito—just north of San Francisco and his new home—George began writing a potential magazine article that would eventually become *Progress and Poverty*.

At that time, the nation was suffering a severe industrial depression, and anarchy and disorder reigned. The situation cost many lives, and vandalism by mobs of the newly unemployed caused millions in property damage. George's friends convinced him to expand the



article into a book. He labored for 17 months, with the final result first published for general distribution in New York in 1880. Sales were slow initially but soon grew, as did George's reputation.

He embarked for Europe to help spread his vision for ending poverty, which was set out in the book. He proposed a single tax on land to replace the taxes labor and capital owners paid, shifting the entire tax burden onto inelastically supplied land rent. Two outcomes of such policy would be a reduction in unearned rental incomes as land became a public good and an increase in labor's disposable income. (See the box on the previous page.)

After a year in Europe debating some well-known opponents—among them, economists such as the great Alfred Marshall—George returned to America a famous man. It was time, he knew, to spread his vision at home. Low-cost editions of his writings sold very well, and politicians and political parties courted him. George had ignited a large social movement that demanded land reform of the sort he proposed in *Progress and Poverty*, the so-called single tax on land.<sup>3</sup>

In 1886, George ran for mayor of New York City. Backed by most unions, he presented a real threat to the Democratically controlled political machine, which offered him a Congressional seat if he would forgo the election. "Wanting to raise hell," George declined the offer and accepted the United Labor Party's draft to run for mayor. In retaliation, his campaign was subjected to dirty tricks and his reputation smeared.

George did not win, but he did beat Theodore Roosevelt, the Republican candidate, by 8,000 of the 120,000 votes counted for both men. That tally was, of course, done by the Democrats and is undoubtedly inaccurate because George's party had no poll watchers to help oversee the ballot count. Considering that his opponents portrayed him as a man whose followers were "anarchists, nihilists, communists and socialists" who would bring the French Revolution's

## What Is Prevented by Protection?

Protection implies prevention. To protect is to preserve or defend.

What is it that protection by tariff prevents? It is trade. To speak more exactly, it is that part of trade which consists in bringing in from other countries commodities that might be produced at home.

But trade, from which "protection" essays to preserve and defend us, is not, like flood, earthquake, or tornado, something that comes without human agency. Trade implies human action. There can be no need of preserving from or defending against trade, unless there are men who want to trade and try to trade. Who, then, are the men against whose efforts to trade "protection" preserves and defends us?

If I had been asked this question before I had come to think over the matter for myself, I should have said that the men against whom "protection" defends us are foreign producers who wish to sell their goods in our home markets. This is the assumption that runs through all protectionist arguments—the assumption that foreigners are constantly trying to force their products upon us, and that a protective tariff is a means for defending ourselves against what they want to do.

Yet a moment's thought will show that no effort of foreigners to sell us their products could of itself make a tariff necessary. For the desire of one party, however strong it might be, cannot of itself bring about trade. To every trade there must be two parties who mutually desire to trade, and whose actions are reciprocal. No one can buy unless he can find some one willing to sell; and no one can sell unless there is some other one willing to buy. If Americans did not want to buy foreign goods, foreign goods could not be sold here even if there were no tariff. The efficient cause of the trade which our tariff aims to prevent is the desire of Americans to buy foreign goods, not the desire of foreign producers to sell them. Thus protection really prevents what the "protected" themselves want to do. It is not from foreigners that protection preserves and defends us; it is from ourselves. ■

—*Protection or Free Trade*, 45–46

## True Free Trade

The mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—is such a lame and timorous application of the free-trade principle that it is a misnomer to speak of it as free trade. A revenue tariff is only a somewhat milder restriction on trade than a protective tariff.

Free trade, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions...on the bringing of things into a country or the carrying of things out of a country.

But free trade cannot logically stop with the abolition of custom-houses. It applies as well to domestic as to foreign trade, and in its true sense requires the abolition of all internal taxes that fall on buying, selling, transporting or exchanging, on the making of any transaction or the carrying on of any business, save of course where the motive of the tax is public safety, health or morals.

Thus the adoption of true free trade involves the abolition of all indirect taxation of whatever kind, and the resort to direct taxation for all public revenues.

But this is not all. Trade, as we have seen, is a mode of production, and the freeing of trade is beneficial because it is a freeing of production. For the same reason, therefore, that we ought not to tax any one for adding to the wealth of a country by bringing valuable things into it, we ought not to tax any one for adding to the wealth of a country by producing within that country valuable things. Thus the principle of free trade requires that we should not merely abolish all indirect taxes, but that we should abolish as well all direct taxes on things that are the produce of labor; that we should, in short, give full play to the natural stimulus to production—the possession and enjoyment of the things produced—by imposing no tax whatever upon the production, accumulation or possession of wealth (i.e., things produced by labor), leaving every one free to make, exchange, give, spend or bequeath. ■

—*Protection or Free Trade*, 286–87

many excesses to New York, George's showing was surprisingly strong. But he would never again win as many votes and was crushed at the polls when he ran for secretary of state as the United Labor Party's candidate in 1887.

George subsequently left politics to write and speak. He edited *The Standard*, a New York-based paper, and often wrote long pieces supporting his ideas for publication in its pages. He traveled widely to rally supporters and debate opponents. When in other countries, he always looked for policies and practices that he thought could benefit the United States—for example, Australia's voting procedures. Even as he aged, his energy was amazing, for such travel was not easy then. He wrote more books, including *The Condition of Labor* and *The Science of Political Economy*. For a time, it seemed the entire nation was debating protectionism and free trade after five Democratic congressmen placed *Protection or Free Trade* into the Congressional Record in 1890.

George died in 1897 while again running for mayor of New York, a political campaign he knew would probably kill him. He renamed the Independent Party that had drafted him the Party of Thomas Jefferson and ran under that banner. George believed that Jefferson represented true democracy, while Alexander Hamilton's Federalists represented the plutocracy.

The public reaction to George's death was unlike that generated by the passing of any other economist. More than 100,000 people turned out to view his body and join in the procession to his burial site. His death was a major international news story, and papers everywhere ran generally supportive or wildly enthusiastic editorials about his ideas.

Even his political and ideological opponents expressed admiration for George's commitment to his beliefs and his unflinching, principled approach to political struggle, which had always been open and free debate as a process by which to discover the truth. In this, he was quintessentially American.

## How Is Free Trade Advocated?

Thus it is that free trade, narrowed to a mere fiscal reform, can appeal only to the lower and weaker motives—to motives that are inadequate to move men in masses. Take the current free trade literature. Its aim is to show the impolicy of protection, rather than its injustice; its appeal is to the pocket, not to the sympathies. Yet to begin and maintain great popular movements it is the moral sense rather than the intellect that must be appealed to, sympathy rather than self-interest. For however it may be with any individual, the sense of justice is with the masses of men keener and truer than intellectual perception, and unless a question can assume the form of right and wrong it cannot provoke general discussion and excite the many to action. And while material gain or loss impresses us less vividly the greater the number of those we share it with, the power of sympathy increases as it spreads from man to man—becomes cumulative and contagious.

But he who follows the principle of free trade to its logical conclusion can strike at the very root of protection; can answer every question and meet every objection, and appeal to the surest of instincts and the strongest of motives. He will see in free trade not a mere fiscal reform, but a movement which has for its aim and end nothing less than the abolition of poverty, and of the vice and crime and degradation that flow from it, by the restoration to the disinherited of their natural rights and the establishment of society upon the basis of justice. He will catch the inspiration of a cause great enough to live for and die for, and be moved by an enthusiasm that he can evoke in others. ■

—*Protection or Free Trade*, 315–17

Nobel economist Milton Friedman once said that of all the ways to tax, “In my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George argument of many years ago.”<sup>4</sup>

— **Robert L. Formaini**  
Senior Economist

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### Notes

<sup>1</sup> Almost all the biographical details in this article are from *The Life of Henry George*, by Henry George Jr. (Honolulu, Hawaii: University Press of the Pacific), 2004.

<sup>2</sup> The speaker George challenged was William H. Mills, land agent of the Central Pacific Railroad.

<sup>3</sup> The single tax remains one of the most examined, supported and criticized of all the theoretical ideas ever put forth in economics. For a small sample of the (thus far inconclusive) debate, see *Critics of Henry George*, edited by Robert V. Andelson (London: Associated University Press), 1979.

<sup>4</sup> Interview published in *Human Events*, Nov. 19, 1979.

### Sources and Suggested Reading

Gaffney, Mason (1987), “Henry George,” in *The New Palgrave Dictionary of Economics* (New York: Stockton Press), 514–15.

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**Please address all correspondence to**  
*Economic Insights*  
Public Affairs Department  
Federal Reserve Bank of Dallas  
P.O. Box 655906  
Dallas, TX 75265-5906  
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