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POLITICAL ECONOMY

Henry George: The Economist To Watch In The 21st Century

By [Edward Harrison](#) On May 31, 2019

I am sitting here diving into a brand new copy of a book – Progress and Poverty – that was written 140 years ago, in 1879. And it occurred to me I should write you about it because the ideas in this book are as relevant to the 21st century as any other school of economic thought.

The author is Henry George, a political economist and journalist who was influential in the late 19th century. And although Georgism isn't getting a lot of buzz in the business press right now, this book I am about to re-read has sold millions of copies since it was written. And that's because its themes resonate.

I am actually now on the board of a small economics school headquartered in Manhattan called the Henry George School of Social Science. But, I had never even heard of Georgism before 2017. So I think it's about time I spread the word.

Georgism

Here's how I would describe Georgism: It's an economic school of thought that is very pro-capitalism in that it holds that individuals have every right to profit from the value of what they produce themselves. But the economic value derived from rents is not the property of individuals but belongs jointly to all members of a community.

Now, back when Henry George was alive, the term "rents" meant land and natural resources. Think of railroads, oil companies, and big landlords. They derive all of their income from 'rents' and the exploitation of the value they derive from their land. George suggested a land value tax to prevent rent seeking. And, indeed economists argue that a land value tax, unlike other forms of taxation, doesn't cause economic inefficiency and is progressive in nature.

So, in the late 19th and early 20th century, Georgism was very influential because it was progressive and because it allowed government to avoid other more pernicious forms of taxation to raise revenue like taxes on labor. Nobel Prize winning economist Friedrich von Hayek is reputed to have said Georgist ideas inspired him to study economics.

Georgist Revival

But, along the way, Georgism lost its following. But, now, in the aftermath of the Great Financial Crisis, mainstream economics has lost credibility given the lack of warning that large swathes of the economics profession gave before the crisis. That has paved the way for other schools of thought to come to the fore. Georgism is one of those schools.

Last year, George Mason economist Tyler Cowen wrote an ode to Henry George "Taxing Land to Pay for Trains Will Work. In Some Places." And here's what he said:

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Although land value capture is not quite “the solution of the moment”, as it has been described, there’s potential for it to ease some major urban problems. It’s already helping to finance new work on the Chicago subway system.

Cowen’s conclusion was that:

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“George had some good economic arguments, but. . . was politically naive. At the margin we should move in George’s direction, but ultimately landowners have to be part of the building coalitions rather than pure victims.”

I would put it differently. I would say, Georgism – in which “rents” are derived only from land value has to be examined to see whether expanding the definition makes sense. In the 21st century, where the lion’s share of the income in advanced economies is derived in the services sector, it’s not just physical property that matters, but also intellectual property. In fact, IP is the crucial issue in the trade dispute between China and the United States. IP is the singular most important issue regarding drug costs, due to the “rents” drug companies derive from their patents. And IP is what makes the dominant technology companies in the US prodigious money-making machines.

Put simply, the Georgist Revival must think about the extraction of rents in a broader context than just from land. More and more, rents are now extracted from ideas.

Where I’m going

So, I’ve decided to go all-in on helping the Georgist revival. Consider this a first instalment in a series of posts along these lines then. I want to talk, not just about rent-seeking, land value capture, and intellectual property, but also about monopolies, oligopolies and monopsony power. I am also interested in the concepts of rent extraction, profit and externalities because this is related to the climate change debate. And finally, given the collapse of the center of the political spectrum – and the increasing polarization of electorates around the world, I am interested in the income and wealth inequality aspects of Georgist ideas as well.

So, look for me to continue this discussion on Henry George in the coming weeks and months. This is just the beginning.



Economics

Henry George



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Edward Harrison is the founder of Credit Writedowns and a former career diplomat, investment banker and technology executive with over twenty five years of business experience. He has also been a regular economic and financial commentator in print and on television for the past decade. He speaks six languages and reads another five, skills he uses to provide a more global perspective. Edward holds an MBA in Finance from Columbia University and a BA in Economics from Dartmouth College.

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