

## CHAPTER 19

### THE MISSING PROVISIO IN GEORGE'S THEORY

Although contrary to the impression given by the name "single tax," the abolition of *all* taxation was not an important intrinsic concept to George, he did stand strongly for "as few taxes as possible." Yet this was not entirely so at the outset of his career. In *P & P* he wrote that nationalization of land, if possible, would be perfectly just, and he was "overjoyed" when it was proposed in Ireland, saying the right principle was being followed.<sup>1</sup> So he was initially capable of considering a land reform proposal that made no mention of taxes at all, yet ended up tolerating and adopting an appellation that mentioned only taxes and not land.

There is a wide swing of emphasis here, and a discrepancy of tone that is deepened if one considers his political behaviour. He ran only on Democratic and Labor tickets, always campaigned for Democratic presidents, and was a lifelong champion of the working man. Yet tax removal is much more usually a Republican and businessmen's concern. Here is a kind of inconsistency of social philosophy whose heart has not yet been reached.

That George wanted "as few taxes as possible" sounds rather simple; but actually the reasons behind his attitude toward taxation-as-a-whole are complex, and require exploration if one is to place his entire economic philosophy in its true context.

To repeat, his objections to general taxation were that it hampered production and diminished freedom of action, and secondarily that it entailed chicanery.<sup>2</sup> But one cannot stop here if one wishes to plumb his entire philosophy relative to taxation in its usual forms. Besides noting his specific reasons *against* it, one must wonder why he apparently dismissed such a major argument as exists *for* it. Many people would agree that taxation tends to discourage production, that it engenders fraud and wasteful costs, and that it somewhat restricts the individual. And yet all this is outweighed in their minds by the belief that taxation, especially the progressive kind, serves a useful redistributive purpose: they believe in what is known as the ability-to-pay theory of taxation.

The question becomes especially acute when one realizes that George himself was a great expositor of unjust distribution.

In Chapter 2, Book IX of *Progress and Poverty* he says: "The dangers that menace our civilization do not come from the weakness of the springs of production. What it suffers from, and what, if a remedy is not applied, it must die from, is unjust distribution!"<sup>3</sup>

If his chief objection to taxes was that they hamper *production*, and if he specified that the great malady of civilization was unjust *distribution*, why did he seemingly discount the redistributive function of taxation? He was well aware of this purpose, since he wrote of the graduated income tax that, though undesirable, "The object at which it aims, the reduction or prevention of immense concentrations of wealth, is good."<sup>4</sup>

To understand why he nevertheless on the whole discounted the equalizing merits of "ability-to-pay" taxation—which includes income, inheritance, luxury and some property taxes—let us first analyze the rationale behind this theory.

Ability-to-pay proponents hold that inequality of wealth is, more often than not, due to factors of unjust distribution over which the relatively poor have little control. The two economic categories, previously noted, into which these factors may fall are (1) the automatic workings of large-scale industry; (2) special privileges and deliberately monopolistic practices. (There are also social factors such as lack of education and race prej-

udice.) The champions of ability-to-pay taxation take for granted that these economic sources of maldistribution form part of the intrinsic fabric of industrial society, and that one of the best ways of redressing the injustice is to collect more revenue from the rich than from the poor.

George's premises, as has been shown, differed from theirs in two ways.

First, he made light of the *automatic* tendency of a highly industrialized society to generate unearned profits; that is, he discounted the "multiplying factor" in mass industry which can multiply the difference between a more and a less able competitor's earnings far beyond any individual deserts. Although he was not entirely specific on this point he predominantly implied that such differences were due to special privileges, not to unpreventable forces.<sup>5</sup>

Second, and crucially, he differed from the ability-to-pay proponents in his way of dealing with concrete inequities. For it was his distinctive belief that in one way or another *they could all be banished separately*. Though the land monopoly was in the forefront of his mind, he was for eliminating all the others too.

In *P & P* he cited the railroads and telegraph service as utilities which should be government-owned, and in *Social Problems* he added the telephone and the supplying of cities with water, gas, heat and electricity to this category. In both books he spoke against patents and tariffs and deplored monopolistic combinations, being especially specific against the latter in *Social Problems*.<sup>6</sup>

He was highly aware of the impact of all these inequities upon workers. "How many men are there who fairly earn a million dollars?" he asked in *P & P*, and although there he was thinking of the land privilege, in *Social Problems* he extends this thought. In Chapter V, *The March of Concentration*, he states:<sup>7</sup>

"Steam and machinery are operating . . . powerfully to concentrate industry and trade . . . men under the old system independent are being massed in the employment of great firms and corporations . . . the mere laborer is becoming more help-

less, and small capitals find it more and more difficult to compete with larger capitals."

In Chapter VI, *The Wrong in Existing Conditions*, he specifies the elements of monopoly which go into the making of this condition. The ownership of land values is just one of them. Others are the private ownership of utilities and transportation, patent rights, tariffs, banking privileges, collusive combinations, rings and pools.

"I think it difficult to instance any great fortune really due to the legitimate growth of capital obtained by industry. . . . There are deep wrongs in the present constitution of society but . . . they are wrongs resulting from bad adjustments which it is within our power to annul."<sup>8</sup>

How does all this tie in with the climactic *Progress and Poverty* formula that to relieve poverty it is necessary only to appropriate land values? Is it not evident that much has been left out?

Since George thought that most causes of economic injustice could be cut off at their beginnings through legislation, the logical link between his proposal to cancel land-profits and the suitability of abolishing redistributive taxes would have been the cancellation of all the other unearned increments which cause maldistribution too.

*But he did not incorporate this logical link, this proviso, into his formal land tax proposal.* He didn't say anything to this effect: "If in addition to destroying private profit from land, we eliminate all the other sources of unearned income—private utilities, monopolistic combinations, tariffs, patents and banking privileges—*then* we may safely dispense with ordinary taxation." He made the elimination of the land monopoly the sole condition of tax abolition.

*That George already was deeply aware of all the non-land monopolies, but omitted them from his great P&P formula is a point which apparently has never been raised in print.* If it seems implausible that this should be so and that the matter yet should be of basic importance, there is this to consider:

It is much easier to recognize a stated error than the major

significance of something that it left unsaid. An insight into the fact that something has been *omitted* is apt to seep into one's consciousness only after one has been immersed in a subject for some time.

Professional economists have not spent that much time mulling over what George knew but didn't say, and certainly not the consequences of this omission (to be discussed later). They have, quite understandably, confined themselves to evaluating what he actually stated in *Progress and Poverty*, and have not felt impelled to probe for what might be left out.

Georgists *have* brooded for decades over Henry George's proposal; with them the obstacle to awareness of his omission is a different one. Though they are willing to admit that he may have overestimated the land issue, as partisans they are reluctant to conceive that he could really have made any serious error—even one of default.<sup>9</sup>

Yet this flaw of omission in George's stated "remedy," this only apparent disregard of all the sources of economic maldistribution other than landowning, is the key to the discrepancy many have sensed between his known liberalism and the relative conservatism of the movement which derived from him. For to imply that the cancelling of the land privilege alone would cause the maldistribution of wealth to vanish is not an adequate portrayal of his own comprehensive thought.

Why, in giving his chief economic formula to the world, did George neglect to take into account the whole complex of non-land economic factors of which he was so well aware?

The root cause was his utter engrossment with the supremacy of the land question. This made him touch lightly in his presentation on all the other inequities. He conceded that they would not vanish even if the landowning privilege were abolished, but he simply scanted their importance. "All other monopolies are trivial . . . as compared with the monopoly of land," he wrote in *P & P*. And in *Social Problems* he specified:

"We might recognize the equal right to the elements of nature, and yet tyranny and spoliation be continued. But what-

ever else we do, so long as we fail to recognize the equal right to the elements of nature, nothing will avail to remedy that unnatural inequality in the distribution of wealth which is fraught with so much evil."<sup>10</sup>

Added to this view was his abstract mode of thought, which made his mind leap easily to an ultimate ideal state when all sources of economic injustice would have been banished. And so he was enabled to present his land tax theory in the classic, symmetric way that was dear to him: "apply taxation to Land, remove it from all else," without marring this simple formula with all sorts of, to him, lesser qualifications.

But he underestimated the magnitude and tenacity of these supposedly lesser monopolistic factors. Consider what social and political struggles it would take to do away with all franchises to public utilities, all trusts, monopolistic combinations and monetary privileges, etc., and how far from any such state society actually is.

This underestimation, *when combined with the recommendation for tax removal*, had significant consequences for the philosophic thrust of his proposal. For as long as the sources of maldistribution run rampant—as indeed they do—one cannot say that measures corrective to maldistribution are unnecessary. It might be a good thing to oppose hampering taxation if a genuine free market existed to begin with: if there were no special privileges or collusive arrangements of any kind. This, however, is a tremendous "if", a huge, complicated, unfulfilled premise. That George reasoned in *P&P* as if it were an actuality instead of the remotest of possibilities, that he didn't make the qualification that tax removal logically must depend on many prior reforms for its cogency, left a gap in the underlying structure of his articulated theory which subtly altered its political tone.

Like a chemical that is harmless until it is combined with another chemical, *the concept of the supremacy of the land question was at worst an exaggeration until it was combined with the proposal that ordinary taxes be soon removed. Linking it with this latter idea*, however—which, in assuming that redistributive taxation would be unneeded once the land privilege

was removed, bypassed all the other inequities—*resulted in an outlook qualitatively different from the anti-privilege philosophy from which George's thesis originally sprang.*<sup>11</sup> It laid the land tax proposal open to espousal by men who did not share his essential attitude towards economic life.

For in the world of politics and legislative action, people are usually divided between those to whom one or the other of these considerations are paramount: the elimination of unfair privileges which conduce to the maldistribution of wealth; or else the diminution of government regulation and taxation. While in theory one may, of course, favor both, in order to get political action one must choose which to put *first*.

And George chose. He once wrote that "the motto *Laissez faire* has been taken as the watchword of an individualism which tends to anarchism" and he deplored "the so-called free traders who have made 'the law of supply and demand' a stench in the nostrils of men alive to social injustice."<sup>12</sup> Always supportive of the interests of the common man, even in the last somewhat anti-tax decade of his life his sense of what measures must come first in order to achieve this did not desert him.

When at the 1893 Single Taxers' Conference he unsuccessfully voted for government control of utilities against the majority of his so-called followers, he characterized his opponents on this vote as tending strongly to "anarchism." In 1894 he supported the Pullman-strike workers, not their business employers. And in 1896 he not only campaigned against the Republican presidential candidate McKinley, who with his manager Mark Hanna stood for "free market" forces, but he reproved the Republican-voting single taxers for being seduced by business interests.<sup>13</sup> (A year later, his voice was to be stilled in death.)

His journalistic sense of the realities of public life served him well; and if in his writings he only occasionally made concessions to the quite possible need for some government redistribution, his political life indicated that to him the elimination of unjust privilege was the supreme issue, transcending all others.

Yet this movement went in a different direction. Led pre-

dominantly by Shearman and business-oriented men, its chief legislative aim was the "single tax limited," which stipulated that no more revenue be collected from land than could be rebated from already existent taxation. Tax removal became as important as attacking land profits, if not more so; George's other reforms such as government ownership of utilities were not sought. Federal power was looked at askance.

But why did the Shearman anti-tax, anti-government school of thought prevail? George also had progressive associates such as Louis Post and Tom Johnson. Johnson above all, who as mayor of Cleveland and Congressman was a more influential man than Shearman, might have been expected to lead the way. George pinned his greatest hopes on him.

The answer lies in the character of the bulk of the early Georgists. George's intellectual democracy made him welcome into the movement all and sundry, and his evangelical personality attracted many with little understanding of economic priorities, but with a metaphysical cast of mind. The majority of his followers consisted of people with more idealism than brains, to whom the abstract philosophy of his plan was very compelling.

These metaphysically-minded supporters were drawn to the anti-tax component of George's teachings because it appeared to lend a symmetric, moral structure to the whole thesis. The concept of land as nature's gift to all was balanced by the concept of wealth as belonging wholly, and undiminished by taxation, to those who had worked to produce it. This simple architecture of thought was accepted at face value by Georgists, with no questionings as to how the pre-supposed prior condition of a society with no monopolies and true free enterprise was to be achieved in the first place.

If George himself, in his expository writings and speeches, was often carried away by this ultimate, utopian, classic rendering of his theory, such a simplified, harmonious abstraction had an even greater hold on his followers, who didn't have his sense of practical realities with which to modify or counteract it. His proposal in its barest theoretic form: "all revenue from Land, no taxes from production," satisfied their ideological



leanings, enabling the emphasis on freedom from taxes to set the tone and political coloration of the movement.

In summary, George's famed *P&P* formula did less than justice to his total economic philosophy. Its omission of any reference to the non-land monopolies made it logically incomplete as a remedy to the maldistribution of wealth, laying it open to espousal by followers more committed to untrammelled production, as well as to opposition from the economists.

As a footnote: for fifty-six years (1903—1959) the *Encyclopaedia Britannica's* entry on Henry George was an article by Thomas Shearman. This suggests how easy it was for Shearman's version of George's philosophy to enter economic literature. It was emphasized that the land tax would be the only one, and no mention was made of George's stand against unearned privilege in general.