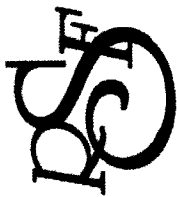


# Free Trade and the Single Tax

The Robert Schalkenbach Foundation is a non-governmental and non-profit organization devoted to publishing works by Henry George, the American economist and social philosopher, and to researching and promoting the application of his analysis to today's world.

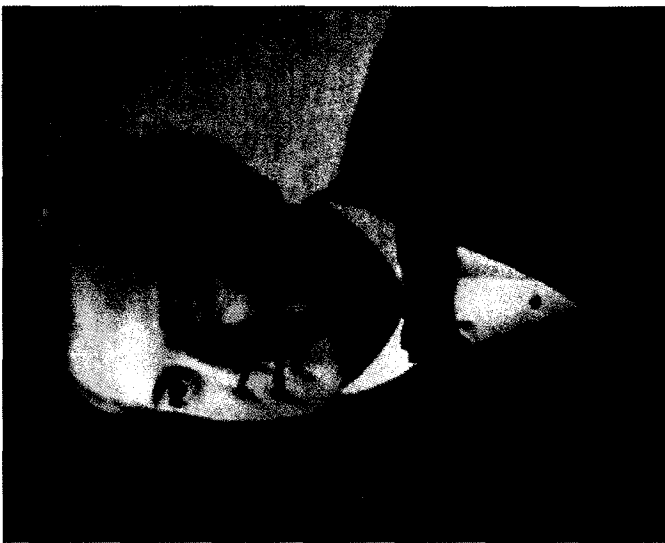
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**Tom L. Johnson**  
Ohio Congressman and Mayor of Cleveland

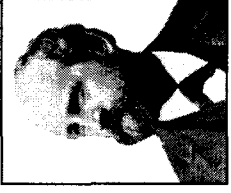
Introduction  
Marion Mills Miller



**The Council of Georgist Organizations**  
Cleveland, Ohio August 5-9, 2009

## HENRY GEORGE

Marion Mills Miller



[An excerpt from Chapter II of the book *Great Debates in American History*, published in 1913 by Current Literature Publishing Company, New York]

**Tom Loftin Johnson** (1854–1911, American municipal reformer, mayor of Cleveland) — Born in Georgetown, Ky., Johnson acquired a substantial fortune from streetcar and steel interests, and, deeply influenced in the 1880s by the writings of Henry George, he devoted himself to reform. After serving two terms as a Democratic member of the U.S. House of Representatives from 1891 to 1895, he was mayor of Cleveland from 1901 to 1909, serving four terms. Johnson fought strenuous battles for municipal reform against political bosses (especially Mark Hanna) and business interests. Although his plans for municipal ownership of public utilities were never realized, he helped create civic consciousness in Cleveland, initiated sanitary measures, and improved facilities to help the city's poor. **Cleveland, in the time of Johnson's mayoralty, was known as "the best-governed city in the United States."**

From twelve to twenty years after Mr. Burgess wrote his "Letters on Taxation," Henry George, a compositor and journalist of San Francisco, developed the same theory and program. The vast fortunes acquired in California through the sudden and great increase of values in land and in properties, such as railroads, dependent on franchises in land, and the increase, at the same time, in poverty, not merely relative but absolute, as shown in constantly diminishing wages, had called his attention to the land question as the fundamental problem of government.

He published his views on the subjects in 1871 in a pamphlet entitled "Our Land and Land Policy." The basic principle was that private appropriation of the value of land is a monopoly.

The germinal idea of this book George developed into a treatise which he published in 1879. This was *Progress and Poverty*.

In this, his greatest work, Mr. George attacked the "wages fund theory" of John Stuart Mill, which, though Mill had abandoned it in the last years of his life, was generally accepted, forming, indeed, the basis of the trades union movement and the doctrine of protection. According to this theory wages are paid out of capital. George held that wages are directly labor's own creation, and therefore that there is no essential conflict between labor and capital, but that both should cooperate in destroying the common enemy, monopoly, which in all its forms rests upon absorption of public revenues by private persons through special privileges granted them by the State and protected by law.

*Progress and Poverty* became recognized within a few years after publication as an epoch-making work in economic and social science. It elicited many replies from persons of greater or less eminence and ability, among which may be mentioned "The Prophet of San Francisco" [1884], by George J. D.

Campbell, the eighth Duke of Argyle, and *Property and Progress* [1884] by W. H. Mallock, a leading English writer on social and economic matters.

In 1881 Mr. George wrote a book specially applying his philosophy to the burning issue of the day in British politics, which he called at first *The Irish Land Question*, and, later, simply *The Land Question*, since its principles were applicable to the solution of the problem in all countries. He visited Great Britain several times in the early eighties in the interest of his doctrines, promoting a "Land Restoration League," which steadily grew in influence in the Liberal party, until in 1909 David Lloyd George, Secretary of the Exchequer, embodied the land value tax in the national budget.

In 1886 George became the Labor candidate for mayor of New York against Abram S. Hewitt, Democrat, and Theodore Roosevelt, Republican. Mr. Hewitt was elected, George running a close second. Believing that there had been an agreement between the Democrats and Republican managers, whereby sufficient Republican votes were counted for Mr. Hewitt toward the close of the poll to secure Mr. Hewitt's election, Mr. George devoted from that time forward much of his energies to secure ballot reform. For this, in connection with the propaganda of the single tax, he visited Australia, where the secret ballot was used. To the exertions of himself and his followers is largely due the general adoption of this system throughout the United States.

In 1886 Mr. George wrote a work called *Protection or Free Trade*, in which he made special application of his philosophy to the tariff.

In 1892, when the discussion on the McKinley bill had made the tariff the leading political question of the hour, Tom L. Johnson [O.], who was the leading Single-Taxer in Congress, and who knew the self-sacrificing devotion of Mr. George to his cause, secured his consent that the entire contents of the book be incorporated in speeches to be delivered in Congress by Mr. Johnson and others, and, being spread upon the *Record*, to be "franked" in the form of reprints as public documents by these Congressmen to persons in every part of the country. There were 1,062,000 copies so circulated. Naturally the sales of the regular edition of the book were greatly impaired, to the author's financial loss. In the political campaign of 1912 a million more of these copies were sent out under franks of Representative Henry

Jr. [N.Y.], and other Congressmen friendly to free trade and the single tax. The Congressmen who joined with Mr. Johnson in 1892 in incorporating the book in their speeches were William J. Stone [Ky.], Joseph E. Washington [Tenn.], George W. Fithian [Ill.], Thomas Bowman [Ia.], and Jerry Simpson [Kan.].

Mr. Johnson introduced his quotation with the following speech (March 31, 1892):

## FREE TRADE AND THE SINGLE TAX

*Tom L. Johnson, M.C.*

I am for free trade, not merely as a matter of wise policy, but as a matter of natural right. I hold that the right freely to trade with whomever one pleases and on whatever terms he pleases is one of the most important of those natural rights asserted by our Declaration of Independence, and that to deny this to the American citizen is to that extent to enslave and rob him. To the open enunciation of this clear principle I hope to see the Democratic party come. When it does it will be invincible.

I hope to see this Congress, before we adjourn, pass a bill putting lumber, coal, and iron ore on the free list, and, to show that as a manufacturer I am ready to take just what I propose, I am willing to put steel rails also on the free list.

MICHAEL D. HAFTER [O.] —And agricultural implements?

MB. JOHNSON —Yes, and agricultural implements. My colleague, who is one of the largest of agricultural implement makers, has, too, the spirit of true free trade, and stands ready, and more than ready, to vote for the abolition of every duty that applies to what he makes.

I was very much interested, a few days ago, at the explanation of the gentleman from Iowa [Walt H. Butler] of what he meant by free trade. [1] Let me say frankly that I am not that kind of a free trader. As a Democrat I am here simply to enter my protest against that part of the tariff that is protective, for that is as far as party divisions yet go, both Democrats and Republicans

agreeing that we shall continue to raise the revenue by a tariff. But in my humble opinion in this matter, both are wrong.

Speaking for myself, and speaking too for a large and rapidly increasing body of men within the Democratic party, I wish to say that what I mean by free trade is not a tariff for revenue only, but nothing less than free trade itself; the abolition of all custom houses and the same freedom to trade with all the world that we now have between our States.

Though the Democratic party has not yet got so far, I hope some day to see it advocating that principle. The discussion now going on must broaden till it brings up the whole question of taxation, and it is in this that the real solution of the labor question is to be sought.

We talk of taxing things — as taxing sugar, or taxing iron, or taxing wool. But inanimate things cannot pay taxes. At last taxes are levied on men. Discussions of taxation are in reality discussions of how burdens shall be levied, not on merchandise, but on men. Already the discussion of the tariff question is bringing out this fact, and as it goes on we constantly hear expressions that show that it is working in the minds of the people.

In discussing the question of taxation what we are really discussing is how men shall be taxed for the support of the Government. A poll tax taxes men by the head. An income tax taxes men in accordance with their incomes — or aims at doing so. A property tax taxes men in accordance with their property. A tax on land values taxes men according to the value of the land they hold, irrespective of the improvements on it. So a tariff tax taxes men in accordance with their consumption. And I protest that it is therefore a most unjust mode of taxation.

It is in some respects even worse than a poll tax, for that would not tax the married man more than the bachelor, the man who rears children more than the man who supports only himself. It is really a system that taxes men according to their necessities, and therefore much worse by comparison than our State taxes on property. It is fairer to tax men on what they have than on what they consume, and therefore the general property tax of our States is very much better than the tariff taxes, even when imposed for revenue only, and without the sheer robbery of some to enrich others that is involved in

protective taxes. Even an income tax — which is open to so many objections, which makes a nation of liars, and opens so many avenues to fraud, and is a miserable tax — is still a great deal better than a duty on sugar.

But if we abolish the tariff how can we get our revenue? Mr. Chairman, it would have been better for the country if that question, 'How can we get revenue?' had been asked in this House. The question for years heretofore has been, 'How can we spend our revenue?' And if there were nothing else to damn the system of raising revenue by custom house taxation, the manner in which this imposing of taxes for the sake of taxation — this pouring of taxes into the treasury for the sake of giving monopolists opportunity to levy additional taxes on the people — has demoralized our Government and debauched our politics is enough to do so.

So long as you have a system of taxation dictated by private interests that wish to use it to make the people pay them more for what they have to sell, and where similar interests band together to prevent every repeal or reduction, no number of watchdogs will be able to prevent the millions poured into the treasury by the robbery of the poor from slipping out again in extravagance and corruption. If the people want economy, if they want purity, if they want an end to the spectacle that we will see again this year of the money scraped from their hard earnings being used to influence their votes, they must insist on some system of taxation that will not foster private interests.

How shall we raise our national revenue? There is no way in which we could raise it that would be more unjust than our present system of raising it by tariff taxes that fall upon consumption, and most heavily on those articles of necessity and common luxury that are used by all. Any system of taxing men according to their means is better and fairer than the system of taxing according to what they use. For, since the poor must use far more of their incomes to live than do the rich, these taxes fall with heaviest weight on those who are least able to bear taxation and inevitably tend to make the rich richer and the poor poorer. They are taxes, not upon surplus earnings, but upon life, upon comfort, upon decency, upon the accumulation of the little capital that enables a man to get a start, upon marrying and having children.

Is it not certain that we can find some better way than this; is it not time that we should at least make up our mind that tariff taxes must go?

Do not be afraid of the intelligence of the people. The American mechanic and the American farmer, the great mass of our people who find year after year of hard toil and close saving go by without leaving them a whit ahead, and who feel that in spite of all our wonderful advances in production it is getting no easier to live, are fast coming to the conclusion that there is something radically wrong with our system of taxation. Of the superstition of protection, of the notion that the capitalists who spend so much money and so much effort to put on and keep on tariff taxes do so simply out of their benevolent regard for the farmer and the laborer, there is really nothing left but the shell. And the moment the Democratic party have the courage of Democratic principle, and, stopping their paltering with six-penny measures of tariff reform, will boldly raise the banner of opposition to all protection, they will break that shell.

The Knights of Labor lodges, the Farmers' Alliance, the thoughtful men in all occupations, have been and are still doing a great deal of thinking about this matter of taxation. They are fast making up their minds that they want a system of taxation that will not bear on the millionaire like a feather and on the day laborer like a millstone; that will not fetter labor; that will not hamper industry; that will not fine enterprise; that will not muzzle the ox that grindeth out the corn and let the dog in the manger go free to monopolize and waste; a system that will not require a horde of officials; that will not provoke extravagance and engender corruption, but will take from each man for the use of the community the fair and just return of the special pecuniary benefits that he receives from the community.

That system is the single tax. All over the country it is steadily and swiftly making its way in the popular mind — nay, all over the English-speaking world. It won in the last New Zealand Parliament, and is already in large measure in force in that country. It carried the city of London by a tremendous majority in the municipal elections a few weeks ago. It is on the verge of practical politics here. It may be too soon yet to ask this House to consider it, but we shall move toward it as we move toward free trade. And I am a free trader because I believe free trade leads to the single tax. [*Loud applause.*]

I desire to have printed with my remarks the following, being an extract from Henry George's book, *Protection or Free Trade*. This book, written by a man who views the matter from the standpoint of the interests of the great laboring masses, and who is acknowledged through the civilized world as the foremost of political economists, is the clearest, most thorough exposition of the whole subject ever yet made.

One of the quotations from Mr. George's book, which presented his philosophy, was as follows:

## RESTORATION OF THE LAND TO THE PEOPLE

*Henry George*

To make either the abolition of protection or any other reform beneficial to the working class we must abolish the inequality of legal rights to land, and restore to all their natural and equal rights in the common heritage.

How can this be done?

Consider for a moment precisely what it is that needs to be done, for it is here that confusion sometimes arises. To secure to each of the people of a country his equal right to the land of that country does not mean to secure to each an equal piece of land. Save in an extremely primitive society, where population was sparse, the division of labor had made little progress, and family groups lived and worked in common, a division of land into anything like equal pieces would indeed be impracticable. In a state of society such as exists in civilized countries to-day, it would be extremely difficult, if not altogether impossible, to make an equal division of land.

Nor would one such division suffice. With the first division the difficulty would only begin. "Where population is increasing and its centers are constantly changing; where different vocations make different uses of lands and require different qualities and amounts of it; where improvements and discoveries and inventions are constantly bringing out new uses, and changing relative values, a division that should be equal to-day would soon become very unequal, and to maintain equality a redivision every year would be necessary.

But to make a redivision every year, or to treat land as a common, where no one could claim the exclusive use of any particular piece, would only be practicable where men lived in movable tents and made no permanent improvements, and would effectually prevent any advance beyond such a state.

No one would sow a crop or build a house, or open a mine, or plant an orchard, or cut a drain, so long as anyone else could come in and turn him out of the land in which or on which such improvements must be fixed. Thus it is absolutely necessary to the proper use and improvement of land that society should secure to the user and improver safe possession.

This point is constantly raised by those who resent any questioning of our present treatment of land. They seek to befog the issue by persistently treating every proposition to secure equal rights to land as though it were a proposition to secure an equal division of land, and attempt to defend private property in land by setting forth the necessity of securing safe possession to the improver.

But the two things are essentially different.

In the first place equal rights to land could not be secured by the equal division of land, and in the second place it is not necessary to make land the private property of individuals in order to secure to improvers that safe possession of their improvements that is needed to induce men to make improvements. On the contrary, private property in land, as we may see in any country where it exists, enables mere dogs-in-the-manger to levy blackmail upon improvers. It enables the mere owner of land to compel the improver to pay him for the privilege of making improvements, and in many cases it enables him to confiscate the improvements.

Here are two simple principles, both of which are self-evident:

1. That all men have equal rights to the use and enjoyment of the elements provided by nature.
2. That each man has an exclusive right to the use and enjoyment of what is produced by his own labor.

There is no conflict between these principles. On the contrary, they are correlative. To fully secure the individual right of property in the produce of labor we must treat the elements of nature as common property. If anyone could claim the sunlight as his property and could compel me to pay him for the agency of the sun in the growth of crops I had planted, it would necessarily lessen my right of property in the produce of my labor. And conversely, where everyone is secured the full right of property in the produce of his labor, no one can have any right of property in what is not the produce of labor.

No matter how complex the industrial organization, nor how highly developed the civilization, there is no real difficulty in carrying out these principles. All we have to do is to treat the land as the joint property of the whole people, just as a railway is treated as the joint property of many shareholders, or as a ship is treated as the joint property of several owners.

In other words, we can leave land now being used in the secure possession of those using it, and leave land now unused to be taken possession of by those who wish to make use of it, on condition that those who thus hold land shall pay to the community a fair rent for the exclusive privilege they enjoy — that is to say, a rent based on the value of the privilege the individual receives from the community in being accorded the exclusive use of this much of the common property, and which should have no reference to any improvement he had made in or on it, or to any property due to the use of his labor and capital. In this way all would be placed upon an equality in regard to the use and enjoyment of those natural elements which are clearly the common heritage, and that value which attaches to land, not because of what the individual user does, but because of the growth of the community, would accrue to the community, and could be used for purposes of common benefit. As Herbert Spencer has said of it:

“Such a doctrine is consistent with the highest state of civilization; may be carried out without involving a community of goods, and need cause no very serious revolution in existing arrangements. The change required would be simply a change of landlords. Separate ownership would merge into the joint stock ownership of the public. Instead of being in the possession of individuals, the country would be held by the great corporate body — society. ... A state of things so ordered

would be in perfect harmony with the moral law. Under it all men would be equally landlords, all men would be alike free to become tenants. Clearly, therefore, on such a system the earth might be inclosed, occupied, and cultivated, in entire subordination to the law of equal freedom."

That this simple change would, as Mr. Spencer says, involve no serious revolution in existing arrangements is in many cases not perceived by those who think of it for the first time. It is sometimes said that while this principle is manifestly just, and while it would be easy to apply it to a new country just being settled, it would be exceedingly difficult to apply it to an already settled country where land had already been divided as private property, since, in such a country, to take possession of the land as common property and let it out to individuals would involve a sudden revolution of the greatest magnitude.

This objection, however, is founded upon the mistaken idea that it is necessary to do everything at once. But it often happens that a precipice we could not hope to climb, and that we might well despair of making a ladder long enough and strong enough to scale, may be surmounted by a gentle road. And there is in this case a gentle road open to us, which will lead us so far that the rest will be but an easy step. To make land virtually the common property of the whole people, and to appropriate ground rent for public use, there is a much simpler and easier way than that of formally assuming the ownership of land and proceeding to rent it out in lots — a way that involves no shock, that will conform to present customs, and that, instead of requiring a great increase of governmental machinery, will permit of a great simplification of governmental machinery.

In every well-developed community large sums are needed for common purposes, and the sums thus needed increase with social growth, not merely in amount, but proportionately, since social progress tends steadily to devolve on the community as a whole functions which in a ruder stage are discharged by individuals. Now, while people are not used to paying rent to government, they are used to paying taxes to government. Some of these taxes are levied upon personal or movable property, some upon occupations or businesses or persons (as in the case of income taxes, which are in reality taxes on persons according to income); some upon the transportation or

exchange of commodities, in which last category fall the taxes imposed by tariffs; and some, in the United States at least, on real estate — that is to say, on the value of land and of the improvements upon it taken together.

That part of the tax on real estate which is assessed on the value of land irrespective of improvements is, in its nature, not a tax, but a rent — a taking for the common use of the community of a part of the income that properly belongs to the community by reason of the equal right of all to the use of land.

Now it is evident that, in order to take for the use of the community the whole income arising from land, just as effectually as it could be taken by formally appropriating and letting out the land, it is only necessary to abolish, one after another, all other taxes now levied, and to increase the tax on land values till it reaches, as near as may be, the full annual value of the land.

Whenever this point of theoretical perfection is reached, the selling value of land will entirely disappear, and the charge made to the individual by the community for the use of the common property will become in form what it is in fact — a rent. But, until that point is reached, this rent may be collected by the simple increase of a tax already levied in all our States, assessed (as direct taxes are now assessed) upon the selling value of land irrespective of improvements — a value that can be ascertained more easily and more accurately than any other value.

For a full exposition of the effects of this change in the method of raising public revenues, I must refer the reader to the works in which I have treated this branch of the subject at greater length than is here possible. Briefly, they would be threefold.

In the first place, all taxes that now fall upon the exertion of labor or use of capital would be abolished. No one would be taxed for building a house or improving a farm or opening a mine, for bringing things in from foreign countries, or for adding in any way to the stock of things that satisfy human wants and constitute national wealth. Everyone would be free to make and save wealth; to buy, sell, give, or exchange, without let or hindrance, any article of human production the use of which did not involve any public injury.

All those taxes which increase prices as things pass from hand to hand, falling finally upon the consumer, would disappear. Buildings or other fixed improvements would be as secure as now, and could be bought and sold, as now, subject to the tax or ground rent due to the community for the ground on which they stood. Houses and the ground they stand on, or other improvements and the land they are made on, would also be rented as now. But the amount the tenant would have to pay would be less than now, since the taxes now levied on buildings or improvements fall ultimately (save in decaying communities) on the user, and the tenant would therefore get the benefit of their abolition. And in this reduced rent the tenant would pay all those taxes that he now has to pay in addition to his rent — any remainder of what he paid on account of the ground going, not to increase the wealth of a landlord, but to add to a fund in which the tenant himself would be an equal sharer.

In the second place, a large and constantly increasing fund would be provided for common uses without any tax on the earnings of labor or on the returns of capital — a fund which in well-settled countries would not only suffice for all of what are now considered necessary expenses of government, but would leave a large surplus to be devoted to purposes of general benefit.

In the third place, and most important of all, the monopoly of land would be abolished, and land would be thrown open and kept open to the use of labor, since it would be unprofitable for anyone to hold land without putting it to its full use, and both the temptation and the power to speculate in natural opportunities would be gone.

The speculative value of land would be destroyed as soon as it was known that, no matter whether land was used or not, the tax would increase as fast as the value increased, and no one would want to hold land that he did not use. With the disappearance of the capitalized or selling value of land, the premium which must now be paid as purchase money by those who wish to use land would disappear, differences in the value of land being measured by what would have to be paid for it to the community, nominally in taxes but really in rent. So long as any unused land remained, those who wished to use it could obtain it, not only without the payment of any purchase price, but without the payment of any tax or rent.

Nothing would be required for the use of land till less advantageous land came into use, and possession thus gave an advance over and above the return to the labor and capital expended upon it, and, no matter how much the growth of population and the progress of society increased the value of land, this increase would go to the whole community, swelling that general fund in which the poorest would be an equal sharer with the richest.

Thus the great cause of the present unequal distribution of wealth would be destroyed, and that one-sided competition would cease which now deprives men who possess nothing but power to labor of the benefits of advancing civilization, and forces wages to a minimum, no matter what the increase of wealth. Labor, free to the natural elements of production, would no longer be incapable of employing itself, and competition, acting as fully and freely between employers as between employed, would carry wages up to what is truly their natural rate — the full value of the produce of labor — and keep them there.

#### NOTES AND REFERENCES

1. Mr. Butler had defined free trade as a tariff for revenue only.