

GEORGISM AND THE GREEN NEW DEAL



The only way to protect ourselves from the ecological crisis is to make significant changes to the way we currently live. Among current proposals, the Green New Deal offers the most viable plan to make these changes. New energy sources would be developed, housing would be made sustainable, public transport more convenient, food production localised, and waste reduced. Such measures would help us meet the UN climate warming targets by 2050, reduce carbon to net zero by 2050 as mandated by UK law, avert irreversible climate change, save lives, improve living standards and, in the process, create 30 million jobs.

It is named after the 'Keynesian' policies which informed the 'New Deal' in America and 'the Post-War consensus' in the UK, mainland Europe, Japan and elsewhere, effective from 1945 to about 1970. In the US, people and capital were mobilised in the name of justice and progress. They created unrivalled prosperity and reduced poverty to unsurpassed historic lows, about one quarter of current levels. Mindful of this effort, which was dubbed 'a war on poverty' by President Lyndon B. Johnson in 1964, Joseph Stiglitz calls the Green New Deal a 'war on climate change'.

The Green New Deal is estimated to cost \$73 trillion. Despite the massive efficiency savings associated with renewable energy generation and reducing the cost of the effects of pollution, the project requires investment. There are numerous proposals for raising the necessary revenue: reports from The Bank of England say there is £120 trillion of private investment funding awaiting government direction; modern monetary theorists and banking reformers propose funding through 'Green Quantitative Easing'; Labour and Democratic politicians would tax the stock market, and the 'tech giants', such as Google and Facebook.

The Georgist movement, however, seems reluctant to consider the Green New Deal. The movement has developed a dogmatic attachment to principles and construed them as a panacea. It has become too easily assumed that the single tax on land values and the free market could solve climate change without the need for strategic government intervention.

Here we shall examine five key assumptions about the free market which are too easily taken for granted: (1) The Market Myth, (2) The Georgist State; (3) The Entrepreneurial State; (4) Anarchism; (5) The Importance of Monopolies Other than Land.

1 THE MARKET MYTH

The idea that a 'free market' mechanism can replace 'government intervention' is an exaggeration of the role of the market, not supported in theory or practice. The market has first be established by law, i.e. by government intervention. Once established, it is only a mechanism for reaching a price by allowing for a range of choices. Free marketeers maintain that the market mechanism converts the selfish profit motive into benign social progress, but there is no valid supporting evidence, only the myth of the invisible hand. In fact, by definition, the market only facilitates the privatisation of profit, which is fair only under conditions of

absolute equality of opportunity. It does not make a given price or a choice beneficial.

If we buy burgers rather than bicycles, if health costs rise, if more trees are cut down to provide space for cattle, if more medicine is sold at inflated prices, the market will facilitate these actions and profits to certain individuals will rise at the expense of life on earth. And if these things become scarce, such as in a famine caused by climate change, profits will rise even more at the expense of life and the rule of law. Indeed, again by definition, the market cannot account for these 'externalities'. The ecological and human cost of profit seeking: the real price of spending hours in traffic, the loss of the rainforest, the hopelessness of lives and jobs without intrinsic meaning, are not accounted for.

2 THE GEORGIST STATE

Henry George wanted a genuinely free market, but he did not imagine that progress should be directed by the invisible hand. In fact, he imagined a society which closely resembles the mixed economy society achieved under of the New Deal and proposed by proponents of the Green New Deal. These provisions would enable genuinely competitive market exchange because individuals would first have free and equal access to the necessary goods for life, in a society which directed human efforts to higher goals than the pursuit of monetary profit. Consider George's description of an advanced modern society from his hugely popular *Progress and Poverty*:

Government could take upon itself the transmissions of messages by telegraph, as well as by mail...of building and operating railroads, as well as of opening and maintaining common roads... the revenue arising from the common property could be applied to the common benefit... we could establish public baths, museums, theatres, universities, technical schools, shooting galleries, playgrounds, gymnasiums, etc. Heat, light, and motive power at public expense; our roads be lined with fruit trees, discoverers and inventors rewarded, scientific investigations supported; and in a thousand ways the public revenues be made to foster efforts for the public benefit. (Book IX, Chapter IV)

Excepting the absence of the single tax, the Georgist vision resembles in many respects the historical reality achieved by the Keynesian reforms between 1945 and 1970. Such a society could easily meet the challenges posed by climate change. Such a society could, as it did during the wars and the New Deal, immediately establish research projects, develop technological solutions and legislate for their adoption. Fully grounded in George's principles it would have additional advantages. Depending on the age of the state, for instance, there would be less urban sprawl; in the absence of other forms of taxation, and insofar as the 'public revenue' was directly invested in 'common property' and 'rewards for inventions' were provided, a huge release of creative talent would be unleashed. With all this in mind, George nonetheless specifically allows for the fact that this creativity would require direction by more than an invisible hand.



Mason Gaffney recognises the similarity of George's vision and Keynesian reality but claims that the absence of the land value tax invalidates the legitimacy of the Keynesian model. Land value taxation, he says, means governments can raise revenue without taking on debt, and, as mentioned above, that there would be greater creativity in society because of the elimination of 'dead-weight taxes' on production. But Gaffney's critique remains in the realm of the hypothetical. For, so long as the single tax is not politically possible, governments must find alternative sources of funding.

George recognised this problem. Although he became much less compromising in his later years, at the beginning of his career he recognised the cultural contingency of his remedy. In January 1973's edition of *The San Francisco Daily Post* he qualified his support for the land tax policy, saying 'we only propose taxation instead of state landlordism because it is more consistent with the ideas and habits of the people'. In *Progress and Poverty*, he declared that his reform 'must be consistent with justice; it must be practical in application; it must accord with the tendencies of social development; and it must harmonise with other reforms.' It therefore follows that in differing circumstances, such as in the case of a different culture which is faced with different opportunities for reform owing to differing circumstances, his reform might fail to meet his own conditions.

In practice, as we know, the single tax was not implemented precisely because it was believed, even by the sympathetic liberal reformer Prime Minister William Gladstone and others, to be unconstitutional. At any rate, it was and remains deeply unpopular. The reasons for this are perhaps not strictly logical or 'rational' or economic, but 'cultural' or psychological. Nonetheless, the structural problems that George and many others had shown to cause inequality and prevent social progress were not ignored. A suite of more subtle reforms were implemented instead: the state built 'social housing', collected rents and reinvested the surplus; it controlled rents in the private sector; it regulated mortgage lending; there was progressive property and income taxation; rental income was taxed at a higher rate than earned income; it used land value capture to build new cities and infrastructure.

These and many other associated reforms which regulated the market, were designed to remedy the injustice and inefficiencies of wealth derived from monopoly rent. While nowhere near as efficient as the single tax would be, they were in a decisive sense better because as they were possible: they were 'practical in application', they 'harmonised with other reforms' and 'accorded with social development'. The reforms did not build an ideal society, but they did create enormous improvements. Progress in the arts and particularly in technology, while not universally good, were astoundingly beneficial. Modern medicine and education, free at the point of use, raised living standards of many millions of people. These reforms caused the social and economic progress which produced the healthiest, wealthiest and most free people in history.

3 THE ENTREPRENEURIAL STATE

Many of the achievements of that era (and subsequently) are mistakenly thought to be the creations of brilliant individuals working in a free market, against the restrictions of 'red tape' and government intervention. In fact, they are the results of the kind of government stewardship George describes, which Mariana Mazzucato calls the 'entrepreneurial state'. The entrepreneurial state funded research and allowed the results to be used for industrial and commercial products. Among other things, state-funded research created the internet, the touchscreen, the microprocessor, GPS, and the hard drive, which were recently put into commercial use in 'Apple's iPhone'. The state is also the most significant 'start-up' investor in green technologies such as the wind turbine and the solar panel. Without state investment such technologies could never have been created.

On a different scale, the 'garden city' of Milton Keynes, a development which was funded by land value capture, provides an example of the kind of development which could be replicated and improved as part of a Green New Deal. Built with an emphasis on public access to the arts and sciences, it boasted municipal music venues, an art gallery, theatres, and research and development facilities, such as the Open University. As such it resembles the vision described by Henry George in *The Irish Land Question*:

We could establish free libraries, lectures, museums, art-galleries, observatories, gymnasiums, baths, parks, theatres;... and make our cities clean and wholesome and beautiful; we could conduct experiments, and offer rewards for inventions, and throw them open to public use. (Chapter XIV)

Within 15 years of its establishment, the city had created 34,000 jobs and 32,000 homes. It is now one of the greenest cities in the UK, with many public parks, 40 million trees, diverse sports teams, health facilities, all connected by an extensive cycle network. However, by 1980, the political landscape had changed, and the following 40 years of privatisation and consumerism have undone much of what was achieved by the entrepreneurial state.

Unfortunately, Georgism has followed this trend and forgotten the wider aims proposed by George and his awareness of what is possible in particular conditions. Instead of advocating the establishment of institutions such as described in *Progress and Poverty* and *Social Problems*, the implementation of the single tax has become Georgism's single policy. This results in the assertion that an unpopular tax is a panacea for economic and social problems in all circumstances, and that a free market will solve the climate crisis.

George was under no equivalent illusion. He admitted that his remedy was contingent on specific circumstances and conditions. And, rather than advocating the 'invisible hand' be steward of civilisation, he described an extensive network of institutions which would be required to 'foster efforts for the public benefit'.

As we have seen, Keynesian New Deal policies partially realised this vision. In this way it realised the material and cultural progress we call modern. While these achievements are by no means an unalloyed good, the survival and sale of these achievements has in fact sustained society in the post-Keynesian era of neoliberalism. Nonetheless, during this era, progress has stalled, and wealth inequality has returned to levels not seen since Victorian times. This reversal is directly correlated to the privatisation and deregulation of natural and man-made monopolies that George proposed should be owned and controlled by governments.

As we can trace an arc describing the rise of a state which resembles the Georgist vision through the Keynesian reforms, and its decline with neoliberal privatisation, so we can observe a similar ascent and decline in Georgist political economy. The ascending phase sees George find his voice and rise to fame, reaching its zenith in the era between the publication of *Progress and Poverty* and the 1886 New York mayoral campaign.

In the descendant phase, Georgist political economy retreats from normative political debate, reinterpreting itself as an authoritative ideology designed to suit the requirements of political propaganda. Whereas in the ascendant phase, Georgist political economy cooperated with political movements and engaged in the popular futurist moral vision which animated the 19th century zeitgeist, by the end of the descending phase, anti-government individualism and dogmatic economic reductionism caused the movement to alienate itself from society.

4 ANARCHISM

As Edward J. O'Donnell (*Henry George and the Crisis of Inequality*) and others have shown, George was successful, not only because of his formidable understanding of classical political economy, but also because he articulated the common ground of both antebellum republicanism and Victorian socialism. Without (so far as we know) reading Aristotle's *Rhetoric*, George became a master of salutary and persuasive political argument. Aristotle called socially beneficial those political interventions that articulated the persuasive common good in current events. Aristotle also said that effective political and economic reasoning consists in making accurate definitions and demonstrating them by analogy. Indeed, George's ability to define with great clarity and illustrate with vivid analogies was also key to his popular success. But as the years rolled by, he became aware that the success of his intervention relied, unsustainably, on him. This fact became unavoidable following the dramatic failure of the 1887 mayoral campaign.

George's increasing sense of fatigue was now exacerbated by his growing disenchantment with politics. Until, 1887, following the success of *Progress and Poverty*, George had worked with socialist movements to introduce a suite of reforms which included the single tax and the public ownership of municipal utilities. But now the alliances fell apart leaving him without powerful political allies. George would soon believe that the Catholic Church led by Pope Leo XIII officially opposed him. In a letter to his father, George wrote that he had grown 'tired' of people who held different views on what he thought was the undeniable justice and efficacy of his reform. Now, instead of debating and negotiating with the establishment, he intended to 'change public opinion'.

For this purpose, George and his supporters established a new campaigning organisation which would communicate an uncompromised message directly with the public, rather than through alliance with existing political parties. Its members were

to call themselves the 'Single Tax Men' and later, Georgists. George feared the name reduced his grand call for ethical and political evolution to a mere fiscal reform. He preferred 'freedom men', 'liberty men', or 'natural law men', but his colleagues considered these titles too 'high flown'. According to George's biographers, the 'Single Tax' label was chosen because it 'was understood to meet the requirements of doing politics in the slogan-ridden world of popular political propaganda'. But this proved to be a miscalculation. The revolutionary potential promised by political propaganda techniques was not realised. Georgism has in fact never regained popular appeal; on the contrary, its message failed to resonate with voters.

Furthermore, meeting the requirements of propaganda very quickly caused precisely the reduction George had initially feared. At a conference of the Single Tax League in 1893, delegates proposed a motion which removed their official commitment to the public ownership and control of monopolies other than land. Those in support of the motion claimed a single tax on land was all that was required to create justice and liberty for all. George, who was present, disagreed and spoke forcefully against it, but the motion was passed. Louis Post described the resolution of 1893 as the victory of the 'individualistic' over the 'socialistic'. Later, in a letter to a friend, George described it as an 'outcropping of anarchism'.

'Anarchism' is a strong label and George did not use it lightly or only in the heat of the moment. A single tax without a commitment to the political control of monopolies other than land is 'anarchism' because it denies the citizens' natural duty to collectively organise and direct material progress in the service of the common good. This duty cannot be left to private interests or the market, because as George, following Adam Smith and David Ricardo demonstrated, it is not in the interests of businesses to ensure genuine competition or look after the common good. In fact, the desire to maximise profit would lead them to exploit the needy, prevent competition and pressure governments to write laws which legitimate these objectives.

George had shown how this risk increased with developments in technology and the interconnectedness of modern life. He saw how, when left unchecked, business interests would sacrifice progress to profit. In 1884's *Social Problems*, George clarified the issue with reference to the emerging monopoly he was among the first to protest against, saying 'if the government doesn't run the railroads, the railroads will run the government'. Since 1884, many more monopolistic businesses have been developed, such as the fossil fuel giants, who have interests in stopping a Green New Deal, but single tax Georgists have lost sight of them. Now is the proper moment to re-examine the nature of monopolies in the modern economy, and reinstate a fundamental aspect of George's political economy which has been too long neglected.

5 THE IMPORTANCE OF MONOPOLIES OTHER THAN LAND

George saw that government must manage two monopoly types:

The primary purpose and end of government being to secure the natural rights and equal liberty of each, all businesses which involve monopoly are within the necessary province of governmental regulation, and businesses which are in their nature complete monopolies become properly functions of the State. (Social Problems, Chapter XVII)

Insofar as governments do not do this, the monopoly businesses will accrue so much wealth as can change a democracy into



a plutocracy. Today the internet-based businesses commonly referred to as 'tech giants' combine both types of monopoly. They are 'in their nature compete monopolies' because their existence is due to the opportunity and technology provided for them by the entrepreneurial state, innovations which we subsequently allowed them to privatise. The arrangement has eliminated meaningful competition because, for example, new companies must create alternatives unassisted from scratch, which is an impossible task due to the enormous complexity of the work.

They are businesses that also 'involve monopolies' because they crowd out competition and leverage monopoly rents on third parties who are compelled to use their platforms. Amazon's Marketplace, for example, requires '3rd party sellers' pay Amazon rent to access customers. Since Amazon was among the first to develop online sales service, it has been at the front of a digital 'land grab', an advantage it protects with nearly 3000 patents and anti-competitive practices. Similarly, Spotify must pay Apple rent to access customers, as they would have to pay rent to a landlord on a high street, but with the additional challenge that, in this case, a landlord also sells a competing product.

The tech giants have become enormously profitable. However, their political influence is not limited to their economic power. Indeed, they now 'own governments' insofar as they exert massive influence over lawmakers and the voting public. Part of the difficulty lawmakers and citizens have in assessing the political economics of digital businesses result from the fact that the user pays in kind, by licencing their activity as alienable data. This data provides an incredibly detailed insight into the lives and thoughts of almost all citizens. The technology companies then sell the data to anyone, including hostile foreign governments, who have used the data and digital publishing platforms to influence popular votes on several notable occasions since 2016.

As a result of selling access to their monopolistic propaganda services, and by collecting citizens' data, these businesses combine the monopolistic powers of landowner, utility provider, censor, and publisher with the insights of shopkeeper, librarian, messenger, confidant, doctor and psychologist. The fact that they then offer the insights gained from offering these services to anyone able to pay, to do with what they will, threatens the entire fabric of a society. These businesses now have significant control over the personal, economic and international political relations of every individual and each nation, as the Cambridge Analytica scandal has shown.

Unfortunately single tax Georgists have missed all this because they have simply taken for granted that land taxation would solve all these problems. Although the businesses and the specific forms of monopoly have changed, the problems involved are in principle the same as those George identified. If the Single Taxers were mistaken to think they could fulfil their obligations to society by taxing land values and promoting unregulated free trade in the 19th Century, how much more so in the 21st? George knew progress in advanced modern societies demands from citizens more vigilance. As usual, he provided a great analogy:

As in the development of species, the power of consciousness, co-ordinated action of the whole being must assume greater and greater relative importance to the automatic action of the parts, so it is in the development of society. This is the truth of socialism, which, although it is being forced up on us by industrial progress and social development, we are so slow to recognise. (Social Problems, Chapter XVII)

If we accept that the power acquired by the tech monopolies is the same as the influence the railway and land monopolies over government, we can see that the war on climate change is only the most recent front in a war to regain civic control of democracy from monopolistic corporations. On this principle Smith, George, Keynes and Stiglitz concur, and we should acknowledge that the attempts to tax these businesses in order to provide, among other public goods a Green New Deal, is the right thing to do.

In broad terms of public policy according to Georgist political economy, this means for example, that the patents, research and development rights and the fruits of these researches ought therefore to be used for the public good, not exploited by corporate monopolies for profit at our peril. Existing and new technologies should come into public ownership, so that they can benefit the public rather than shareholders. Rent-seeking interests in businesses ought to be strictly controlled, in the public and ecological interest. Legislation should enable citizens to access community wealth in kind and in cash, such as through local banks, acting as publicly owned subsidiaries of a publicly owned national bank, to acquire the capital needed to reshape, design and build sustainable communities. The individuals and companies who are involved in creating beneficial new technologies should be rewarded financially by the taxpayer and celebrated publicly in accordance with the benefit they provide to the common good. These measures would be required even if a single land value tax was implemented. Indeed, such measures would open the way to seeing the advantages of implementing a land value tax by removing objections from vested interests.

Although George identified key man-made monopolies such as public schools and universities, libraries, railways, telecommunications and municipal utilities as early as 1871, he was less confident of others, such as the money monopoly. In his biography of George, Charles Barker suggests that George must have realised that a land tax alone cannot deal with non-terrestrial monopolies such as banking, because when money is created for many purposes besides acquiring land, the value created is not always reflected in land values. This meant there were huge areas of the economy which his solution had not remedied. Circumstances and his failing health, however, prevented George from freely investigating these problems. It means, with few exceptions, that the issue of monopolies other than land remain as unresolved for Georgists as they were for George in 1884 when he wrote,

What should properly belong to the township or ward, what to the country or state, what to the nation, and what to the federation of nations as it is in the manifest line of civilisation to evolve, is a matter into which I have not entered. As to the proper organisation of government, and the distribution of powers, there is much need for thought. (Social Problems, Chapter XVII)

This matter, dramatically revealed in the context of the ecological crisis, is I believe now the urgent concern proper to Georgist political economy. Georgists need to develop George's thought where he left it open for further enquiry, especially in relation to the responsibilities of government.

Meanwhile, we can confidently assert that 'the revenue arising from the common property' should be 'applied to the common benefit' in a Green New Deal. The connection is justified because a prudential concern for the ecological is part of our personal responsibility to the increasing intensity of our interconnectedness with both nature and civilisation. ■

BOOKS WORTH READING

- by Joseph Milne

There are a number of books worth reading that fill in the historical background of Henry George and the rise of economic thought. Some of these were known to George. For example, Patrick Edward Dove (1815-1873) wrote a remarkable book entitled *Theory of Human Progress and Natural Probability of a Reign of Justice* in 1851. He was a land reformer who, like George, had proposed a land value tax. George praises him in *The Science of Political Economy*, yet feels he does not really grasp the principles of political economy. Nevertheless, he regards Dove's contribution to the idea of progress greatly superior to that of Herbert Spencer. One aspect of Dove's book which makes it worth reading is his great knowledge of the history of philosophy going back to Aristotle's understanding of society. His book was greatly admired by the British historian Thomas Carlyle and the American statesman Charles Sumner, a leader in the abolition of slavery campaign.

Another important contemporary to George was Robert Owen (1757-1858). His *A New View of Society: Or, Essays on the Formation of Human Character, and the Application of the Principle to Practice* in 1813, lays the foundation of the English cooperative movement, still present in the Cooperative shops and the ethical Cooperative Bank. A new edition of this book is available *A New View of Society and Other Writings*, edited by G. Claeys, published by Penguin Books, 1991. There is also *The Selected Works of Robert Owen*, edited in four volumes by G. Claeys, published in London by Pickering and Chatto, 1993. Robert Owen is famous for setting up communities of workers with good homes and an education in the UK and the USA. His work reminds us that the nineteenth century was a time of great aspiration for social justice, for improved conditions for workers, and free education for children. Although the communities he set up have now all vanished, his general influence is still felt along with the great influence of Charles Dickens.

There were also important religious reformers who supported George. One important figure in America was the Christian social reformer Walter Rauschenbusch. Harry Emerson Fosdick has written an excellent biography of him entitled *Walter Rauschenbusch*, published by Macmillan in 1942. Like many reformers of the nineteenth century, he was enamoured by the idea of progress. But unlike George, he was drawn to the Darwinian theory of evolution. He even goes so far as to suggest evolution supersedes the teachings of Christ. His major work is *Theology for a Social Gospel*. In this work he grapples with what he sees as a disconnection between the life of religious faith and the social reform of society. That disconnection was an unintended consequence of the Enlightenment, where 'society' was reduced to mere material progress devoid of social or religious conscience. He argues that improvements in roads, telephones, voting machines and cheaper car fares, though good in themselves, yet mean nothing without social reform.

But many social reformers erroneously identified these material advances with social progress, and so 'Religious men are forced into a tragic dilemma when they face organized socialism. On the one hand they realize in its idea the most thorough and consistent economic elaboration of the Christian ideal. It is far and away the most powerful force for justice, democracy, and organised fraternity in the modern world. On the other hand, these moral elements are fused with an alloy that is repellent to