

THE ANSWER

EIGHTEEN MONTHS later the "ecstatic vision" in the California hills took substance in Henry George's first considered and extended writing on the subject which was to spread his name around the world. In the meantime his friend, Governor Haight, was deep in his fight against the subsidy policy of the Central Pacific Railroad and had called upon George for help.

"The Great Absorber," as the railroad was known, had been acquiring vast tracts of land and demanding more and more of the people's money while the four Sacramento former shopkeepers and traders who were at the helm, manipulating the corporation, were gathering to themselves the power of feudal lords.

In 1862, these men, the "Big Four"—Leland Stanford, Charles Crocker, Mark Hopkins, and Colis P. Huntington—had managed to make Stanford the governor of California for a two-year term at the same time that he had been chosen president of the Central Pacific.¹ Their strategy had helped materially in the passage by Congress, in July of that year, of the Pacific Railroad Act.

This act and its later amendment had deeded to the railroad vast tracts of public domain. The Central Pacific deeds included a wide strip of land for rights-of-way as well as "alternate sections" of one square mile on both sides of the entire line thus making the company one of the biggest land owners of the West.² The act had further provided a government loan in the form of thirty-six-year bonds at 6 per cent interest in amounts ranging from \$16,000 per mile of track on flat land to \$18,000 per mile on mountain land. (In one place the four promoters contrived to have 150 miles of flat land considered as mountain land, thereby netting themselves nearly half a mil-

lion dollars.) "Indeed they had the entire road constructed with scarcely the expenditure of a single dollar of their own," said Gustavus Myers.

The power of this combine was becoming a national scandal. The "Big Four" openly purchased votes, flagrantly corrupted legislators as well as congressmen, and bought legal decisions. They underbid competing ship and stage transportation until it was destroyed, and then jacked up freight rates, thereby crushing the life out of trade. California wondered whether the coming of the "iron horse" was such a blessing after all.

Governor Haight was determined to check this evil power. Believing in the ability of Henry George, he asked the young journalist to leave the *Oakland Transcript* and take the editor's chair on the chief Democratic party paper, the *Sacramento Reporter*. The proposal delighted George. In February, 1870, he moved to the state capital with his family, recently returned from their long visit in Philadelphia.

The new arrangement kept George and Haight in close contact. One evening the young editor took the Governor home with him. It was late, the meal was over, and Mrs. George had gone to bed. Great was her perturbation when she heard the cheery voice of her husband announcing that he had brought the Governor of California home to dinner! She dressed hastily and gave a gracious welcome and warmed-over Irish stew and rice pudding to the distinguished visitor, whom, by the way, she had never met. And Governor Haight, assuring her that Irish stew and rice pudding were among his favorite dishes, consumed them with great relish.³

George remained with the *Reporter* only nine months. He had used his pen to resume the fight against the Western Union Telegraph Company and the Associated Press monopolies, but he spent much of his energy attacking the Central Pacific Railroad's plea for further subsidies. Since this giant monopoly commanded money as well as politics and press, it was able quietly to buy control of the *Reporter*, and then to force on George a policy with which he could not agree. To remain would mean a higher salary and relief from financial worry. But the editor resigned and moved with his family back to San Francisco.

His ouster from the paper which he had turned into a weapon against graft and corruption did not silence his attacks on the "Octopus."⁴ In San Francisco he wrote a sixteen page pamphlet

which he called "The Subsidy Question and the Democratic Party." Governor Haight considered this such a valuable contribution that he had a large edition of the pamphlet printed and circulated in his campaign for re-election. In the brochure George pointed out that railroad subsidies are to be condemned "by the economic principle that the development of industry should be left free to take its natural course . . . by the political principle that government should be reduced to its minimum—that it becomes more corrupt and more tyrannical, and less under the control of the people, with every extension of its powers. . . ." ⁵

The pamphlet did much to make Henry George's name known throughout the state. It also made him all the more the target for the powerful railroads. When he obtained the Democratic nomination for the Assembly, he received proportionately an even smaller vote than Haight or the others on the ticket. He returned home late, after the ballots were counted, and laughingly told his wife, "Why, we haven't elected a constable!"

Although he appeared to take his defeat lightly, in reality it was a disappointment.⁶ A seat in the Assembly might have meant an opportunity to write into the California land laws his principles of equity and justice.

In spite of the interruptions of the Haight campaign he had been working during the period from March to July, 1871, on a concrete answer to the economic riddle which possessed him. His labors resulted in the long brochure, "Our Land and Land Policy."

The pamphlet of forty-eight pages of closely printed type was the equivalent of 130 pages of ordinary book size. It was a careful study of Federal and California state lands and land grants. It was a plea that these reckless land grants should cease, and it cited case after case in California of private estates amounting to one, two, and three hundred thousand acres—several of over four hundred thousand acres.

In the first section, for instance, George pointed out that a single railroad, the Northern Pacific, had received 25,600 acres for the building of each mile of track. And were the company land of the Central-Southern Pacific Railroad Corporation divided, he wrote, "it would give them something like two million acres apiece."⁷

The brochure dealt with George's theories on the relation between labor and land and indicated what our land policy

should be. It was in fact the kernel of what has since been called the Single Tax theory. Wages are high in new countries where the land is free, he pointed out, but in the old countries where land is monopolized, wages are low and poverty is great. He asserted that economic rent, or the return for the use of the land, should be collected and employed for social needs and that no taxes at all should be levied on the products of labor:

The value of land is something which belongs to all, and in taxing land values we are merely taking for the use of the community something which belongs to the community. . . . In speaking of the value of land, I mean the value of the land itself, not the value of any improvement which has been raised upon it. . . .⁸ The mere holder of the land would be called on to pay just as much taxes as the user of the land. The owner of a vacant city lot would have to pay as much for the privilege of keeping other people off it till he wanted to use it, as a neighbor who has a fine house upon his lot, and is either using it or deriving rent from it. The monopolizer of agricultural land would be taxed as much as though his land were covered with improvements, with crops and with stock.

Therefore:

Land prices would fall; land speculation would receive its death blow; land monopolization would no longer pay. . . .⁹

The whole weight of taxation would be lifted from productive industry. The million dollar manufactory, and the needle of the seamstress, the mechanic's cottage and the grand hotel, the farmer's plow, and the ocean steamship, would be alike untaxed.

Imagine this country with all taxes removed from production and exchange! * How demand would spring up; how trade would increase; what a powerful stimulus would be applied to every branch of industry; what an enormous development of wealth would take place. . . . Would there be many industrious men walking our streets, or tramping over our roads in the vain search for employment?¹⁰

"Our Land and Land Policy," coming from the pen of a man not yet thirty-two years old, suggested a new¹¹ and startling solution to the economic crisis. But it did not meet with the recognition for which the author had hoped. While approxi-

* George pointed out, with evident horror, that "40,000,000 of our people have to raise \$800,000,000 per year for public purposes." The population now is between three and four times that figure but the amount raised from Federal taxes alone is nearly fifty times the figure he mentioned in 1871.—Editor.

mately one thousand copies of his brochure were sold, George realized that if he really wished to command attention he would someday have to cover the field more thoroughly and in a much larger book.

Yet here was an economic classic—one of the few native to America—in its embryo form.¹²