



Palgrave Entry on Henry George

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HENRY GEORGE

by Mason Gaffney

Henry George (1839-97) was by turns sailor, prospector, printer, reporter, San Francisco newspaper editor and publisher, orator and political activist before closeting himself to write on political economy. His Progress and Poverty (1879) electrified reformers, catapulted him to fame and began a worldwide movement for land reform and taxation, opening to George an extraordinary career in radical politics. Returning from Ireland as reporter for The Irish World of New York he was lionized by Irish-New Yorkers for his stand on the Irish land question. With ethnic, union and socialist backing he formed the United Labour Party and ran for mayor of New York in 1886, nearly winning.

He toured Britain and won over the Radical-Liberals; toured Australia as a folk-hero. At home he was courted by Democrat and later Populist leaders. He died in 1897 while running again for New York mayor, but his followers rose in and helped shape the Progressive movement which dominated the next twenty years. His name has become a byword for ideas and policies he espoused.

George is best known today for Progress and Poverty (1879). Eloquent, timely and challenging, it soon became and remains the all-time best-seller on economic theory and policy.

George defines "The Problem" as increase of want with increase of wealth. Refuting Malthusian fatalism as merely a device to rationalize privilege, George attributes low wages and unemployment rather to artificial scarcity of land, and barriers to free exchange.

Artificial scarcity results from unequal dispensation of public lands, concentration and "speculation". George's speculation is pervasive market failure endemic to land, which failure he attributes to holding for the unearned increment.

George proposed to raise the ad valorem property tax rate on bare land (broadly defined as all natural opportunities), thus socializing rent without excess burden. He would remove other taxes, calling them barriers to commerce, employment and capital formation. The cash drain of the ad valorem tax, while neutral at

the margin, would move and lubricate the land market as a whole, forcing land into full use. Observation persuaded him that otherwise speculation overrode the incentives to use land fully.

Release of hoarded lands would open wider opportunities for both labor and man-made capital. His overriding concern was for labor, but he saw capital mainly as a form of labor, produced by labor, complementing labor. So in an era before payroll taxes it was actually capital and commerce he sought to untax for the benefit of labor -- a preview of "business Keynesianism" in W. Heller's production of Camelot.

George did not see investment employing labor, but labor producing capital, a difference that to him was more than a nuance. While admiring Quesnay he never absorbed the Physiocratic idea of "avances". Instead he attacked its English derivative the wages-fund theory with its advances of subsistence, a concept he rejected as condescending to labor. He developed no concept of economic circulation, either of capital or spending. He lacked a good capital theory, belittling Austrian interest theory and botching his own. These faults narrowed the effective scope of his otherwise seminal work and ultimately limited its influence, which is still wide and sustained but mainly outside the macroeconomic field it addressed.

His program would level barriers to exchange and specialization and production and synergy. These include spatial barriers forced by land speculation (e.g. scattered settlement and urban sprawl); fiscal barriers like excise and wage taxes; and social barriers from unequal wealth and contempt for workmanship, which he (like Veblen) traced to the influence of privilege and unearned wealth. This "true free trade" would unleash technological, scientific, cultural and spiritual development in a more egalitarian and moral society organized around a perfected market mechanism.

George drew on earlier thinkers: Quesnay, Smith, Ricardo, Spencer, and Mill. And he contributed much to later thinking.

George was system-minded and sought to unify the laws of production and distribution in a coordinated harmonious system. His theoretical framework is an early adumbration of the marginal productivity theory of wages, which he integrates with Ricardo's rent law. J. B. Clark was a nemesis, and P. Wicksteed a friend, but both were formalizing insights from George.

Although best known as a deductive thinker, the journalist was also an observer with statistical intuition. In debate with Francis Walker on "The March of Concentration" in farming, George anticipated Lorenz' method of analyzing size distributions and goaded the U.S. Census into publishing farm size data in that form.

George wanted radical redistribution but without revolution. He pioneered the idea that taxation, properly crafted, can redistribute wealth without damage to the market. His influence on Fabianism was early and wide; also on American reformers like Tom L. Johnson, Upton Sinclair, John R. Commons, and Norman Thomas. The modern "mixed economy" is in the Georgist spirit of reform within traditional forms.

Continued heavy reliance on real estate taxation in Canada and the United States, with separate assessment of land value, reflects George's influence, as do the inclusion of land rents and gains in the income tax base, and the efforts of Lloyd George, Asquith, and Snowden to introduce national land taxes in Britain.

Free provision of public goods, social dividends, and marginal-cost pricing for urban mass transit and utilities are vintage Henry George. H. Hotelling and W. Vickrey have acknowledged their debt.

The optimistic "economics of abundance" idea owes much to George. The prevailing "dismal" economics was a science of choice where all the choices were bad and leaders could only call for more sacrifices. George promised full employment at higher wages by unlocking natural opportunities now held in speculation. Needed capital would be formed in the very process of making jobs, an idea pervading Keynes. Social synergy would produce a surplus that spills over into higher land rents, a "free lunch" that government may tap in lieu of taxes that penalize and abort useful activity.

George lives too in Urban Economics and City Planning. George's emphasis on the synergistic gains from urban linkages, and the wastes of sprawl caused by failure of the land market anticipates much of planning doctrine. Ebenezer Howard is an obvious link: his "Garden City" presupposed Georgist taxation to move the land market.

The idea that environment is a common heritage for future generations is pure Georgism. "Spaceship Earth", common property, and rights of the unborn are his very phrases.

As to Economic Development the economists are legion who have recommended a "dose of Henry George" to help LDCs take off, and some like Taiwan, belatedly following the counsel of the Georgist Dr. Sun Yat-sen, have taken the dose with good results.

On the conservative side, George was a pioneer of tax limitation, insisting that land rent set an upper limit on government spending. The resurgence of libertarianism and supply-side economics may set a new stage for George whose program was mainly oriented to increasing production in the private sector. Religion in politics should not threaten George, who unabashedly presented economic policy as an implementation of religious ideals.

George's blend of radicalism and conservatism can puzzle one until it is seen as a reconciliation of the two. The system is internally consistent but defies conventional stereotypes.

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See also LAND TAX.

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