

# Henry George 100 Years Later: The Great Reconciler

By Mason Gaffney, Ph.D.

Henry George (1839-1897) is best known today for *Progress and Poverty* (1879). Eloquent, timely and challenging, this book soon became and remains the all-time best-seller on economic theory and policy.

In 1879, George electrified the world by identifying one underlying cause for two great economic plagues:

- Chronic poverty arising from insufficient demand for labor
- Cycles of boom and bust

These twin plagues arose from concentrated ownership of land, compounded by land speculation. Large landowners and speculators (often one and the same) held the best land idle or underused, forcing labor onto marginal land and driving down wages. Collapse of speculative land price bubbles caused periodic slumps.

(By "land" George meant exclusive rights to use natural resources in a specified territory. It included mining, water, fishing, and timber rights, road and rail rights-of way, and some patents. George emphasized the high value and productivity of urban land, which facilitated communication and trade. Today, we would add to "land" such items as taxi medallions, telecommunications licenses and pollution "rights".)

George followed his analysis with a plausible, practicable remedy: eliminate all taxes except for a tax on land values. The "single tax," as it later became known, would invigorate the economy by breaking up large idle holdings, making land available to those who would use it. And it would suck the air out of speculative bubbles, damping the boom and bust cycle.

Taxing land is very progressive because land ownership is highly concentrated among the most wealthy, far more concentrated than income.

Taxing land is fair, because the community rather than the individual landowner creates land values.

Taxing land is economically efficient, because the owner cannot avoid a land tax ("shift" it) by choosing less-taxed options.

Both George's analysis and his remedy sprang directly from classical economic theory. Such giants as Adam Smith, David Ricardo, and John Stuart Mill, had already decried the evils of concentrated land ownership, which they called "land monopoly." George carried classical economics to its logical conclusion -- and popularized that conclusion with stunning effect.

George emerged from a raw new colony, California, as a scrappy marginal journalist. Yet his ideas exploded through the sophisticated metropolitan world as into a vacuum. *Progress and Poverty* sold millions of copies worldwide, in dozens of translations, second only to the Bible. Returning from Ireland as reporter for *The Irish World* of New York, George 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 in New York, and ran for mayor in 1886. Seven

short years after leaving California, George nearly took over as Mayor of New York City, the financial and intellectual capital of the nation. He beat Theodore Roosevelt, but lost to the Tammany candidate, Abram S. Hewitt — by electoral fraud.

In three more years, George had become a major influence in sophisticated Britain, as "adviser and field-general in land reform strategy" to the Radical wing of the Liberal Party. He was not even a British subject. In 1891, the Party adopted a land-tax plan, the "Newcastle Programme." Successive Liberal Governments of Campbell-Bannerman, Asquith, and Lloyd George carried forward modified "Georgist" policies.

George toured the world as an immensely popular political activist, orator and folk hero. He died suddenly in 1897, while running a second time for Mayor of New York City. A hundred thousand mourners marched at his funeral.

In the US, "Georgism" melded into the populist movement, and later into the Progressive Movement. At the national level, the Progressive Movement dominated both major political parties for 17 years, 1902-19. At the local level, its influence continued through the early 1920s. Local property taxation was modified along Georgist lines: land assessments were raised relative to improvements and rates were increased substantially. California water districts financed by land taxes catapulted California to the top-producing farm state in the Union, using land that had been desert or range. California generated farm jobs and homes, while other states destroyed them by allowing well-connected speculators and "robber barons" to grab large tracts of land. A Georgist, Congressman Warren Worth Bailey of Pennsylvania, drafted the first Federal personal income tax law on Georgist lines: falling mainly on very high incomes from property.

In 1913 William S. U'Ren, "Father of the Initiative and Referendum," created this system of direct democracy expressly to push single-tax initiatives in Oregon. In 1910, as a by-product of U'Ren's single-tax campaigns, Oregon had adopted the first residential primary law. This law was quickly imitated by many other states. The passage of these major electoral reforms during Woodrow Wilson's Governorship of New Jersey allowed him to win populist support and the Democratic nomination for President in 1912, and then defeat Taft. Wilson's mentor in New Jersey was an earnest Georgist, George L. Record. Record had gotten railroad lands up-taxed to the great benefit of public schools in New Jersey, and to the impoverishment of special-interest election funds. President Wilson included Georgists in his Cabinet (Newton D. Baker, Louis F. Post, Franklin K. Lane, and William B. Wilson), and collaborated with single-tax Congressmen like Henry George, Jr., and Warren Worth Bailey.

Joseph Fels, an idealistic American manufacturer, threw himself and his fortune into the English land tax campaign, culminating in the Parliamentary revolution of 1909, which stripped the House of Lords of its power to veto tax bills. Subsequently, he threw millions into single-tax campaigns in the US. In 1916, a "pure single-tax" initiative, led by Luke North, won 31% of the votes in California. Even while "losing," campaigns like these kept the issue highly visible. Assessors consequently focused more attention on land. By 1917 in California, land value constituted 72% of the assessment roll for property taxation -- a much higher fraction than today.

George's ideas were carried worldwide by such towering figures as David Lloyd George and George Bernard Shaw in England, Leo Tolstoy and Alexandr Kerensky in Russia, Sun Yat-sen

in China, Billy Hughes in Australia, Rolland O'Regan in New Zealand, Chaim Weizmann in Palestine, Francisco Madero in Mexico, and other leaders in Denmark, South Africa, and around the world. In England, parts of Lloyd George's budget speech of 1909 could have been written by Henry George himself. Some of Winston Churchill's speeches were written by Georgist ghosts.

Twentieth century historians Raymond Moley and Eric Goldman emphasize George's impact. According to Moley, George "touched almost all of the corrective influences which were the result of the Progressive movement. The restriction of monopoly, more democratic political machinery, municipal reform, the elimination of privilege in railroads, the regulation of public utilities, and the improvement of labor laws and working conditions -- all were ... accelerated by George." According to Goldman, George inspired most of the major reformers of the early 20th Century: "... no other book came anywhere near comparable influence, ...[it was] a volume which magically catalyzed the best yearnings of our grandfathers and fathers."

Where is the Georgist movement today?

World War I broke the momentum of the Progressive movement in the U.S. and the Liberal movement in England, allowing Georgist enemies to regroup. And enemies there were, for of course Georgism aims a dagger at the heart of unearned wealth and privilege. Enemies ultimately succeeded by a dual strategy. They tarred Georgism with the brush of Socialism or Communism, evoking images of the terrifying new regime in Russia. And they redefined economic theory, eliminating land as a significant category. In the US, the robber barons even financed the establishment of anti-Georgist economics departments at several major universities, including Columbia and Chicago, a story detailed in my book, *The Corruption of Economics*. Today an army of neo-classicists preach dourly that we must sacrifice equity on the altar of "efficiency." Thus they would stifle the demand for social justice that runs like a thread through the Bible, the Koran, and other great religious works.

Yet George's ideas are with us still. As historians often note, the Populist and Progressive movements faded out partly because they were co-opted by the leading parties. Ideas that we associate today with "liberal" Democrats -- belief in the fairness of progressive taxes (especially on "unearned" income), concern for "root causes" of poverty and unemployment, concern for social and racial justice -- these ideas have strong Georgist roots. Likewise, ideas we associate today with free-market Republicans and Libertarians -- the productive power of capitalism, the need for free trade, the need to liberate labor and capital from burdensome taxation and regulation -- these ideas have equally strong Georgist roots.

There are also today's Georgist success stories, rarely recognized as such: the Asian "tigers:" Taiwan, South Korea, Hong Kong and Singapore. Founded on the twin principles of access to land -- implemented by land reform, land taxes and land leasing -- and universal education and health care, the tigers' booming economies make them models for developing countries. Mainstream economists may have forgotten land taxes, but development economists still advocate them -- circumspectly of course, lest they offend the third world rulers they hope to influence.

Today, Georgists face both danger and opportunity:

Danger. The great Georgist reforms steadily erode, undefended by those who do not understand their significance. Property taxes, once the mainstay of local and state governments, increasingly give way to local and state sales and income taxes. Generations of propaganda have convinced even good liberals that property taxes fall squarely on the poor -- to the mega-million dollar benefit of corporations like Standard Oil of California, the largest beneficiary of Proposition 13's 1979 property tax rollback and freeze. The federal income tax, which once targeted unearned income from land, now devolves steadily into a payroll tax.

Opportunity. Over the last twenty years, wealth and wages have grown ever more unequal, while the death of the Communist bogeyman reveals the ugliness of capitalism without fair laws or equal opportunity. Neo-classical economists, trundling through a Mars-scape of dusty statistics and forbidding formulas, can proffer only unpleasant tradeoffs. In the debate over the newly-passed 1997 income tax "reforms," Democrats complained that cuts in estate taxes and capital gains taxes for the rich were "unfair." Republicans argued -- successfully -- that such tax favors are essential to investment and growth.

Neo-classical economists give us only a hard choice: we may have equity, or efficiency, but not both. By contrast, George's program reconciles equity and efficiency. Think of it! George takes two polar philosophies, collectivism and individualism, and composes them into one solution. He cuts the Gordian knot. Like Keynes after him, George inspires us by saying, "Forget the bitter tradeoffs; we can have it all!"