

Harris and His Anachronistic Attack

BY CHARLES F. COLLIER

William Torrey Harris (1835-1909) is best known as an American educator, editor, and philosopher. He served as a teacher in, and superintendent of, the St. Louis, Missouri, school system, and later as the United States Commissioner of Education. He edited Appleton's *International Education Series*, Webster's *New International Dictionary*, and the philosophy section of *Johnson's Encyclopedia*; he wrote numerous reports, papers and articles, and books. He was (with Emerson and Alcott) a founder of the influential School of Philosophy in Concord, Massachusetts, founder and editor of the *Journal of Speculative Philosophy*, and a promoter of Hegelian idealism. Yet, on several occasions, Harris took time from these activities to offer his critique of George's *Progress and Poverty*. (None of George's other works were discussed.) Harris believed that his basic arguments against George's ideas were never refuted.¹

It is not surprising that Harris emerged as a critic of George since, on matters of economic theory, Harris was a disciple of Henry C. Carey.² Carey was a critic of the deductive method of analysis and the Ricardian rent theory in particular. Further, his theory of income distribution was quite different from the theories of the classicists and George.³ Carey's ideas provided the foundation for Harris's critique.

Harris's attack began in September 1886 in an address to the Saratoga meeting of the American Social Science Association.⁴ The speech was important for several reasons. First, it set the pattern for all of his other attacks. Since Harris believed that his arguments were devastating and that they had not been refuted, he did little to revise them. Second, as Barker noted in his definitive biography of George, with this speech Harris became "the most famous person to speak against [George] in this period."⁵

After some preliminary remarks, Harris, following Carey, attacked all of the classical economists, including George, for their use of the deductive method of reasoning. Carey claimed that the axioms of the classicists (wealth-maximizing behavior, drives to reproduce, etc.) simply did not adequately represent actual human behavior. He also claimed that when classicists applied deductive logic to these inadequate axioms they inevitably got

inadequate results. Further, he charged that the classicists never detected the flaws because their test of their theories' validity was logical consistency, not the ability to explain and predict "real world" behavior. He maintained that if the classicists ever tested their theories against actual data, they would have had to reject most of their theories.⁶ Harris, in similar fashion, said that classicists failed because they "set up principles for absolute ones which serve only for a nation of mere shopkeepers."⁷ He too believed that empirical tests would lead to the rejection of most of classical political economy. Carey felt that one of the worst errors produced by the classicists was the Ricardian rent theory, a theory that postulated that the most fertile land would be settled first and that the margin of cultivation would then extend downward and outward as more land was needed. Carey said that the historical evidence of England, the home of most of the classicists, revealed that the *reverse* was true, namely, that the first settlements were in the hill country and that settlement extended to, not from, the richer soil of the river bottoms.⁸ That pattern, insisted Carey, was quite general. Harris, in turn, argued that the Ricardian view was obviously incorrect because, if the best land had been settled first, the lush Amazon basin would have been settled before most other parts of the world.⁹

In reiterating Carey's arguments, Harris apparently never realized that leading economists had refuted them twenty years before. John Stuart Mill reasoned that in areas of new settlement, in which labor and capital were scarce relative to land, people might not settle on land that would eventually prove to be the most fertile *if* initial cultivation of that land required more capital and labor than cultivation of another plot that would eventually prove less fertile. But, said Mill, once societies had become well populated by people with adequate capital, it would be nothing short of absurd for them to let the more fertile plots remain idle while they lived on the less fertile plots. Mill claimed that *after a certain state of development had been reached*, societies did act in accordance with the Ricardian view.¹⁰ Francis Amasa Walker, perhaps the foremost American economist of the era, also had written a lengthy and devastating analysis of Carey's ideas before Harris reiterated them.¹¹ Finally, Alfred Marshall, the greatest economist alive at the turn of the century, also had refuted Carey's arguments. He accepted Mill's analysis and then added that the first settlers in a country may settle on hills and not on river bottoms since hills can be more defensible positions against enemies and wild animals. Further, he noted that many river bottoms are places in which one was more likely to catch diseases such as malaria. Marshall argued that since such risks must be taken into account, it would be quite logical to delay settlement of the river bottoms until medical technology and defense capability were developed.¹² Mill, Walker, and Marshall all agreed that the Carey-Harris objections were valid when they were directed at careless statements of the Ricardian theory, but they argued that the Carey-Harris objections were entirely irrelevant or incorrect when they were directed against careful statements of the theory. Harris's failure to deal with, or even acknowledge, these arguments indicates that he was not so conversant with the literature as he should have been.

Harris's main objection to George's method of procedure was that the method was entirely deductive and that George had not applied a single reliable statistical test to his theories. Harris believed that such tests would

reveal that the problem that George proposed to solve was entirely specious and that George's proposed remedy would actually be detrimental to the interests of the classes it was designed to help. He sought to prove that with the available census data.¹³

In some senses, Harris was correct. George did often tend to assume things that could have been tested empirically, and rejection of these assumptions would greatly weaken George's analysis. For instance, George did assume that land speculators would hold their land idle while they waited for its value to increase. Also, George did assume a good deal more than he had a right to about the links between progress and poverty. But these were not the things that Harris proposed to test. Harris proposed to make statements about rent, land value, real wages, and so on based upon census data, and to use those statements to refute George's arguments. The problem, however, is that the data that Harris had at his disposal were so unreliable and Harris's handling of that data was so poor that all of his conclusions must be regarded as highly suspect. Moreover, there seems to be no way to treat the data so as to make them reliable.

It is not possible here to provide a detailed analysis of Harris's statistical techniques. The following should, however, indicate the basic nature of the problem. The fundamental problem is that the data that Harris needed did not exist in the form in which he needed them. Neither the United States nor the United Kingdom had accurate data on rent or land value—or if they did, Harris never cited them.

Harris proposed to use the 1880 national census as his basic source of data for the United States. And yet the census reported only the total value of all "property," including land, buildings, machinery, raw materials, manufactured goods, and money. The value of such "property" was, clearly, of no special interest in this context. To ascertain the magnitudes of the relevant variables, Harris undertook four steps. First, he noted that in Massachusetts, the only state that reported land value and building value separately, the ratio of the value of buildings to the value of land was 56 to 44. He assumed that the same ratio applied to all "Eastern states." And he assumed that an approximately inverse ratio, 40 to 60, applied in the "Southern section" and in all "Western States and Territories." He used those ratios to calculate the value of all of the land and buildings in the country.¹⁴ Second, he used a statement by Henry Gannett, that while the ratio of assessed value to market value varied greatly among districts (from 40 to 100 percent), the average ratio was 65 percent.¹⁵ That figure was used to estimate the market value of all of the land in the United States. Third, Harris argued that annual rent would be four percent of the value of the land. He concluded, "Counting rent at four per cent. on the actual valuation (which would be 6.1 per cent. on assessed value), we have the sum of \$400,000,000 as the total rental of land in the United States. Four per cent. is probably a larger average rent than land brings in because land-owners raise prices on land when it produces more than three per cent. after paying taxes."¹⁶ Fourth, he argued that since the population of the United States was about fifty million people, rent only amounted to about 2.2 cents per day per person and that such a sum was far too small to cure the problem of poverty even if "it were all distributed."¹⁷

Harris's procedures are open to at least some question at each step. The assignment of the ratios of building values to land values was, after all, quite arbitrary. All ratios were based upon a comparison or contrast with Massachusetts. Even if one were to grant that the Massachusetts estimates were accurate, it is very unsafe to apply that one estimate to the entire country. Further, the context does not make it clear that the estimate supplied by Gannett applied to "land" and not "real estate" in general. The several kinds of property are assessed differently and the distinctions must be *clearly* drawn. Further, the "average" is, technically, inaccurate unless it is a weighted average, since land value is not uniformly distributed across all districts. The statement that rent will tend to be four percent of land value is simply analytically invalid. When land is subject to an ad valorem tax, the kind that George proposed, its value is given by the equation

$$V = \frac{R}{i + t}$$

where V is post tax-market value, R is gross rent, i is the interest rate used for capitalization purposes, and t is the tax rate. It is clear that V rises *whenever* R rises (i and t held constant), no matter what percentage R is of V . Rent is simply not a fixed percentage of the capitalized value of land. The issue of the "distribution of rent" will be discussed below.

Apparently, Harris himself eventually realized that most of his original statements about the United Kingdom were severely flawed. Many of these statements were based upon the work of Michael Mulhall. From the beginning, Harris understood that Mulhall's use of the term *land* was very imprecise, meaning "agricultural capital in land" including farms, farm buildings, and fences, but excluding all urban land.¹⁸ At other times, however, he seems to have forgotten that imprecision, for he made statements about "land" which, if true at all, were true only for rural land.¹⁹ He also cited a Parliamentary study as giving the total rent of land in the United Kingdom after *explicitly* noting that the study ignored all land holdings of less than one acre and that the study ignored the entire city of London.²⁰ In his final article on this topic, Harris expressed realization of the fact that Mulhall's use of the term *houses* was as vague as his use of the term *land*. In his earlier articles, Harris followed Mulhall and kept "houses" separate from "land." He later realized, however, that Mulhall's "houses" included "city houses and the lots on which they stand. . ."²¹ The new finding did not cause him to revise his conclusions in any important way, although it should have. He also made calculations that indicated that rent in the United Kingdom was between one-twenty-fifth and one-eighteenth of the gross national product and that it amounted to only 2.5 cents per person per day. It seems clear that since Harris's data for "land" includes rural buildings and since his data for "houses" includes urban sites, and since he never adjusted the data to account for that, his findings cannot be accepted as accurate.

There does not seem to be any way, even in principle, to put order into the data. The categories under which the data were gathered preclude that. The point is important to an analysis of the structure of Harris's argument. Harris claimed that an examination of census data would lead a reasonable person to

reject George's ideas. In fact, however, Harris had no reliable data; he had only several overly aggregated and/or ambiguously classified observations and a lengthy sequence of dubious assumptions as to how to process the data. One can only conclude that neither George nor Harris was at all convincing on this point. Neither writer produced any acceptable work on the issue and it must be said that the issue was unresolved after each side had stated its case.

For present purposes, it is important to note that even if Harris's data were accurate—or even if they could be made accurate—they would not have been relevant to his argument. Harris appeared to have felt that his strongest argument against George's proposal was that over time the rental share of annual income had declined so much that it represented between one-twenty-fifth and one-eighteenth of that income or about 2.2 cents per person per day in the United States and 2.5 cents per person per day in the United Kingdom.²² He argued that even if all of the rent were taxed away and divided equally among the population, the amount that each person would receive would be too small to eliminate poverty.²³ It was this objection that Harris considered to have been unrefuted.²⁴

While Harris may have believed that this objection escaped refutation, there were actually several important refutations produced in his lifetime. Within weeks of the publication of Harris's first article, Mary E. Beedy, in an otherwise laudatory review of Harris's career, noted: "It is quite possible that Dr. Harris may not fully have comprehended Mr. George's views, or that his statistics may be in some degree faulty; but this we must all feel: that the question is now ably opened on both sides, and Mr. George will be compelled to meet Dr. Harris with the weapons of facts and figures."²⁵ Later, in 1892, E. Benjamin Andrews, President of Brown University and a moderately sympathetic critic of George's, commented that many of the "flaws" that Harris felt he had uncovered were "in a way recommendations instead."²⁶ Beedy and Andrews apparently realized, as Harris never did, that George never proposed to cure poverty through an equal division of rent among all of the citizens of the country. Instead, he envisioned his tax as the vehicle for the removal of obstacles to production and employment. He saw the results of these incentive effects, not cash disbursements from the government, as the cure to the problem of poverty. One might conclude, along with Andrews, that George's proposal, if implemented, would not accomplish two-thirds, or even one half, of the things promised. One might even conclude that George had greatly exaggerated the impact that private ownership of land has upon the production process. Yet one might still favor the imposition of heavy taxes on goods available in perfectly (or almost perfectly) inelastic supply, and one might favor the removal, or reduction of taxes on goods available in more elastic supply.²⁷ And, perhaps more to the point of this discussion, one must analyze and accept or reject George's proposal as George wrote it and intended it. An effective critique cannot be based upon a misunderstanding as thorough as Harris's.²⁸

After Harris had delivered what he felt to be his irrefutable objections to George's proposal, he moved on to discuss "The Cause of Mr. George's Error."²⁹ The error was said to stem from George's alleged failure to distinguish between the several kinds of land. Harris argued, "Land for building purposes is prevented from demanding high prices by competition

with suburban agricultural land. The rapid transit of the railroad produces this competition, offering to the laborer in the city a cheap building lot carved out of a country farm, in a healthful locality. On the other hand, capital in the form of cheap transportation keeps down the price of farming land on the Atlantic coast by bringing into competition with it the border lands of the west."³⁰ That point is true, if ever, only under certain circumstances. Even if the marginal land was to be had rent free, or at zero price, as even Carey supposed, the very process discussed by Carey and Harris would raise the rent on all hitherto marginal and intramarginal plots. Harris appears not to have considered that point, and that oversight is the potentially fatal flaw in the argument. For Harris's purposes it was not sufficient to look just at the reduced rate of increase in rent on urban land and Atlantic-coast farm land. He should have considered the *total* rent paid throughout society. If the rents on hitherto marginal and intramarginal plots rose enough, the total effect might be quite different from the effect on any isolated plot or group of plots.

Harris next attempted to demonstrate that the problem of poverty was becoming less and less serious over time because real wages were rising continuously.³¹ While that claim may well be true, Harris's method of demonstrating it is flawed. He began by citing some income and wage data for the United States and the United Kingdom. He then proposed to show that since consumer prices had risen less than money wages, real wages had risen. Following Mulhall, Harris claimed that he planned to reject all of the consumer price index numbers calculated by economists in favor of "the volume of trade method."³² Although Mulhall is not precise in his description of his method, it appears that he wished to calculate the ratio of current output to past output, assuming that base-period prices prevailed.³³ It is worth noting that neither Mulhall nor Harris realized that, contrary to their plans, the "volume of trade method" yields a Laspeyres quantity index. The important issue, however, is that such an index introduces an important bias into the argument. As Franklin Fisher and Karl Shell have shown, over time periods in which tastes and production-possibility maps change, the consumer price index should be calculated using a Paasche index for the Laspeyres quantity index understates the correct value.³⁴ Thus, if Harris's chosen index understated the price-level increase, it would overstate the real-wage increase because the price index appears in the denominator of the fraction that indicates the real wage. While real wages had surely increased, arguments such as Harris's will overstate the amount of the increase.

Harris next discussed his own theory of "progress and poverty." The great increase in production was said to be due to the utilization of enormous amounts of "labor-saving machinery," which increased the productivity of the employed labor. But, he added, the problems of poverty and unemployment were related to the same tendency. The fact that technological advance was continuous implied that new machines would be developed to do more and more jobs. This would, inevitably, tend to replace human laborers. Those who were reemployed would gain, for there would be more goods and services for them to consume, but those who could not readjust their skills would become unemployed. And those who could be replaced by machinery would have to accept very low wages in order to make themselves more attractive than machinery. The cure to the problem, said Harris, was to develop a system in which people would become flexible enough to readjust their careers as required.³⁵

Harris next turned his attention to "the function of property" and argued that the institution of private property was of paramount importance. With it, the rights of all individuals were well-defined and accepted by all. Social conflicts were held to the minimum levels as each individual accepted the rights of others to treat their property as they saw fit. Without it, there would inevitably be conflicts over the use of any existing objects. But, said Harris, the scope of individual liberty would be drastically limited unless private ownership extended to land. He asserted, without elaboration, that unless private property extended to land, "there must be one absolute will which limits all others, and deprives them of perfect freedom to that extent."³⁶ There is no explanation as to the identity of the "absolute will" and no discussion of the way in which it inhibits personal freedom. A paradoxical feature of this criticism is that it was made of a Jeffersonian individualist by a Hegelian who had, on another occasion, enthusiastically anticipated the emergence of a national consciousness in which "each individual recognizes his substantial side to be the State as such."³⁷

In expatiating upon the supposed loss of individuality that would accompany the abolition of "free" (fee simple) ownership of land, Harris raised aesthetic considerations with an argument that we have not encountered elsewhere in relation to the thought of George: "The owner of a leasehold is careful if he builds, to study how to build so that in case the land passes away from his possession he may get the most for his building. Hence, he adopts a conventional style, and there is no self-revelation in his work and no culture that comes from it."³⁸

This is an interesting observation, but it ceases to hold good in proportion to the greater length of the lease. The Chrysler and Empire State buildings and Rockefeller Center are but three familiar examples of innovative construction on leased land; others, of more recent vintage, would be many of our most distinctive shopping malls and plazas. Since what George proposed was tantamount to a *perpetual* lease at a variable figure reflecting income potential, the observation obviously has no bearing on it.

Harris next argued that it would literally be "killing the goose that laid the golden egg" for society to tax the "unearned increment." It seems, however, that he misunderstood the meaning of the term. He repeatedly noted that individuals incurred risks and invented new goods and new production techniques because of the prospective gains associated with success. To tax the rewards of such success would be to create a disincentive effect that would lead to little or no innovation.³⁹ One need only note that Harris's conclusions are quite true but that they have nothing whatever to do with the "unearned increment." George, like all other economists, used the term *unearned increment* to apply to increases in value that occurred *separately* from the things discussed by Harris.⁴⁰

Finally, Harris turned his attention to the impact of George's tax. Again Harris appears to have misinterpreted George's proposal, for he repeatedly refers to it as a "land tax."⁴¹ Of course, George proposed a land-value tax, not a land tax. The distinction is important because in both the Georgian and the Carey-Harris framework there was a no-rent margin. Thus, in both frameworks, there was land that had no value. Then Harris claimed, without proof, that the tax would be shifted and that it would be shifted in an undesirable way. He asserted that the tax would soon be shifted to the

occupants of the houses on the land. And, without explaining why it would be so, he claimed that the shift would lower the rent of the houses lived in by the rich and raise the rent of the houses of the poor. Thus, said Harris, the proposal would actually hurt those whom it was intended to help.⁴² It only needs to be said that there is nothing in economic theory which insures that those conclusions are necessarily true. Indeed, the lack of any theory in support of his views may explain why Harris was content to merely assert his conclusions.

It must be said that Harris did begin with an excellent idea. It is necessary to examine the empirical findings related to this issue. And it would be necessary to reject or revise George's ideas if the empirical findings dictated that. The problem with the specific case of Harris, however, is that the data that he had available were not those he needed. Further, it is clear that Harris never understood George's proposal and hence he never really tested it; instead he tested only his misstatement of the proposal. It is also clear that Harris's proposed alternative system, based on the work of Henry C. Carey, was obsolete at the time that Harris wrote. One can conclude only that while Harris may well have been a competent and innovative educator, and an able (if not especially original) philosopher, he was not at all adequate as an economist and he was not equipped to handle the task he set for himself. For these reasons the specific critique he offered must be judged quite ineffective.

Notes

1. Kurt F. Leidecker, *Yankee Teacher: The Life of William Torrey Harris* (New York: Philosophical Library, 1946), pp. 540-41.
2. *Ibid.*, p. 540.
3. Henry C. Carey, *Principles of Social Science* (Philadelphia: Lippincott, 1858), 1:104-46 and 3:109-70.
4. William T. Harris, "The Right of Property and the Ownership of Land," *Journal of Social Science* 22 (June 1887):116-55.
5. Charles Albro Barker, *Henry George* (New York: Oxford, 1955), p. 556.
6. Carey, *Principles*, 1:28-32.
7. Harris, "Right," p. 119.
8. Carey, *Principles*, 1:170.
9. Harris, "Right," p. 119 and Carey, *Principles*, 1:28-35 and 104-46.
10. John Stuart Mill, *Principles of Political Economy: With Some Applications to Social Philosophy*, ed. W. J. Ashley, 9th ed. (1885; reprint ed. New York: Kelley, 1965), pp. 181-83 and 430-33. Ashley assures us that all cited arguments appeared in all editions since the edition of 1865 (the sixth edition). They were therefore available to Harris, who wrote and spoke on the topic from 1886 to 1897.
11. Francis A. Walker, *Land and Its Rent* (Boston: Little, Brown, 1883), pp. 75-108.
12. Alfred Marshall, *Principles of Economics*, 4th ed. (London: Macmillan, 1898), 1:240-44.
13. Harris, "Right," pp. 120-22 and his "Henry George's Mistake about Land," *The Forum* 3 (July 1887):433-42.
14. Harris, "Right," pp. 122-24.
15. *Ibid.*, p. 123.
16. *Ibid.*, p. 125.
17. *Ibid.*, pp. 122 and 125.
18. *Ibid.*, p. 128, n. 1.

19. In "Mistake," p. 439, he reported the value of land in the United Kingdom as 1,737,000,000 pounds sterling. Yet, in "Right," p. 128, n. 2, that figure is given as the value of agricultural capital in land.
20. Harris, "Right," p. 129. n. One of the first people to have noticed that this problem existed was Thomas G. Shearman. See his *Natural Taxation* (New York: Doubleday, Page, 1916), p. 137.
21. W. T. Harris, "Statistics versus Socialism," *The Forum* 24 (October 1897):190.
22. Harris, "Right," pp. 125-28; "Mistake," pp. 437-38; and "Statistics," p. 196.
23. Harris, "Right," p. 122.
24. Leidecker, *Yankee Teacher*, pp. 540-41.
25. Mary E. Beedy, "Dr. William T. Harris and His Reply to Henry George," *Education* 8 (October 1887):111-12. The article first appeared in *The Chicago Tribune* of 10 July 1887.
26. E. Benjamin Andrews, "Economic Reforms Short of Socialism," *International Journal of Ethics* 2 (April 1892):281-83.
27. *Ibid.*, p. 281. For a statement that a tax on the "unearned increment" will not distort production incentives or efficiency, see Paul A. Samuelson, *Economics*, 10th ed. (New York: McGraw-Hill, 1976), p. 564.
28. It may be worth noting that Harris repeatedly made this kind of error. In "Statistics" he wrote, "I consider the most important item of economic statistics to be that which shows the total product of the State or nation in the form of the average per day for each inhabitant. This item helps the individual citizen to compare his daily wages or his annual income with the quota which he would receive in case the total product of his State or nation were distributed to each inhabitant without any deductions for capital, for land, or for supervision" (pp. 192-93). Earlier he had spoken of an equal division of rent, so he tended to report all of his data in those terms. While per capita or per day data may be useful for some purposes they are not especially useful for others. Specifically, neither of the major groups criticized by Harris—the single taxers and the Marxist socialists—proposed an equal division of rent or total product. Thus Harris's critique of both groups was badly misdirected.
29. The phrase is the title of a section of "Right." See pp. 129-30.
30. Harris, "Right," p. 129. See "Mistake," pp. 439-40 for a similar statement. This point, like so many of Harris's points, appears to have been derived from the work of Carey. See Carey's *Principles*, 1:168-69. And, as was often the case, John Stuart Mill had already furnished a demonstration that Carey's point was theoretically unsound. See Mill, *Principles of Political Economy*, p. 432.
31. Harris, "Right," pp. 130-35.
32. *Ibid.*, p. 132 and the sources cited there.
33. Michael G. Mulhall, *History of Prices Since the Year 1850* (London: Longmans, Green, 1885), p. 122.
34. Franklin Fisher and Karl Shell, *The Economic Theory of Price Indices: Two Essays on the Effects of Taste, Quality and Technological Change* (New York: Academic, 1972), pp. 58-59.
35. Harris, "Right," pp. 134-46.
36. *Ibid.*, pp. 146-47. The quoted passage is from p. 147.
37. William Torrey Harris, "To the Reader," *Journal of Speculative Philosophy*, (January 1867).
38. Harris, "Right," p. 148.
39. *Ibid.*, pp. 148-51.
40. It should be noted that the passage seems to be aimed at Marx more than at George. It must be said, in fairness to Marx, that Harris appears to have misunderstood Marx's economics and that his objection to it is irrelevant.
41. Harris, "Right," p. 152.
42. *Ibid.*, pp. 152-55.