IMMIGRATION

Henry George and Immigration

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ABSTRACT. Henry George's opposition to free immigration may be surprising in light of his positions on other aspects of economic theory and policy. This essay reviews George's statements on immigration policy, discusses inconsistencies of these statements with his positions on free trade and Malthusian population theory, compares George's views with the neoclassical economic perspective on immigration, and suggests that implementation of George's policy of taxing land values would share the gains from immigration in a manner that might reduce opposition to open borders.

George's Views on Immigration

Henry George's views on immigration policy have received limited attention. Hansen (1969: 65) noted that George's "anti-Asian immigration policy was an exception" to his philosophy favoring freedom of opportunity, opposing monopoly, and supporting free trade. However, George's opposition to immigration was aimed specifically at immigration from Asia. Wenzer (2003, 2: xxii) notes that George's attitude toward immigrants from southern and eastern Europe did not exhibit "the virulent prejudice he turned on the Chinese."

Problems associated with Chinese immigration were an early stimulus to George's study of economics. In *The Science of Political Economy*, George (1992: 200) gave a brief account of how he was led to write *Progress and Poverty* and described his earliest writing on the topic of immigration:

> In 1869 I went East on newspaper business, returning to California in the early summer of 1870. John Russell Young was at that time managing editor of the New York Tribune, and I wrote for him an article on "The Chinese

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on the Pacific Coast," a question that had begun to arouse attention there, taking the side popular among the working-classes of the Coast, in opposition to the unrestricted immigration of that people.

The *New York Tribune* article voiced concerns about cultural differences similar to arguments of conservative opponents of immigration today, describing the Chinese immigrants as having low moral standards and questioning whether they could be assimilated into American culture. From an economic perspective, George's concern was that Chinese immigration would reduce wage rates. In George's analysis this effect was not simply due to downward pressure on wages from the increased supply of labor associated with any immigration; the reduction in wage rates was uniquely associated with Chinese immigration because the Chinese immigrants would accept a lower standard of living (Wenzer 2003: Vol. 1, 161).

> [T]heir standard of comfort is very much lower than that of our own people – very much lower than that of any European immigrants who come among us. This fact enables them to underbid all competitors in the labor market. . . . [T]hus in every case in which Chinese comes into fair competition with white labor, the whites must either retire from the field or come down to the Chinese standard of living.

George wrote 39 more articles on Chinese immigration published in California newspapers in 1869 and 1870 including one article in the *Oakland Daily Transcript* of November 20, 1869, in which he quoted a letter from John Stuart Mill agreeing with George's conclusion that a large Chinese immigration would reduce wages. However, Mill was more optimistic than George about the long-run potential for education to raise the Chinese to the level of Americans (Wenzer 2003: Vol. 1, 173–177).

George's continued opposition to Chinese immigration is also found in a lecture on "The Study of Political Economy" delivered to students at the University of California in 1877 and published in *The Popular Science Monthly* in 1880:

> In connection with the discussion of Chinese immigration, you have, doubtless, over and over again heard it contended that cheap labor, which would reduce the cost of production, is precisely equivalent to labor-saving machinery, and, as machinery operates to increase wealth, so would cheap labor. This conclusion is jumped at from the fact that cheap labor and

labor-saving machinery similarly reduce the cost of production to the manufacturer. But, if, instead of jumping at this conclusion, we analyze the manner in which the reduction of cost is produced in each case, we shall see the fallacy. Labor-saving machinery reduces cost by increasing the productive power of labor; a reduction of wages reduces cost by reducing the share of the product which falls to the laborer. To the employer the effect may be the same; but, to the community, which includes both employers and employed, the effect is very different. In the one case there is increase in the general wealth; in the other there is merely a change in distribution – whatever one class gains another class necessarily losing. Hence the effect of cheap labor is necessarily very different from that of improved machinery.

This distinction between the effects of labor-saving machinery and the effects of low-wage immigrant labor is also found in George's 1869 article in the *New York Tribune* (Wenzer 2003: Vol. 1, 166).

In his later writings and speeches, George took a much more favorable view of European immigration than he had of immigration from Asia. In response to an anti-immigration article by Terence Powderly, a leader of the Knights of Labor and sometime ally of George, George argued that Americans should welcome immigrants from southern and central Europe (Powderly 1888; Barker 1991: 515; Wenzer 1997: 218–219). In a series of articles on "Labor in Pennsylvania" in *The North American Review*, George argued that Hungarian immigrants, who had been feared as having a depressing effect on wages similar to the Chinese, in fact had shown themselves to be militant labor activists in the successful Connesville coal strike in 1886 (Wenzer 2003: Vol. 2, 129–133).

In "The Democratic Principle: Address of Henry George Before the Crescent Club Democratic Society of Baltimore" (*The Standard*, Sept. 14, 1889), George spoke with regret at the hostile reception accorded European immigrants at the time (Wenzer 1997: 117):

The gulf stream of European immigration still flows on, for social discontent is rife in Europe, and the conditions that are increasing social pressure here are being felt all over the civilized world. But what is most significant is the change in feeling toward this immigration. . . . [T]he European immigrant is met when he lands by officials, who, if he brings nothing but the power for labor, send him back again. Chronic paupers, criminals, the weak in mind and body are not desirable elements, but [there was a time] when we boasted that this was the country of countries for any one willing to work, and when we welcomed the man who brought nothing but a pair of willing hands as

> an addition to national strength, a new recruit for the great army that was to overrun the continent and make the wilderness bloom. But now if the immigrant shows, or, rather if it can be shown, that he has made arrangements to go to work, and has secured employment before coming here, then is he not merely sent back, but the American who made the bargain with him is liable to fine or imprisonment. The trustees of a New York church are even now under sentence of the law for having imported a contract laborer in the shape of an Episcopal minister. It is only one step further to prohibit all immigration of men likely to work for their living. And this is the logical outcome of the system we have adopted. By elaborate laws we strive to keep goods out of the country in order, we have been told, to give Americans more work to do. It is but logical, then, to keep out workmen in order that there shall be fewer to do it.

George attributed the negative effects of immigration to the monopoly power of privately owned land and argued that if his reforms of free trade and land value taxation were implemented the negative effects of immigration would be eliminated. Even with regard to immigration from Asia, George suggested that his reforms would eliminate the negative effects. At a meeting of the Anti-Poverty Society in 1887, in response to a question about Chinese immigration, George answered (Wenzer 2003: Vol. 2, 211–212):

> [U]nder the present condition of things, where competition of men deprived of all opportunity to earn a living for themselves fixes the rate of wages, in my opinion we cannot be too careful to keep out any large immigration from China. But if we were to base our social conditions upon principles of justice, securing to all men their natural rights, then I believe that we would have no need for any restrictions.

Many followers of Henry George have expressed more favorable views of immigration. Albert Jay Nock (1939: 91–92) contrasted George's negative picture of the moral character of Chinese immigrants with the more favorable description in Mark Twain's *Roughing It* and concluded that Twain's view was "the more nearly accurate." Jack Schwartzman (1998) compared the view of George to that of Emma Lazarus, a proponent of free immigration who was herself favorably impressed by *Progress and Poverty*. Schwartzman noted George's opposition to Chinese immigration despite his rejection of Malthusian population theory, which is often used to justify anti-immigration policies.

George's Critique of Malthus's Theory of Population

George's opposition to Chinese immigration was not based on a belief that population growth in general led to reduced *per capita* income. Indeed, he devoted all of Book II of *Progress and Poverty* (George 1942: 75–125) to a critique of the Malthusian theory.

> [E]ven if the increase of population does reduce the power of the natural factor of wealth, by compelling a resort to poorer soils, etc., it yet so vastly increases the power of the human factor as more than to compensate. Twenty men working together will, where nature is niggardly, produce more than twenty times the wealth that one man can produce where nature is most bountiful. The denser the population the more minute becomes the subdivision of labor, the greater the economies of production and distribution, and, hence, the very reverse of the Malthusian doctrine is true; and, within the limits in which we have reason to suppose increase would still go on, in any given state of civilization a greater number of people can produce a larger proportionate amount of wealth, and more fully supply their wants, than can a smaller number.

Whitaker (1997, 2001) expresses George's theory in the terminology of modern economics as diminishing returns offset by scale economies of increased specialization of labor and agglomeration economies. According to Whitaker's (1997: 1899) description of George's view:

> Population growth has three distinct effects. (i) It increases the demand for land, requiring its more extensive and intensive utilization, thus running into diminishing returns. (ii) It increases the efficiency of labor by permitting more specialization and a more complex division of labor, thus increasing the output of any worker on each piece of land. (iii) It leads to increased agglomeration of population and industry, greatly raising the productive advantage of the selected pieces of land which are the sites of such agglomeration by bringing out in land special capabilities otherwise latent, and by attaching special capabilities to particular lands. Pecuniary benefit accrues to the owners of such land and not to the workers employed on it.The last two effects are social or externality effects not observed in the private decisions of individual economic actors. The competitive wage for labor is simply the extra product coming from the first effect—the average product of labor at the no-rent margin—the addition of any one worker exerting only a negligible and uncompensated influence through the last two effects. The addition of these makes it at least possible for output per head to rise while population grows and the real wage rate falls.

George's Contrasting Views on Free Trade and Immigration

Libertarian writers have often linked support for free immigration with arguments for free trade. For example, David Friedman (1996: 207–208) argues as follows:

> One way of looking at immigration restrictions is as barriers to trade; they prevent an American consumer from buying the labor of a Mexican worker by preventing the worker from coming to where the labor is wanted. The comparative advantage arguments . . . apply here as well. The abolition of immigration restrictions would produce a net benefit for present Americans, although some would be worse off—just as the abolition of tariffs would produce a net benefit for Americans, although American autoworkers (and GM stockholders) might be injured.

Based on the above reasoning, one might expect that an advocate of free trade such as Henry George would also oppose restrictions on immigration. However, George's opposition to Chinese immigration was based, at least in part, on the belief that immigration would reduce domestic wages but that the importation of goods would not. He alluded to the different effects of imports and immigration in his 1877 lecture on "The Study of Political Economy" (George 1999: 103–104), and elaborated on this point in *Protection or Free Trade* (George 1980: 201–202):

> The incoming of the products of cheap labor is a very different thing from the incoming of cheap labor. The effect of the one is upon the production of wealth, increasing the aggregate amount to be distributed; the effect of the other is upon the distribution of wealth, decreasing the proportion which goes to the working-classes. We might permit the free importation of Chinese commodities without in the slightest degree affecting wages; but, under our present conditions, the free immigration of Chinese laborers would lessen wages.

Despite George's claim in the above passage that trade has no effect on wages, elsewhere in *Protection or Free Trade* he recognizes that trade policy may increase the wages of some workers relative to the wages of others (George 1980: 209):

> When a duty, by increasing the demand for a certain domestic production, suddenly increases the demand for a certain kind of skilled labor, the wages of such labor may be temporarily increased, to an extent and for a time determined by the difficulties of obtaining skilled laborers from other

> countries or of the acquirement by new laborers of the needed skill. But in any industry it is only the few workmen of peculiar skill who can thus be affected, and even when by these few such an advantage is gained, it can be maintained only by trades-unions that limit entrance to the craft.

Thomas Martin (1989: 498) has argued that "Henry George anticipated key elements of the modern theory concerning the impact of trade on relative factor prices." According to Martin (1989: 494):

> [T]he Stolper-Samuelson theory predicts that in each country free trade will increase the prices of the abundant factors of production relative to the prices of the scarce factors. Protect some industries against import competition through tariffs or quotas, and a nation's relatively scarce, relatively expensive factors of production will benefit. In addition to consumers, those who pay the costs of "protection" are owners and providers of the relatively abundant, relatively inexpensive factors of production. . . . Henry George's model assumed that the United States had a relatively scarce endowment of capital in the 1880s and 1890s relative to England, and was relatively abundantly endowed with land vis-a-vis labor when compared to the smaller, crowded England. Furthermore, the protected industries in the United States were capital intensive, not labor intensive. Labor was not gaining by protection.

Contrary to George's distinction between the effects of international trade and immigration, neoclassical economic theory concludes that both trade and immigration may affect wages. In particular, neoclassical economists have attributed part of the decline in real wages of unskilled labor in the United States during the 1980s to imports and immigration. Imports competed with domestic goods produced by unskilled workers, reducing the demand for unskilled labor. At the same time immigration that included a disproportionate share of unskilled workers increased the supply of unskilled labor. Borjas (1994: 1699, 1995a: 5–7) cites estimates that immigration explains about one-third of the decline in the relative wage of high school dropouts between 1980 and 1988, and that increased foreign trade between 1976 and 1990 accounted for about one-fourth of the increase in wage inequality during that period. Although Borjas, Freeman and Katz (1996: 250) conclude that immigration was the dominant cause of the decline in wages of high school dropouts, they found that imports and immigration had effects of similar size on the relative wages of high school compared to college equivalents. On the other hand, based on time-series analysis Card (2005: F321) finds that "the wages of native dropouts . . . relative to native high school graduates have remained nearly constant since 1980, despite pressures from immigrant inflows that have increased the relative supply of dropout labour."

Land Value Taxation and Immigration

How would the implementation of Henry George's proposal for taxing land value affect the distribution of the costs and benefits of immigration?

In Book IX of *Progress and Poverty* George noted many beneficial effects of implementing a single tax on land values to replace other taxes that fall directly and indirectly on the productive activities of labor and capital. George (1942: 369) anticipated that these tax revenues "being applied to public purposes, would be equally distributed in public benefits." The potential scope of these public expenditures would expand because George (1942: 363) thought that "the increasing complexity of life makes it desirable" for society to assume more functions. Government might use these revenues to provide schools and universities, telegraph, railroad, and other utilities (George 1942: 382–383).

George (1942: 191) understood that increased population—from immigration or other sources—increases land rents. The implication for immigration policy is that, if the single tax on land values were implemented and these revenues used in a manner to benefit all of society, the native-born workers would share in the economic gains from immigration even if the growth of the labor force by immigration put downward pressure on wages.

However, according to George the tax on land values would alleviate the downward pressure on wages. For George the greatest benefit of taxing land rents was not the redistribution of those rents by using those rents to finance increased government spending or reductions in the burden of other taxes. The greatest benefit of taxing land rents would be the increased demand for labor. In a dialogue with David Dudley Field published in the *North American Review* in 1885, George (1999: 165) said: "The great benefit would not be in the appropriation to public use of the unearned revenues now going to individuals, but in the opening of opportunities to labour, and the stimulus that would be given to improvement and production by the throwing open of unused land and the removal of taxation that now weighs down productive powers." In *Progress and Poverty* George (1942: 370) wrote:

> To take rent in taxation for public purposes, which virtually abolishes private ownership in land, would be to destroy the tendency to an absolute decrease in wages and interest, by destroying the speculative monopolization of land and the speculative increase in rent. It would be very largely to increase wages and interest, by throwing open natural opportunities now monopolized and reducing the price of land.

In George's view, it is the speculative withholding of land from productive use and workers' lack of access to this land that is the source of the downward pressure on wages. In Book III of *Progress and Poverty* George (1942: 178) wrote: "Where natural opportunities are all monopolized, wages may be forced by the competition among laborers to the minimum at which laborers will consent to reproduce."

Similarly, in *Social Problems* George (1930: 208) argued that under a system of land-value taxation taking nearly all of the land rent, "no one could afford to hold land he was not using, and land not in use would be thrown open to those who wished to use it, at once relieving the labor market and giving an enormous stimulus to production and improvement, while land in use would be paid for according to its value, irrespective of the improvements the user might make." George (1930: 210) concluded:

> With the natural opportunities of employment thrown open to all, the spectacle of willing men seeking vainly for employment could not be witnessed; there could be no surplus of unemployed labor to beget that cutthroat competition of laborers for employment which crowds wages down to the cost of merely living. Instead of the one-sided competition of workmen to find employment, employers would compete with each other to obtain workmen.

The implication for immigration policy is that, with the implementation of the tax on land values, native-born workers would have nothing to fear from immigration putting downward pressure on wages. Thus in "The Condition of Labor: An Open Letter to Pope Leo

XIII" George (1982: 35) attributed anti-immigrant feelings to "the artificial scarcity that results from private property in land":

> If you will come to the United States, you will find in a land wide enough and rich enough to support in comfort the whole population of Europe, the growth of a sentiment that looks with evil eye on immigration, because the artificial scarcity that results from private property in land makes it seem as if there is not room enough and work enough for those already here.

Henry George did not just advocate land-value taxation in the United States; he sought to spread this policy throughout the world. What would be the effects on international immigration of the adoption of land-value taxation in countries throughout the world?

Steiner (1992: 89–90) considers the implications of a global tax appropriating all of the rent derived from natural resources and redistributing this revenue in equal amounts to all persons in the world and concludes:

> Perhaps its most obvious probable impact would be to decrease the demand for entry into wealthier societies. Since average per capita land values in such societies are more likely to be higher than in poorer societies, the global application of the single tax should result in an on-balance redistribution of wealth from the former to the latter. And presumably this would greatly tend to reduce a principal motivation for that aforesaid demand.

Actually, Steiner's conclusion that this policy would reduce international migration is not so obvious. The equal redistribution of global land tax revenues would reduce *income* differences across countries, not *wage* differences. The distribution financed by the tax on land values would be independent of where a person lived, whereas wage rates would still depend on location. Therefore, under this policy people would still have an incentive to migrate from low-wage countries in order to increase their earnings from labor. However, if retaining ties to a person's culture and extended family are normal goods, the increase in income from this policy might reduce international migration despite wage differences. However, as Bhagwati (1991: 349) notes, with imperfect capital markets, people with low incomes may not be able to afford the costs of migration. In such cases, an increase in their incomes might cause more of them to migrate.

Although he sought to spread land-value taxation throughout the world, George (1999: 199) spoke of the effect of this policy that "everyone would be equally interested in the land of his *native* country" (emphasis added). This seemed to be an inconsistency in the eyes of George's biographer Charles Albro Barker (1991: 302) who wrote:

> George failed to notice the awkwardness of saying that the land belongs to all the Creator's children, without also recognizing that this argues for the *internationalization* rather than the *nationalization* of land . . . the author who explored so many lines of ethical logic ought to have noticed that only a world organization with power to tax, or at least to distribute the proceeds of land-value taxation, would fit well his ideal scheme.

Global land-value taxation with the revenues shared equally by all persons in the world is such a remote possibility that it will not be discussed further here. Therefore, let us turn our attention to the implications of the adoption of land-value taxation by local or national governments throughout the world, with the revenues disbursed within each nation. From George's perspective, the most important effect on international migration would be that, by alleviating the downward pressure on wages, land-value taxation would reduce the incentive to emigrate from one's home country to find better economic opportunities elsewhere. Thus, in "A Response to 'Mr. Powderly on Immigration,'" George envisioned the effect of land-value taxation replacing tariffs and taxes on production in reducing Americans' hostility to immigrants but also resulting in less motivation for immigrants to leave their home countries when these nations followed the American example (Wenzer 1997: 218–219):

> [I]nstead of looking with jealous, hateful eyes at our kindred from beyond the sea who seek our shores, the cry would go up, "Come over and help us! . . ." All Europe would come? What if they did? We would have room for them, and work for them, and plenty for them. But nothing of the kind would happen. The spectacle of such a republic across the western sea . . . would arouse such a moral force that thrones would totter and fall, and standing armies would disappear, and a United States of Europe, before a generation had passed away, would clasp hands with a United States of America.

The Neoclassical Perspective on Immigration Policy

Modern neoclassical economic theory (Sykes 1995: 165–166) considers the distributional and efficiency effects of international migration for a variety of cases. For example, consider a simple "Heckscher-Ohlin" model with two goods, two factors of production (labor and "capital"), differing factor endowments across countries, and constant-returns-to-scale production functions. Under these assumptions, trade between countries would cause the real wage to rise in the labor-abundant country and the price of the scarce factor in each country to fall according to the Stolper-Samuelson theorem. If there were no international trade but international migration were possible, immigration into the country where labor was relatively scarce would have an effect similar to the opening of international trade. The real wage would fall in the country where labor was scarce and would rise in the labor-abundant country; the price of the other factor of production would change in the opposite direction in each country. In the country from which labor emigrated, the total income to the owners of the other factor falls by more than the increase in earnings of the workers remaining there. In the country to which labor immigrates, the total income to the other factor increases by more than the fall in earnings. Of course, the immigrants gain, and global efficiency is enhanced due to the immigrants locating where the gains from trade are greatest. If international trade occurs along with migration, the analysis is more complex and the distributional effects of migration will be different due to changes in the terms of trade (Sykes 1995: 167).

The complication that is most relevant to the concerns of this essay is the analysis for the case with more than two factors of production. For example, suppose there are four factors of production—unskilled labor, skilled labor, capital, and land—with immigrants being perfect substitutes for native unskilled labor. Then in a closed economy immigration will lower the wage of native unskilled labor, raise the prices of complementary factors of production, and have an ambiguous effect on the prices of factors that are imperfect substitutes (Friedberg and Hunt 1995: 28). Interestingly, Borjas (1995b: 16 n. 12) suggests, "it seems plausible that unskilled workers and some fixed factors of production (such as land) were complements in the U.S. economy at the end of the nineteenth century."

Although Sykes (1995: 159) states that simple models of migration "suggest that migration is a net benefit to the world as a whole and to the country of immigration," he identifies some circumstances in which inefficient migration may occur. One such circumstance is where trade barriers have distorted factor prices in the two countries, and elimination of the trade barriers would be more efficient than the second-best policy of allowing immigration (Sykes 1995: 163). The most likely sources of inefficient migration in Sykes' (1995: 168–175) view are nonpecuniary externalities, including situations in which immigrants impose greater costs on governments in the host country than they contribute in taxes. Yuengert (2003: 37–39) reviews several studies of this topic and concludes that immigrants have a negative fiscal impact on state and local governments in areas with high concentrations of immigrants but have a positive effect on federal government finances.

If international migration is efficient, there is some way to share the gains from migration with those who would be harmed by it such that all are made better off than they would be if immigration were prohibited. Freeman (2006: 165) suggests:

> [B]ecause most of the gains from immigration accrue to the immigrants rather than to the residents of destination countries . . . , there is little incentive for destination countries to ease immigration restrictions. The only way I can think of to increase the receptivity of destination countries to accept more immigrants would be redistribute the benefits of immigration so that a greater share of the benefits flows to natives and a lower share of the benefits to immigrants. The "radical economic" policy here would be to use the price system to equilibrate the market for immigrants rather than to ration entry. An immigrant-receiving country could charge admission fees or auction immigration visas or place special taxes on immigrants, and use those funds to redistribute the gains from immigration to existing citizens.

Although Freeman's proposal appeals to some efficiency-minded economists, Trebilcock (1995: 224) voices concerns that this policy violates norms of distributive justice by limiting opportunities for immigration to those with the ability to pay.

Using revenues from land-value taxation to compensate those harmed by immigration may be more ethically appealing. Neoclassical theory recognizes that immigration benefits the owners of complementary factors of production—including land as well as capital and possibly some types of native labor. The potential for land-value taxation to raise revenues to capture the gains from immigration and compensate the losers depends, first, on the size of these gains and, second, on how much of these gains accrue to landowners.

Hamilton and Whalley (1984) estimated the effects of eliminating immigration restrictions based on the assumption that international migration would then occur until all differences in the marginal product of labor across regions are eliminated. Using 1977 data, they concluded that unrestricted international migration would potentially result in large efficiency gains increasing worldwide output and very substantial reductions in inequality in the worldwide distribution of income. Under some assumptions, they calculate that the efficiency gains could exceed the value of the existing worldwide output, although various adjustments to their calculations result in smaller but still large gains. Moses and Letnes (2004), using 1998 data and a modified version of Hamilton and Whalley's model, found similar results but noted that increased global inequality in 1998 resulted in larger potential gains from labor mobility. Bhagwati (1991: 353–355) and Philip Martin (2004: 445) point out that several of the assumptions in Hamilton and Whalley's calculations—such as no capital mobility and identical elasticities of substitution in production functions among countries—lead to exaggerated estimates of the effects of relaxing immigration restrictions.

In the neoclassical analysis the size of the gain to complementary factors depends on the amount of loss to native-born labor that is a substitute for immigrant labor; if there is no decline in wages of native-born substitutes for immigrants, there is no gain to complementary factors of production. Empirical studies by neoclassical economists have generally not found large reductions in wages of native-born workers as a result of immigration, although there are substantial differences in these estimates. If neoclassical economists have been unable to provide good estimates of the aggregate gains to complementary factors from immigration, they certainly cannot provide much empirical information as to the size of the gain to just one of those complementary factors, land.

From a theoretical perspective, neoclassical economists do offer some insight into how the gains from immigration would be shared by complementary factors of production. In neoclassical theory, *immobile* complementary factors of production gain from immigration. Land is certainly immobile, and people's family and cultural ties limit labor mobility. If capital was perfectly mobile between countries, immigration would be accompanied by capital inflows until the rate of return on capital in the host country was equal to the rate of return on the world market. This theoretical perspective would seem to support the view that a large share of the gains from immigration would go to increased land rents. However, public-choice analyses of immigration policies such as Thum (2004: 426, 440 n. 4) have argued that owners of capital do capture some of the gains from immigration because capital is not perfectly mobile.

Hatton and Williamson's (2005: 101–125) empirical study of the effects of international trade and migration during the late nineteenth century is especially relevant to the Georgist perspective because they attempt to estimate the impact of immigration on land rents. Although there is no rent data for land of comparable quality, they argue that changes in land prices will be similar to changes in land rents. Hatton and Williamson (2005: 118) found:

> . . . from 1870 to 1913. In the New World, the wage-rent ratio plunged. By 1913, the Australian ratio had fallen to one quarter of its 1870 level, and the U.S. ratio had fallen to less than half of its 1870 level. In Europe, the ratio boomed: the British ratio in 1910 had increased by a factor of 2.7 over its 1870 level, while the Irish ratio had increased even more, by a factor of 5.5.

Measuring income inequality by the ratio of the unskilled wage to GDP per worker hour, Hatton and Williamson (2005: 120–121) also found that:

> . . . between 1870 and 1913, inequality rose dramatically in rich, land-abundant, labor-scarce New World countries like Australia and the United States; inequality fell dramatically in poor, land-scarce, labor-abundant, newly industrializing countries like Norway, Sweden, Denmark, and Italy; inequality was more stable in European industrial economies like Belgium, France, Germany, the Netherlands, and the United Kingdom.

Hatton and Williamson (2005: 119) conclude:

> While real wages grew everywhere before 1913, they grew faster in labor-abundant Europe compared with the labor-scarce frontier overseas. Rents surged in the land-abundant New World and plunged in land-scarce, free trading Britain, while remaining relatively stable on the European Continent, which either protected its agriculture or made profound structural changes in farming practice. And the wage-rent ratio increased dramatically in Europe, especially in free-trading countries, while declining equally dramatically in the frontier economies overseas.

Although the changes in factor prices during this period result from the combined effects of international trade and migration, based on a regression estimating the separate effect of trade and migration on income inequality, Hatton and Williamson (2005: 123) conclude:

> Overall, we read this evidence as strong support for the impact of mass migration on distribution trends: the effects were great everywhere in the Atlantic economy where the migrations were large. The evidence offers weak support, however, for the impact of trade on distribution trends, except around the European periphery, where trade lowered inequality.

Although Georgists may be favorably impressed by the stress on the role of land rents in this analysis of the late nineteenth century, Hatton and Williamson (2005: 119), in justifying their approach also qualify its applicability to later periods, arguing that "land and labor were the dominant factors of production a century ago, not skills and capital as is true today." However, in contrast to neoclassical economists' tendency to minimize the role of land rent in the modern economy, Gaffney (2009) argues that there are downward biases in estimates of narrowly defined land rent based on property assessments of land values, IRS measures of rental income, and National Income and Product Accounts measures of rental income. Furthermore, a broader conception of "land" rent would include rents from all uses of natural resources and charges for pollution of the environment. Thus, from a Georgist perspective, "land" rents represent a larger share of national income in a modern economy than suggested by conventional estimates.

The Neoclassical Perspective on Land-Value Taxation

Although neoclassical economists might admit the potential for land-value taxation to raise revenues that could be redistributed to those harmed by immigration, perhaps their biggest disagreement with Georgists would be with the propositions that land speculation withholds land from productive uses and creates downward pressure on wages and that land-value taxation would alleviate this problem. As Hebert (2003: 71–73) has noted, Alfred Marshall agreed that a tax on land values avoided the disincentives to production associated with other taxes and that workers could gain from the redistribution of these tax revenues. But Marshall questioned George's claims that land speculation caused the business cycle and that land-value taxation would provide a great stimulus to production by eliminating this speculation.

Tideman (1999) confirms the neoclassical conclusion that, in a world with perfect markets with land rent appropriately defined, land-value taxation is neutral; taxing land values neither encourages nor discourages earlier development of land. However, in the real world markets are not perfect. In particular, people may have different beliefs about the future and incomplete markets make it impossible to insure against some of the risks associated with the unknown future. Based on a mathematical analysis of this situation, Tideman (1999: 131) concludes:

> In a world with incomplete futures markets for land, the distribution of land among persons with different beliefs about whether it is efficient to develop land now or hold it idle varies with the level of taxes on land. Not taxing land creates a "social winner's curse"—an artificial scarcity of land since land will be worth the most to those who have the most extreme beliefs about future speculative gains from land.

In this situation Henry George was correct; taxing land values will encourage earlier development on land that speculators would have withheld from productive activity.

Tideman's analysis focuses on the microeconomic effects of land-value taxation on speculation and economic development. What about the macroeconomic effects of land-value taxation? Foldvary (1997: 531) has incorporated a Georgist emphasis on the role of land speculation into Austrian business cycle theory: "The geo-economic remedy for the cycle is the public collection of rent (PCR), also known as land-value taxation (LVT). When future rents are collected, the profit is taken away from real-estate speculation."

Foldvary (1997: 525) acknowledges that this theory "focuses only on the approximately 18-year major cycle coinciding with the major depressions. It is not a universal explanation of all cycles." However, modern, mainstream neoclassical economics has not acknowledged even this limited role for land-value taxation in combating the business cycle. From the neoclassical perspective, there would be no reason to expect the taxation of land to alleviate the downward pressure on wages resulting from immigration.

Free Trade and International Migration

As noted above, Sykes (1995: 163) has observed that elimination of trade barriers may be more efficient than allowing immigration. There would be no disagreement between Henry George and most neoclassical economists on the desirability of free-trade policies. The adoption of such policies by the developed countries would reduce the economic disparities between nations that give rise to international migration. In particular, Philip Martin (2004: 449) notes:

> There is a second dimension to increasing economic differences that adds to international migration pressures. . . . Low farm incomes in developing countries encourage rural-urban migration as well as international migration, in part because trade barriers for farm products maintain a demand for migrants in more developed countries while reducing farm prices and farm employment in developing countries.

Although free trade will reduce international migration in the long run, Martin (2004: 464, 469–470) also notes that reduced trade barriers in developing countries may cause a "migration hump," a temporary increase in emigration of displaced workers from industries that were previously protected in these countries.

The Political Economy of Immigration and Land-Value Taxation

As noted above, international migration generally enhances worldwide efficiency by allowing human resources to move to the location where their productivity is greatest. How these economic gains are distributed is critical to winning political support for public policies allowing this movement. Foreman-Peck (1992: 361) describes the circumstances in which this political support will occur:

> If all land and capital were distributed equally and the government was elected by universal adult suffrage, then the objective function would depend only upon national factor endowments. A labour-abundant country in these circumstances would place the greatest weight upon wages, whereas electors in a land-abundant country under the same conditions would favour emphasizing rents. The more common historical experience is that the bulk of land and capital is owned by a few. Under a democratic franchise the objective function then only includes wages, regardless of national endowments, because the majority have no income from land or from capital.

Foreman-Peck (1992: 367) contrasts British attitudes toward immigration between 1815 and 1914 with French policy during that period: "the French willingness to absorb migrants may be related to the more equal distribution of land, thanks to the Revolution, and a low natural rate of population increase, further retarded by the impact of the Franco-Prussian War."

This political economy perspective reveals the complementarity between land-value taxation and an open immigration policy. Land-value taxation effectively achieves an "equal distribution of land" by using land rents to finance public goods. In doing so, the economic gains from immigration will be shared by the whole population, broadening political support for an open immigration policy.

Yuengert (2003: 15–16, 2000: 90) has noted some undesirable effects of international migration from the perspective of Catholic social teaching. By weakening ties to family and culture, international migration may cause a decline in morals of young migrants, and emigration is a regrettable loss of a person who might have contributed to the common good in his home country. Therefore, policies that reduce the economic disparities that are an impetus to international migration are desirable.

The policies advocated by Henry George could improve the poor economic conditions in developing countries that compel immigrants to move to the United States and western Europe. The implementation of land-value taxation in developing countries could foster economic growth and reduce inequality of incomes in those countries. Henry George's free-trade policy, if followed by the developed countries, would also reduce the economic disparities between nations that give rise to international migration. However, in cases in which high transportation costs discourage trade, international migration may be the best means of achieving an efficient allocation of resources as well as reducing income disparities among nations. In such cases, Henry George's policy of land-value taxation would allow the gains from migration to be shared by all citizens of the host country.

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