
The Twice 'Forgotten' Man: Henry George: Some Aspects of His Thought in Relation to His Times and Our Own

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The Property Tax Debate

The 'Twice 'Forgotten' Man: Henry George

*Some Aspects of His Thought in Relation to His Times and Our Own**

By STUART BRUCHEY

THIRTY YEARS AGO the American philosophical scholar George R. Geiger published an article bearing the title "The Forgotten Man: Henry George." Geiger is also the author of *The Philosophy of Henry George*, a book which Edward J. Rose, George's most recent biographer, describes as "the fullest discussion of George's ideas." In his article Geiger calls it "one of the most curious anomalies of the entire literature of social reform" that George's work should have been so largely overlooked. Half-humorously, Geiger suggested a number of reasons for what he called the "neglectful contempt that our present-day intelligentsia professes towards George's philosophy": 1) George's philosophy was connected with "the land question" and this was out of date; 2) George believed in a single-tax, and that was "a utopian panacea"; 3) George believed in classical economics; 4) he believed in God; 5) he had no standing in academic circles.

Geiger made no attempt to refute all the arguments used to rationalize the inattention to George. Indeed, he believed some of them irrefutable, especially the one about single taxers, who were associated in the public

* This essay was the keynote address given at a Symposium on Henry George at St. Michael's College, Winooski, Vermont, November 16-17, 1970. A grant in which the Lincoln Foundation, the Economics Education Institute and the Robert Schalkenbach Foundation joined helped defray the expenses of the meeting.

mind with vegetarians, theosophists, spiritualists, Esperantists, believers in chiropractic and anarchism, and other eggheads with cracked shells. His comment on the other reasons for the neglect of George is often incisive but it can hardly be maintained that he succeeded in overpowering the forces pushing George into oblivion (1). For were he to contemplate a similar article today it would be difficult to think of a more appropriate title than the one he used in 1941: "The Forgotten Man: Henry George."

It is of course true that no historian would care to defend the proposition that George is a forgotten man. No account of the times in which he lived can fail to record his tremendous impact upon it, and so far as I know no account does. How indeed could an historian overlook the multi-national success of George's *Progress and Poverty*, the fact that it outsold any previous work in political economy, the influence it exerted on men so diverse in the range of their intellectual interests and life-roles as George Bernard Shaw and Sun Yat Sen, John Dewey and Tolstoy, Sidney Webb and H. G. Wells? How could a student of history overlook the intellectual and moral inspiration that book supplied to a whole generation of American progressives, including such leading figures as Hamlin Garland, Tom Johnson, Clarence Darrow and Brand Whitlock? As William E. Leuchtenburg has recently written,

Over two million copies of his (George's) book were sold in America alone, and on the dusty plains of Kansas, in the slums of Liverpool and of Moscow, on the banks of the Ganges and of the Yangtze, poor men painfully spelled out the message of *Progress and Poverty* to grasp a new vision of human society (2).

Chester McArthur Destler believes that George "exercised an unprecedented influence upon the American labor movement," (3) and Carl N. Degler has pointed out that George's book, together with Edward Bellamy's *Looking Backward*, "launched a whole generation of economic and social reform" (4).

Nor can it be maintained that George and his ideas—although some of the latter are now so familiar to us that they no longer bear his name—are wholly uninfluential in the America of the 1970s. Since I shall have more to say about this later on, let it suffice for the moment to call attention to the continuing work of the Robert Schalkenbach Foundation in distributing George's books, pamphlets and speeches and otherwise encouraging the study of his ideas, and of the existence of Henry George Schools in several cities. In the judgment of Charles Albro Barker, who knows him best (who knows him best because of his conviction that moral problems are the most important problems to which an historian can address

himself) when the leader died he left behind him three types of belief in his ideas: the fiscal-reform Georgism of the single-tax, the political Georgism which entered into many varieties of reform activity, and the moral and intellectual Georgism that, among other results, must include the production by Barker himself of what Oscar Handlin has recently called the definitive biography of George (5).

Nevertheless, although George and Georgism occupy secure places in the annals of our past, and although, as we shall see, more and brighter candles are today being lit in his memory in places that would have surprised and pleased him, it is true that George's *system* of ideas, the structure of his political economy, has not endured. Is this because that system does not deserve to have endured? Is it because George was not only the poor man's economist but also a poor economist? Or is it because ideas, like dogs, have their day; that they are framed to fit situations which, by changing, must outgrow them? We can make a beginning towards answering these questions by glancing at some of George's ideas in relation to the economic society of his time and then inquiring into their relevancy to the problems of today. Along the way we shall also take into account assessments of his work by various economists.

I

GEORGE AND THE INDUSTRIAL REVOLUTION

THE POST-CIVIL WAR YEARS in which George reached manhood witnessed the intensified development, if not the birth, of a modern industrial economy. All human beginnings are in some sense continuations and it is easy to point out the origins of our industrialism in the antebellum period. The larger truth, however, is that time is required for new and improved techniques of manufacturing to make their way from one firm to another and from one industry to the next. At some indeterminate point these techniques sufficiently permeated the economy to make possible an increase in the output of the individual worker. Such increases in output play a large part in accelerating the rate of growth of an economy. According to the latest scholarship on the subject, the annual average rate of growth of per capita output between 1790 and 1860 was 1.3 per cent. This figure rose to 1.8 per cent in the decades following the Civil War (6). Thus, while the American population doubled in size between 1860 and 1890, rising from 31 million to 63 million, the output of goods and services more than kept pace with its increase. And since income and output are reverse sides of the same coin, average income per capita also rose during the period.

Henry George was quite aware of the dynamic nature of the times in which he lived. He didn't use our terminology, of course. He didn't speak of economic growth. He spoke of progress. And he clearly saw the role that technology played in making it possible.

The modern industrial economy, George knew, was built by steam and machinery. Steam power was increasingly used to drive labor-saving machines and the combination of the two greatly increased man's ability to produce and distribute goods. As Alfred D. Chandler Jr. has emphasized, the application of steam power to production and transportation began to transform American economic organization and institutions after 1850 (7). Steam-driven vessels, steam railroads, and coal-powered factories all played basic roles in the shift of the United States from an agrarian, commercial and essentially rural nation to an urban and industrial one.

The role of the railroads was an especially important one in making possible this transformation. In 1860, 30,000 miles of railroad track were in operation, largely east of the Mississippi. By 1873, there were 70,000, and by the end of the 1880s 160,000 miles. The continent had first been spanned by rails in 1869. Other transcontinentals were soon built, and as they were pushed to completion railroad construction and integration went on elsewhere.

As Ross Robertson has pointed out, the two decades following the Civil War witnessed the formation of the great trunk-line systems in the middle Atlantic and north central states—extending from the seaboard to Illinois and Wisconsin. From 1864 to 1900 the greatest percentage of track was laid in the Great Plains states. Chicago became the chief terminus of roads extending to the North, West, and South, but a web of rails also surrounded such cities as St. Louis, Kansas City, Minneapolis, Omaha, and Denver (8).

To summarize these developments in a financial nutshell, investment in railroads doubled during the decade between the completion of the first transcontinental railway and the appearance of *Progress and Poverty*, rising from \$1,741 million in 1869 to \$3,297 million in 1879. Ten years later investment had doubled once again, rising to \$6,474 million in 1889. These are not figures for dollars of changing value. They represent capital in the form of railroad track, bridges, stations, shops, locomotives, and freight and passenger cars (9).

The rise of a national railroad network had important consequences for both agriculture and manufacturing. Railroads help account for the astonishing fact that farmers in the fifty years following the Civil War occupied more land than in the previous 250-year-history of America. Between

1860 and 1910 the number of farms in the nation more than tripled, increasing from about 2 million to almost 6½ million. In the same period farm acreage jumped from 407 million to about 879 million. The increase in improved land quadrupled. In the 1890s, the final decade of George's life, some 200 million acres were added to the agricultural domain—an area larger than France and Germany combined.

Within 30 years after 1860 the area that lay between the frontier line of that year and the west coast was completely overrun, and a clearly marked frontier no longer existed—a fact to which George called attention some years before Frederick Jackson Turner read his celebrated paper on the significance of the frontier in American history (10). A vast range cattle industry rose and flourished on the Great Plains, and large commercial farms appeared on the rich soil of the prairies. The annual production of corn increased between 1860 and 1915 from 800 million bushels to nearly 3 billion bushels, and the yearly output of wheat rose from 173 million to more than a billion bushels. For the most part what made these large increases in output possible was technology—new machinery and equipment. Investment in the form of mechanical reapers, harvesters, threshing machines, combines and other equipment quintupled between 1845–1875, rising from an average of \$11 million a year to an annual average of \$54 million, only to quadruple once again between 1870 and 1900 (11). At the same time, new methods of distribution based on the new transportation network of the railroads, ocean-going steamships, and the telegraph were developed to market the crops.

The new railroad network also encouraged the rapid spread of the factory. Before 1850 the factory, with its power-driven machinery and labor force performing routine tasks, was still a rarity outside the textile and related industries. During the 1850s factory production came to a wide variety of industries. By 1879, the year that saw the publication of *Progress and Poverty*, four-fifths of the 3,000,000 workers in mechanized industry labored in factories. With most of their horsepower generated by steam rather than by water, factories could move from their older locations on the banks of rivers to towns and cities where they could take advantage of better transportation, wider markets, and a larger labor supply. The resulting expansion of production was impressive. In the 1850s the industrial output of the United States was below that of England. By 1894 the value of American products almost equalled the value of the combined output of the United Kingdom, France and Germany. In his lifetime Henry George had seen the Industrial Revolution transform the face of America.

One of the most important effects of industrialization was the integrating effect it had on the economy as a whole. Each of the major sectors of the economy, agriculture, manufacturing, transportation and trade, became increasingly dependent upon each other. If farmers increased their output it was mainly because the manufacturing sector had supplied them with the necessary equipment and machinery. If the manufacturing sector expanded, and with it the size of cities, this was in significant part because of the demand of farmers for equipment, machinery, and other manufactured products.

What knit together the two sectors were the railroads and other forms of transport, and the closer their degree of interdependence the larger the volume of trade between the sectors, and between the economy as a whole and the outside world. As we have seen, the American population doubled between 1860 and 1890 while per capita income more than kept pace with it. Rising per capita incomes made for an effective demand for the products of agriculture and industry. This demand was not merely local or regional; thanks to the railroads and the growth of the cities it was increasingly national. In sum, it was a mass demand that called into being mass production.

Mass production, in turn, required large units of production. Not the craft shops of colonial times or the mills of the early 19th century. But factories of larger and larger size, factories utilizing first waterpower, then steampower, and then electricity to drive a widening array of improved machines. Large-scale production and transport required far larger sums of capital than before, and corporations appeared in increasing numbers to tap small pools of savings by their sales of stocks and bonds. Within the corporations themselves administrative changes tightened the firm's control over its processes of production, accounting, finance, and distribution. Such changes helped in the bitterly sharp contest for survival that marked intercorporate relations in a number of industries during those years. The world of business became a jungle, and whether or not the largest and financially most powerful were the fittest, it was they that tended to survive, while smaller firms went under. More and more, industry was becoming concentrated, and so too were capital, urban centers, and even agriculture.

Henry George saw most of these developments with a clear eye. As men of his time were prone to do when they believed they discerned pervasive regularities or tendencies he framed his thought in terms of law. "Social development," we find him writing in 1881, "is in accordance with

certain immutable laws," "and the law of development . . . is the law of integration." "It is in obedience to this law—a law evidently as all-compelling as the law of gravitation—that industry tends to specialization and interdependence" (12). It was in obedience to this law that one found "the concentration of people in large cities, the concentration of handicrafts in large factories, the concentration of transportation by railroad and steamship lines, and of agricultural operations in large fields" (13). It was in obedience to this law that "we have already corporations whose revenues and pay-rolls belittle those of the greatest States" (14). "Without a single exception that I can think of, the effect of all modern industrial improvements is to production on a large scale, to the minute division of labor, to the giving to the possession of large capital an overpowering advantage" (15). The tendency of steam and machinery was to concentrate wealth and power. Indeed, all the tendencies of the time worked in this direction. One found it not only in industry but in all other things as well. Integration and interdependence were observable "wherever modern influences reach." "To attempt to resist it is to attempt to turn back the clock" (16). "All the currents of the time run to concentration," he had written in *Progress and Poverty*, and one must not oppose but rather swim with those currents. "To successfully resist it we must throttle steam and discharge electricity from human service" (17).

But while large commonly controlled aggregations of capital were "constructive" in their nature, they facilitated combinations among great business interests that led to oppressive monopoly power (18). Monopoly was "destructive." "A railroad company approaches a small town as a highwayman his victim." The great telegraph company crushes out newspapers which offend it. When concentrated in large amounts capital was "frequently wielded to corrupt, to rob, and to destroy" (19). George's solution was government regulation of all businesses involving monopoly, and government ownership and operation of such natural monopolies as railroads, the telegraph and telephone, and the supplying of cities with gas, water, heat and electricity. As he expressed it in 1883:

The primary purpose and end of government being to secure the natural rights and equal liberty of each, all businesses that involve monopoly are within the necessary province of governmental regulation, and businesses that are in their nature complete monopolies become properly functions of the State (20).

"The line at which the State should come in," he writes in *Protection or Free Trade*, "is that where free competition becomes impossible . . ." (21).

II

GEORGE'S ESSENTIAL MESSAGE

YET WHILE THESE are his words I believe a close reading of George makes it difficult to avoid the suspicion that he was profoundly distrustful of government. He deplored the corrupting influence on government of armed forces, railroads, banks, corporations seeking tariff protection, and lobbying contractors seeking to induce Congress to order armaments (22). In 1871 he called the State a "brainless abstraction," adding, even more emphatically:

I do not mean to say we have not had enough government; I mean to say that we have had too much. It is a truth that cannot be too clearly kept in mind that the best government is that which governs least, and that the more a republican government undertakes to do, the less republican it becomes. Unhealthy social conditions are but the result of interferences with natural rights (23).

He favored reducing the operations of the national government "to the purposes for which it is alone fitted, the preservation of the common peace, the maintenance of the common security and the promotion of the common convenience. . . ." Any regulation of industry and capital accumulation so thorough-going as to be equivalent to socialism, he writes in *Progress and Poverty*, would represent "the substitution of governmental direction for the play of individual action, and the attempt to secure by restriction what can better be secured by freedom" (24).

While he acknowledged that the "natural progress of social development is unmistakably toward cooperation, or, if the word be preferred, toward socialism . . .," and while he wrote of America's destiny in terms of a "great cooperative association" in which government would play the role of executive, it is clear that many obstacles bestrode the path. So long as wealth was unequally distributed government would be impure because men would be.

All schemes securing equality in the conditions of men by placing the distribution of wealth in the hands of government [he writes in *Protection or Free Trade*] have the fatal defect of beginning at the wrong end. They presuppose pure government; but it is not government that makes society; it is society that makes government; and *until* there is something like substantial equality in the distribution of wealth, we cannot expect pure government (26).

The field in which the State might beneficially operate would widen only with the simplification and improvement of government and the growth of public spirit. Both required bringing to the management of social affairs "greater intelligence and higher moral sense" (27). To be success-

ful, Socialism required "strong and definite religious faith." As an ideal, it was "grand and noble." He was convinced it was "possible of realization, but such a state of society cannot be manufactured—it must grow" (28). Political progress "must be by short steps rather than by great leaps" (29).

In a perceptive recent essay Reed R. Hansen has argued that the central theme of George's voluminous writing "was a plea for a competitive capitalism which would provide a suitable environment for individual effort," and it is difficult not to agree with this assessment. George's "primary objective," Hansen believes, was the preservation of laissez-faire capitalism, with its freedom of opportunity. "This objective," he adds, "was consistent with his ever-present opposition to monopoly and his continual attack upon monopoly restrictions" (30). According to Albert Jay Nock, George was "the very best friend the capitalist ever had" (31).

However, government was to play a very important role in George's schema. As everybody knows, he believed that the only way in which a just society could be achieved was by expropriating the rental value of land. "The only true and just solution of the problem, the only end worth aiming at, is to make *all* the land the common property of *all* the people" (32). The landlord was the greatest of all monopolists. Contributing nothing at all to the productive process he reaped an unearned increment of values created by society. To George land was a passive factor of production; labor and capital were active factors. "There can be no labor until there is a man; there can be no capital until man has worked and saved; but land was here before man came. To the production of commodities the laborer furnishes human exertion; the capitalist furnishes the results of human exertion embodied in forms that may be used to aid further exertion; but the landowner furnishes—what? . . . The answer must be, nothing!" (33). Yet land was necessary to all production regardless of its form: "it is to the human being the only means by which he can obtain access to the material universe or utilize its powers. Without land man cannot exist" (34). It followed that land ought to be the common property of the community as a whole, not the private property of any individual.

Private persons might enjoy a possessory right to an "exclusive use" of land in order to secure the value of their improvements. Indeed, "safe possession" was "absolutely necessary to the proper use and improvement of land." George would have land in use remain in the secure possession of those using it, and leave unused land to be taken possession of by those wishing to use it on condition that they pay a fair rent to the community. The value of improvements would have no effect on the rent

for these were products of labor and capital. In essence, the landlord would be the public, rather than private persons. Possessors of land would pay to the public a tax—the equivalent of rent—in an amount that would gradually increase till it approximated as closely as possible “the full annual value of the land” exclusive of improvements. When this “point of theoretical perfection” was reached, the selling value of land would “entirely disappear.” And with its disappearance would end the speculation in land that George believed played such an important role in business cycles. To the fact that land was not “fully used,” being either “withheld . . . from the full use of which it [was] capable,” or held off the market altogether for speculative rises in value, George attributed not only absurdly irregular patterns of occupation of urban land, and unnecessarily high costs of transportation and other social overhead, but also a competition among workers that depressed wages to subsistence levels. If private property in land were abolished “workmen . . . could make a good living for themselves without going into . . . [the] employment [of a capitalist].” As it was, workers were “debarred of the natural opportunities to employ themselves.” Evidently what George had in mind were multiplied opportunities for workers in small business or farming. “Abolish the monopoly that forbids men to employ themselves, and capital could not possibly oppress labor,” he writes (35). Income from self-employment would presumably set a floor beneath which wages could not fall.

It is important to be clear that by “land” George meant not only soil and the ores beneath it, but the entire material universe—water, the “ocean of air,” and the light and heat of the sun (36). As he expresses it in his posthumously published *Science of Political Economy*, “land means not merely the dry superficies of the earth, but all that is above and all that may be below it, from zenith to nadir.” It comprises everything “having material form that man has received or can receive from nature, that is to say, from God” (37). To “put all men on a footing of substantial equality, so that there could be no dearth of employment, no ‘overproduction,’ no tendency of wages to the minimum of subsistence, no monstrous fortunes on the one side and no army of proletarians on the other,” George argued, “it is necessary only that the equal rights of all to that primary means of production which is the source all other means of production are derived from, should be asserted.” The securing of these equal rights was the fundamental thing. Trade unions could do something to help their members, he acknowledged; “but it is after all very little. For a trades-union can only artificially lessen competition within the trade; it cannot affect the general conditions which force men into bitter competition with each other for the opportunity to gain a living” (38).

Nor was there hope in technological advance; without common ownership of the land wages would still be pressed down. Competition for the use of privately-owned land "ultimately determines what proportions of the produce of his labor the laborer will get for himself. This is the reason why modern progress does not tend to extirpate poverty; this is the reason why, with all the inventions and improvements and economies which so enormously increase productive power, wages everywhere tend to the minimum of bare living" (39).

George did not maintain that all social problems would be solved by a "recognition of the equal and inalienable right of each human being to the natural elements from which life must be supported and wants satisfied." Even after recognition of "the equal right to land," he writes, "much will remain to do." Nevertheless, so long as this recognition is withheld

nothing will avail to remedy that unnatural inequality in the distribution of wealth which is fraught with so much evil and danger. Reform as we may, until we make this fundamental reform our material progress can but tend to differentiate our people into the monstrously rich and the frightfully poor. Whatever be the increase of wealth, the masses will still be ground toward the point of bare subsistence—we must still have our great criminal classes, our paupers and our tramps, men and women driven to degradation and desperation from inability to make an honest living (40).

This was the essential message not only of *Progress and Poverty*, but of all George's work. No matter what the subject under discussion, to it he constantly returned. Inequality in the distribution of wealth was his major preoccupation; nationalization of the value of land his sovereign remedy. Nothing less would rid mankind of the paradox of poverty in tandem with progress, of want in the midst of plenty. Whether or not we agree with his remedy, *Progress and Poverty*, in the words of a recent scholar, "was the first critical analysis of the misery and desolation that hid in the shadows of the gilded age" (41). George, to cite another study, "awakened journalists, intellectuals, small capitalists, and young lawyers to a comprehension of the grave economic and social problems of the rising urban world."

III

GEORGE AS SYSTEM BUILDER

THE QUESTION that now confronts us concerns the impact of George's work on professional economists. Did George awaken them too? And if not, why not? What is his present stature as an economist?

To answer first the last of these questions: that stature does not appear to be very high. Perhaps the most friendly voice among academic economists is that of Joseph Dorfman, but even Dorfman is obliged to acknowl-

edge that "George was not completely at ease in the realms of economic theory. . . ." (43).

Paul A. Samuelson, himself a Nobel laureate in economics in 1970, says that George "really was not much of an economics scholar." Samuelson tells the story of how Frank W. Taussig, whom he calls the "dean of venerable American economics" during the years before the First World War, was "filled . . . with despair" by John Dewey's remark that George was the greatest economist America had ever produced. According to Samuelson, George appeared to Taussig "like a confused child" (44).

In a recent thoughtful evaluation that is far from unfriendly, Reed R. Hansen says of George: "He was a printer, an editor-publisher, a world traveler, and a fluent, persuasive journalist; he was also a politician and lecturer, but he was not an economist" (45).

Defenders of George cite the deep admiration expressed by Philip M. Wicksteed, but Dorfman reminds us that Wicksteed was then a Unitarian minister and only later an outstanding British economist (46). Defenders also point to the undoubted acknowledgement by J. B. Clark that George's writings suggested to him a method by which the product of labor might be disentangled from all other products and separately measured (47). They neglect to add that Clark also referred to George's theory "with all its absurdity" (48).

George himself was well aware of his low standing with professional economists and was bitter about it. "How persistent is the manner in which the professors and those who esteem themselves the learned class ignore and slur me . . .," he complained (49). He had an explanation for it. Political economy was "the simplest of the sciences," whose laws required for their elucidation "not long arrays of statistics nor the collocation of laboriously ascertained facts," but rather a capacity for "clear thinking"—which was "possible for the unlearned as for the learned." Despite that fact, it had been "warped by institutions which, silenced objection, and ingrained themselves in custom and habit of thought." "Its professors and teachers," he added, "have almost invariably belonged to or been dominated by that class which tolerates no questioning of social adjustments that give to those who do not labor fruits of labor's toil. They have been like physicians employed to make a diagnosis on condition that they shall discover no unpleasant truth." ". . . it is idle," he concluded, "to expect any enunciation of truths unwelcome to the powers that be" (50). His explanation of the long dominance of the Malthusian theory was much the same: the "great cause" of its "triumph," he wrote in *Progress and Poverty*, "is, that, instead of menacing any vested right or

antagonizing any powerful interest, it is eminently soothing and reassuring to the classes who, wielding the power of wealth, largely dominate thought" (51).

His explanation, I think, is an ungenerous one, and I am afraid it does not constitute the only example of the genre. George had a tendency to denigrate those who disagreed with him, to lay base motives at their door, sometimes in scurrilous language. When Herbert Spencer changed his mind about the desirability of nationalizing rent, George accused him, too, of "interested motives," disqualified him as a sycophant to British landlords, and called him "a fawning Vicar of Bray, clothing in pompous phraseology and arrogant assumption logical conclusions so absurd as to be comical."

A. J. Nock rightly criticizes George's assumption that Bishop Corrigan of New York and his vicar-general acted in bad faith in the well-known matter of Father McGlynn. "His sin," George wrote of McGlynn, was "in taking a side in politics which was opposed to the rings that had the support of the Catholic hierarchy" (52). There are heavy-handed passages, too, in his *Open Letter to Pope Leo XIII*. "... blinded by one false assumption," George told him, "you do not see even fundamentals" (53). On the other hand, his confidence in his own rightness was supreme. He saw himself as "overthrowing some of [the] most highly elaborated theories" of political economy (54). "Nor is what I say capable of dispute," he told the Pope. His principles were "absolute" laws. His law of rent was God's law of rent. "The justice of God laughs at the attempts of men to substitute anything else for it" (55). Old Henry had God in his pocket. Not all men who have believed this have been right.

Is this all there is to say—that George was no great shakes as an economist, that he tended to be small when criticized, that there was in his fanatical attachment to his own views an unpleasantly absolutist cast of mind? By no means. Even in the realm of economics I believe it is true that a student of the development of economic thought will acknowledge after a patient reading of the eight volumes of his published work that his insights are often suggestive and sometimes incisive. While I am myself an historian rather than an economist I would so characterize George's analysis of the way in which complex industries may develop from simple beginnings in new countries, an analysis which emphasizes the importance of "subsidiary industries and of a large demand" (56). George called attention to the importance of what we would now call external economies (57), linkage effects (58), and factors making for the localization of

industry. He understood that a country increases in wealth when an increase occurs in what we would call its gross national product per capita (59); he understood the importance of economies of scale (60), the principle of comparative advantage (61), and approached the meaning of the terms of trade (62). He also comes close to seeing the multiplier effect—not of an expenditure but of a reduction in prices,—although he has no concept of the elasticities (63). And as the following quotation shows, he clearly appreciated the part played by counterfactual propositions in causal explanations:

And although in the domain of political economy we cannot test our theories by artificially produced combinations or conditions, yet we can apply tests no less conclusive, by comparing societies in which different conditions exist, *or by, in imagination, separating, combining, adding or eliminating forces or factors of known direction* (64).

On the other hand, it seems to me significant that in George's posthumously published *Science of Political Economy*, Henry George Jr. is obliged to note of chapter 13 that "No more than the title of this chapter was written." The title is "Of Demand and Supply in Production." George's failure to write the chapter may be symbolic of a more general failure—or perhaps unwillingness—to come to terms with the role of supply and demand in the determination of prices, interest, rents, and other factor payments (65). Finally, no defender of George's expertise in economics has to my knowledge confronted the devastating critique of George's treatment of "Malthusianism and the laws of diminishing returns, the relation of capital to wages, the law of wage and of interest and the theory of crises" that was published by Edgar H. Johnson in 1910 (60).

IV

GEORGE'S KEY PRINCIPLE

WHILE GEORGE SOUGHT to elaborate a complete system of political economy in defense of his key principle, the kernel of that principle has survived his system. That principle—that land, especially unproductive or underutilized land ought be taxed more heavily than structures and other improvements—not only survives, but gives promise of an even more flourishing future. In developed economies the principal reason for this is the deterioration of urban centers; in developing economies it is the need to encourage productive capital formation. As George R. Geiger correctly noted in 1941, "Even the most orthodox of economists do not scruple to pay their wholehearted respect to the soundness of high taxes on land values and correspondingly low taxes on land improvements."

Geiger added, however, that the fiscal experts drawing up schemes of taxation had not yet seen the light (67).

They do now, and apparently in increasing numbers. One need hardly expatiate on the reasons for this. American cities are often old, dirty, crowded and unsafe; they are filled with neighborhood tensions and conflicts between core and periphery. As was true in the days of Henry George, it is in the great cities where extremes of wealth and poverty are to be found. George was convinced that the "vice . . . crime and degradation that fester in great cities" were the effects of poverty (68). To a large extent they still are. In addition, the cities of today have not yet been able to meet successfully the problems of school integration, mass transit, welfare, deterioration, pollution and sanitation. Ever since the Civil War, middle class whites have been abandoning the central city for residences on the periphery. George observed the flight from the city with a clear eye, and in *Progress and Poverty* he stresses that the underutilization or non-use of urban land was pushing the margin of the city farther from the center (69). We are all familiar with one culmination: in 1970 the Bureau of the Census reported that for the first time in our history more people live in suburbs than in central cities.

That the phenomena we have been discussing are not peculiar to America is clear from the following words, which are deserving of extensive quotation:

City populations grow by leaps and bounds. The desire for governmental services outstrips those which can be supplied with the funds available. The quality of life for the hundreds of millions who live in cities around the world suffers because funds are not adequate for the facilities which governments are expected to provide. Yet people pay "heavily" for living and working space in the city. Their demand for room sends land prices up and up. And in much of the world the increasing amounts which urban residents pay for the use of city land, these payments go primarily to private owners. Little, apparently, helps to meet the costs of government and to provide better services. . . .

Obviously, the need to use land is universal. And almost as obvious is the fact that nature rather than the owner created the land. . . . Land is fixed. Tax it heavily, and it will not move to some other place, or decide to take a vacation, or leave the inventory of productive resources by going out of existence. Tax land lightly, and the favorable tax situation will not create more space on the surface of the earth. . . .

Labor and capital are man-made. . . . The ethos which ties economic justice to rewards based on accomplishment does not lead to justification for large rewards because of ownership of land. Differences, perhaps very big ones, in payments for human services or for the use of capital can rest on what the recipient has done. But for the owner of urban land

the same kind of justification cannot be found. The "moral" justification of private ownership of property gets a bit thin and tenuous when related to [large] increments in land prices. The owner's contribution to production may have been nil or slightly positive in getting land into somewhat better use from time to time. . . . Without any animus at all against wealth, one may well question a source which remains so far from any contribution to the well-being of society. . . .

Land ownership in much of the world has been concentrated in relatively few hands. . . . As rising population and purchasing power have raised the demand for urban land, owners have gotten more, sometimes fabulously more. Whatever the origin of a person's ownership of land, perhaps inheritance, community growth has enabled him to siphon off a growing amount from the stream of production and income. Is it not both logical and just to rechannel some of this flow to finance public services? . . . How could the persons forced to pay complain that they were being deprived of something of their own creation?

To any student of Henry George these words have a familiar ring. They are those of an economics professor who happens to be a distinguished authority on public finance, C. Lowell Harriss, and they were written not in the 1870s but at the beginning of the 1970s. Harriss explicitly acknowledges his indebtedness to George and to others sharing his views. "Henry George," he writes, "was only one of a large group who over many decades has urged the heavy taxation of land. Whatever the reasons for not doing so in the past, conditions today call for new efforts. The propriety of drastic new burdens on present land prices may be debated. As to the future, however, the principle has convincing appeal" (70).

Georgist principles have clearly entered the mainstream of modern thought. George E. Lent, Chief of the Tax Policy Division of the United States Treasury Department, has recently noted that the principle of taxing unearned increases in land value "has considerably influenced property tax policies, especially in English-speaking countries." Historically, taxes on unimproved land have been applied in Australia, New Zealand, Canada, South Africa, and East Africa, and more recently in Jamaica, Trinidad, Tobago, and Barbados. "Most Latin American countries limit the tax on agricultural properties to unimproved land values. Similar practices are followed elsewhere, especially in Denmark" (71). Authorities on real estate taxation widely agree that site value taxation has no harmful effect of any sort on housing quality. Some, however, have reservations about accepting it as an outright substitute for the traditional American tax on two grounds: adequacy of yield, and equity. According to recent estimates by James Heilbrun "revenue from the real estate tax has reached

such enormous proportions that it may now almost equal or even exceed the rent of land in some localities." If the whole burden of real estate taxation were loaded on to the site value base the entire rent of land might be expropriated. For Heilbrun this would raise the problem of equity in an extreme and disturbing way. In addition, Heilbrun, as well as others, stresses the difficulty in measuring land rent and separating it from that of improvements. Administrative problems also have to be confronted (72). All men, of course, are not of one mind.

In the case of underdeveloped countries economic theorists as well as policy advocates agree in recommending high taxation of land values. Donald A. Nichols points out that numerous observers have noted that in underdeveloped countries savings motives are satisfied by land holdings and by increases in land prices rather than by capital accumulation. It follows from this that the larger the size of holdings the greater the yield in capital gains from price changes and the lower the level of the capital formation that is so essential to economic growth. Indeed, Nichols reminds us of Keynes' observation that the desire to hold land may often in history have played the same role in keeping up the rate of interest which money has played in more recent times. One policy implication of Nichols' analysis is that "attempts to increase rates of capital accumulation in countries with large quantities of rents are more likely to be successful if rents are taxed than otherwise. Taxing rents should lower the price of land and therefore the amount of capital gains on land which result from economic growth. To satisfy the same saving motives as before the tax was imposed will require an increase in the rate of capital accumulation" (73). The words may be different but the music is that of Henry George.

The same may be said of some recent fiscal recommendations by Professors Carl S. Shoup, C. Lowell Harriss and William S. Vickrey to the Governor of the Federal District of Venezuela.

In a growing area [these advisers point out], the case of discriminatory taxes on land values, and especially on increases in land values, is convincing in principle. The limited stock of land becomes increasingly valuable as a result of the growth of the country. Even if the owners do nothing constructive, they will become richer as the need for their land grows. A very high tax on the increases in value (or on the full value of the land itself) will not reduce the amount of land in existence. Such a tax can fall on a true economic surplus. Furthermore, the costs of holding land idle would rise relative to the advantages of developing it. Any given amount of revenue could then be raised with lower rates on improvements, increasing somewhat the attractiveness of investment in building.

As does James Heilbrun, the authors call attention to the difficulty of "distinguishing pure land value from the value which represents investment by the owner in grading, etc." and make it clear that the administration of a special tax on land would present a problem, especially that of developing the necessary administrative capacity for making accurate assessments (74).

V

GEORGE AS MORAL PHILOSOPHER

THE INCREASING FISCAL UTILITY of Geogist principles seems perfectly plain. But the principles of Henry George embrace worlds far larger than those of taxation and finance. Fundamentally, George was a moral philosopher, a deeply religious man with a passionate commitment to ideals of social justice. He was concerned about the values of men. Although economic behavior was the focal center of his life's work, he yet deplored "the greed of gain" and the "worship of wealth," attributing both to a fear of want which men would no longer know under improved social and economic arrangements (75). Essentially classical economist though he was in his approach, he did not subscribe to Adam Smith's belief in an invisible hand that somehow transformed individual selfishness into social good. The hand was all too visible to George: it separated the fortunes of men most unequally, arranging progress for the few and poverty for the many. It was a hand that ordained that women and children should work hard hours in mill and factory, that tramps should people the highways, and that the emaciated, the derelict and the criminal should crowd the slums. He did not blame the individual employer, for competition compelled him to lower his wages as much as he could. He blamed "the system." He blamed competition, at least as it was conducted under the ground rules of his day—and by ground rules I do mean ground!

Unlike a large number of his contemporary economists, men who were pleased to call business concentrations "the new competition," (76) and who made no secret of their distrust of real competition, George believed that once the value of land was expropriated by the community competition could be relied upon to pave the way to higher levels of civilized living. Meanwhile he distrusted the effects of what he called "mere business transactions," or "calculations of cold interest." Rack rent he defined as "full competition rent." The American land system was worse on the tenant than the Irish system. "For with us," he said, "there is neither sentiment nor custom to check the force of competition or mitigate the natural desire of the landlord to get all he can" (77).

As we have seen, it was the competition of worker with worker that led, in George's system of thought, to subsistence wages. How long, George wanted to know, were "the masses of mankind . . . to remain mere hewers of wood and drawers of water for the benefits of the fortunate few?" Was modern society, after having escaped from feudalism, destined to pass into an industrial organization that was even "more grinding and oppressive, more heartless and hopeless?" New York was "a most Christian city," with all sorts of churches, where all sorts of religions were preached expect one which once in Galilee taught that it is easier for a camel to pass through the eye of a needle than for a rich man to enter the kingdom of God (78). Yet George did not disapprove riches honestly won (79). Rather, he deplored what he called the "maxim of business intercourse among the most highly respectable classes," viz., swindle or be swindled. He thought such things "inconsistent with civilization," "incompatible with Christianity." Civilization must be based on justice and acknowledge the equal rights of all to natural opportunities. In true Christianity was the power to regenerate the world (80).

In all probability economists and other social scientists would sneer at such views. After all, they would probably reply, one either trusts the market and the price system to allocate productive factors in an optimum way or else one advocates decision-making by government. To which George, were he alive to do so, might well reply in turn that, textbook theory aside, the dominant structure of American industry today is that of oligopoly, so that it is not the market, but rather a handful of top executives of corporations of vast size who make the decisions, the essential function of the antitrust laws being to prevent these corporations from slipping over a thin line into monopoly. Taking a page from the work of John Kenneth Galbraith (80) or Charles O. Reich (81) he might add that the line between the private and public sectors is so thin that for all intents and purposes Americans live under the aegis of a corporate State. And just as Reich, Galbraith, Daniel Bell and an increasing number of others now do, George called for nothing less than a revolution in the structure of values of a hard-driving commercial civilization.

In thinking of the possibilities of social organization [George writes in *Progress and Poverty*], we are apt to assume that greed is the strongest of human motives, and that systems of administration can only be safely based upon the idea that the fear of punishment is necessary to keep men honest—that selfish interests are always stronger than general interests. Nothing could be further from the truth (83).

He believed that in regard to public affairs "we too easily accept the dictum

that faithful and efficient work can be secured only by the hopes of pecuniary profit, or the fear of pecuniary loss" (84). "Short-sighted is the philosophy which counts on selfishness as the master motive of human action." "Call it religion, patriotism, sympathy, the enthusiasm for humanity, or the love of God—give it what name you will; there is yet a force which overcomes and drives out selfishness; a force which is the electricity of the moral universe; a force beside which all others are weak" (85). Nothing was more essential than to call fully upon the resources of that force. For "To adjust our institutions to growing needs and changing conditions," George wrote in 1883, "is the task which devolves upon us" (86).

Are such views as these relevant to the world of the 1970s? The answer is that no views are more so. A basic shift in the structure of our values, a reordering of priorities, a turning from militaristic adventurism, from private indifference to the anemia of the public sector, from words and law to a full embrace in brotherhood of black men, to equality of opportunity for both sexes—or should I say all three?—these and other unnegotiable demands are precisely the demands of the age in which we live. In their realization, in a turning from the conformity of corporate little boxism to the promise of free men, from the grindstone that noses out dollars that buy no man's material security to an humanism that embraces the concerns of everyman, in these things lie the hope of what Reich calls the "greening of America."

Henry George condemned as "iniquitous" a "system which makes the common birthright of all the exclusive property of some" (87). So do we. He deplored "our neglect to assume social functions which material progress forces upon us" (88). So do we. George attributed the deterioration of our institutions and of the quality of our political leadership to the power of concentrated corporations. Why was such intellectual greatness gathered round the cradle of the Republic? he asked. "You will hardly find a man of that time, of high character and talent, who was not in some way in public service. This certainly cannot be said now" (89). To which we say: nor now either. "I yield to nobody in my respect for law and order and my hatred of disorder," George said, "but there is something more important even than law and order, and that is the principle of liberty" (90). Nixon and Agnew, please copy.

George attacked the influence of "great corporate interests" on the legal machinery and law courts of the Federal Government" (91) Today we would translate that into the charge that law is the servant not of the individual but of the corporate State. According to Reich, in recent years the

law has fallen "into line with the requirements of organization and technology, and supported the demands of administration instead of protecting the individual. Once law had assumed this role, there began a vast proliferation of laws, statutes, regulations and decisions. For the law began to be employed to aid all of the work of the corporate State by compelling obedience to the State's constantly increasing demands" (92). To which George, in the colloquy I have been maintaining between past and present, might have replied: "The history of mankind everywhere shows the power that special interests, capable of organization and action, may exert in securing the acceptance of the most monstrous doctrines" (93). In *Progress and Poverty* he warned that the growth and development of society gave rise to "a collective power that is distinguishable from the sum of individual powers" and lessened the influence of individuals, even over their own conditions, as compared with the influence of society" (94). Later he issued a warning of a different kind: "A civilization which tends to concentrate wealth and power in the hands of a fortunate few, and to make of others mere human machines, must inevitably evolve anarchy and bring destruction" (95). "It is the delusion which precedes destruction that sees in the popular unrest with which the civilized world is feverishly pulsing, only the passing effect of ephemeral causes" (96).

George had little hope that the mechanisms of politics could bring change. "Our two great political parties have really nothing more to propose than the keeping or the taking of offices from the other party." In recently organizing "Common Cause," John W. Gardner said much the same thing. Nor did George place his hopes for reform in intelligence alone. As he wrote in *Social Problems*,

The intelligence required for the solving of social problems is not a thing of the mere intellect. It must be animated with the religious sentiment and warm with sympathy for human suffering. It must stretch out beyond self-interest, whether it be the self-interest of the few or of the many. It must seek justice. For at the bottom of every social problem we will find a social wrong (97).

The social question, he reminds Leo XIII, "is at bottom a religious question" (98). Like Edward Bellamy, who believed any economic proposition that could not be stated in ethical terms was false (99), George was "willing to submit every question of political economy to the test of ethics" (100). All "true reforms" had "both an ethical and an economic side" (101). Indeed, George was convinced that both intellectual and material advance required "corresponding moral advance" (102), that the attainment of pure government was "merely a matter of conforming social

institutions to moral law" (103). With George these were more than words. As A. J. Nock has said, his course of public conduct never swerved from the pursuit of ethical ends (104). Believing in the goodness of man he was himself a man of goodness.

In the end, therefore, something more than the rightness of Henry George's fiscal ideas must weigh in the balance of our judgment of him; something more is called for than our response to his landed panacea for social wrong. This is the more true because of our need to acknowledge that if progress has brought poverty, it has probably brought lesser amounts of it than obtained before progress began to quicken. It is well to remember, in the words of Richard A. Easterlin, that "It seems safe to say that in those economies now characterized as 'developed,' most of the population has experienced in the last 100 years a greater advance in material well-being and a more sweeping change in way of life than occurred in any previous century of human history" (105). It is well to remember that employee compensation as a proportion of total national income has risen from 55 per cent in 1900-1909 to 70.7 per cent in 1960-1965 (106), even if, contrary to a widely held belief that the gap between the rich and the poor has recently been narrowing in the United States, available statistics "show no appreciable change in income shares" between the end of World War II and the mid-sixties (107). Yet men may be better off than they were and more discontent because of the failure of their levels of living to rise as high as those of other men. George was right to remind us that "It is in vain" to tell people that "their situation has been much improved" (108).

In what I have said here I have tried to convey the impression that some of the economic intuitions of Henry George were more right than his system of political economy as a whole, and that his ethical insights in particular have high relevance to the mood and needs of our times. His conception of land as consisting of the totality of man's material universe, and his warning against the effects of its monopolization, are useful to us now in ways he could not have grasped so clearly in his day. Keenly aware as we are of the despoliation of our environment we may now see that business enterprise has long been the recipient of an unearned increment in its rent-free use of an environment that is no longer a free economic good, but rather one which is beginning to develop alarming properties of scarcity, especially of pure air and water, to say nothing of many forms of animal life. We will do well to remember George's admonition that "the earth is an entailed estate—entailed upon all the generations of the children of men, by a deed written in the constitution of Nature" and that "Each succeeding generation has but a tenancy for life" (109). And

we will do well to take unto our hearts the words with which he began his concluding chapter on *Social Problems* (110):

Here, it seems to me, is the gist and meaning of the great social problems of our time: More is given to us than to any people at any time before; and therefore, more is required of us. We have made, and still are making, enormous advances on material lines. It is necessary that we commensurately advance on moral lines. Civilization, as it progresses, *requires* a higher conscience, a wider, truer public spirit. Failing these, civilization must pass into destruction.

If anything, his words are more true now than when he uttered them.

But there are grounds for hope. According to one of the great benefactors of mankind in our day, Dr. Jonas E. Salk, "mankind is in the midst of a transition from an epoch of competition to an epoch of cooperation and interdependence." Until now, mankind has "grown like a cancer—proliferating unchecked like malignant cells, heedless of the good of the whole. Dominated by such values as pursuit of self-interest and survival of the fittest, this 'cancer of man' now threatens to destroy its host." Happily, Dr. Salk "foresees an era in which 'that which survives is that which fits best' for the good of the species as well as the individual." He believes that man is undergoing an evolutionary change "toward a new value system and way of life" (111). How prophetic indeed were the gifts of Henry George!

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12. Henry George, *The Land Question* (Garden City and New York: 1930), p. 103.
 13. Henry George, *Progress and Poverty* (New York: 1887), p. 294.
 14. *Complete Works*, Vol. 2, p. 13.
 15. *Ibid.*, p. 35.
 16. *The Land Question*, p. 62.
 17. *Ibid.*, p. 294.
 18. *Complete Works*, Vol. 2, p. 13.
 19. *Progress and Poverty*, pp. 173-4, 294.
 20. *Complete Works*, Vol. 2, pp. 188, 176.
 21. *Ibid.*, Vol. 4, p. 308.
 22. *Ibid.*, Vol. 2, pp. 172, 181ff., 178, 186.
 23. *Ibid.*, Vol. 8, pp. 153, 172, 180.
 24. *Ibid.*, p. 287.
 25. *Complete Works*, Vol. 2, pp. 191, 189.
 26. *Ibid.*, Vol. 4, p. 305.
 27. *Ibid.*, Vol. 2, pp. 189, 184.
 28. *Progress and Poverty*, pp. 288-9.
 29. *The Land Question*, p. 57.
 30. Reed R. Hansen, "Henry George: Economics or Theology?", in Richard W. Lindholm, ed., *Property Taxation, U.S.A.* (Madison, Wis.: 1967), p. 65.
 31. A. J. Nock, *Henry George* (New York: 1939), p. 215.
 32. *The Land Question*, p. 53.
 33. *Complete Works*, Vol. 4, p. 173. Strictly speaking, George was not altogether correct in his allegation that the contribution of the landowner is entirely negative. Some landowners, for example John Jacob Astor and James J. Hill, successfully guided settlers to their particular plots of land, and some part of their resultant profits ought to be regarded as entrepreneurial wages. In addition, numerous landowners have graded their properties and otherwise added to their attractiveness. One might with equal fairness ask wherein the productive contribution of the speculator in securities differs from that of the land speculator.
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 35. *Complete Works*, Vol. 4, pp. 280-1, 279, 283, 231, 285, 306, 268, 306-7.
 36. *Ibid.*, p. 270. See also p. 5 of "Open Letter to Pope Leo XIII", in *The Land Question*.
 37. *Complete Works*, Vol. 7, pp. 408-9.
 38. *Ibid.*, Vol. 4, pp. 305-6, 301.
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 48. Edgar H. Johnson, "The Economics of 'Progress and Poverty'", *Journal of Political Economy*, 18 (1910), p. 729.
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55. *The Land Question*, pp. 79, 48–9, 96.
56. *Complete Works*, Vol. 4, ch. 16, esp. p. 160.
57. *Ibid.*, Vol. 4, p. 159; Vol. 2, p. 141.
58. *Ibid.*, Vol. 4, p. 169.
59. *Ibid.*, Vol. 4, p. 112.
60. *Ibid.*, Vol. 4, p. 161.
61. *Ibid.*, Vol. 4, p. 160.
62. *Ibid.*, Vol. 2, p. 120.
63. *Ibid.*, Vol. 2, p. 19.
64. *Progress and Poverty*, p. 11. (My emphasis).
65. *Ibid.*, Book III, ch. XIII, p. 404n. It is true that Henry George Jr. adds that "The reader will find the subject of demand and supply in production treated in 'Progress and Poverty' and in 'Social Problems' ". What I have in mind is the way in which they are "treated"—or rather, mistreated. See, for example, his discussion in *Progress and Poverty*, p. 188.
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83. *Ibid.*, pp. 410–11.
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98. "Open Letter to Pope Leo XIII," in *The Land Question*, p. 67.
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100. "Reduction to Iniquity", in *The Land Question*, p. 45.
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Ludwig Erhard at 75

DR. LUDWIG ERHARD, former Chancellor of West Germany and the architect of his country's postwar economic recovery, celebrated his 75th birthday last February and received congratulations from leaders not only from all sectors of German public life but from various parts of the world. To these expressions of affection and appreciation we add our own.

Dr. Erhard was a student of one of the founders of this JOURNAL, Franz Oppenheimer, and he has exemplified the principles of brotherhood and cooperation which were at the core of the Oppenheimer system. When Dr. Erhard reached the pinnacle of power he seized the opportunity to acknowledge his own indebtedness, and that of his country, to the scholarly labors of Franz Oppenheimer, the economist who was one of the founders of German sociology.

On my own account, I had the pleasure of making Dr. Erhard's acquaintance on his first postwar visit to the United States and thereafter, on succeeding visits, the benefit of his private views on international economic problems. The breadth of his vision, the perceptiveness of his insights and the depth of his commitment to democracy have never ceased to amaze those with whom he has shared them. As West Germany's chief executive and now as his country's elder statesman he has earned the gratitude of men and women everywhere who cherish the principles of liberty, democracy and social progress to which he has dedicated his scholarly and political careers.

W. L.