

Having discovered the true causes of poverty and the fundamental check to progress, it was simple for [Henry] George to propose the remedy. It would consist of one single massive tax on land, a tax which would absorb all rents. And then, with the cancer removed from the body of society, the millennium could be allowed to come. The single tax would not only dispense with the need for all other kinds of taxes, but in abolishing rent it would “raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, purify government, and carry civilization to yet nobler heights.” It would be—there is no other word—the ultimate panacea.[Robert L. Heilbroner]⁴⁷⁶

CHAPTER 5

NOWHERE TO RUN

HENRY GEORGE AND THE QUEST TO RESURRECT POLITICAL ECONOMY AS A CLOSED SYSTEM

Driven by an intense moral obligation as well as his own spirituality, Henry George had far more in common with Horace Greeley and the generation of reformers who were his contemporaries than with the degreed individuals who emerged from the universities of Europe and North America during the same period. “*He was,*” observes Albert Jay Nock, “*one of the greatest of philosophers, and the spontaneous concurring voice of all his contemporaries acclaimed him as one of the best of men.*”⁴⁷⁷ He also attracted many like-minded individuals to his side. However, among the growing number of professional economists and others who

taught the social sciences, George's ideas and writings were generally treated with a mixture of deliberate neglect or animosity. He was branded a heretic by many of those who at the time comprised the world's transnational community, relegated to the position of a somewhat troublesome voice in the wilderness. After his death and as the number of his dedicated supporters passed on and were not replaced, the full scope of his intellectual contribution was largely ignored while those who continued to pursue his reform agenda acquired the label "Georgists." George's comprehensive socio-political philosophy was not abandoned by his supporters, but the arena in which they operated—the political arena—demanded simplicity and expediency. Thus, the philosophy of liberty Henry George developed was transformed into a debate, first, on the merits of the so-called Single Tax, and, later (when momentum for the Single Tax dissipated), the merits of taxing land values as a reform in the system for raising municipal revenue.

Henry George's every waking moment after the mid-1870s had been devoted to defending not merely his own scientific observations but the classical analysis of political economy as a closed system. He has been fairly described as the last of the classical political economists, and the force of his arguments left their mark on many individuals, even those who could not bring themselves to accept his condemnation of the private appropriation of rent as a scourge on humanity. As one *American* economist, John R. Commons, recalled in his autobiography:

In my first year at Oberlin, 1882, I had read [Henry] George's *Progress and Poverty*, recommended to me there by a good old fellow printer. In my senior year I joined with other students to organize the Henry George Club. We brought George himself to Oberlin for a public lecture, well attended but strongly resisted from the floor....

Afterwards I attended all the single-tax clubs wherever I happened to be. Yet I was a convinced protectionist [and did not] like his shifting of taxes to the farmers' fertility of the soil which he and the single taxers thought was God-given, whereas I, agreeing with Ricardo, could see that it was mostly man-made.⁴⁷⁸

Commons was deeply moved by George's analysis of land monopoly and how the concentrated control over land condemned so many to lives of hardship and sacrifice. As an economist, he thought the farmer ought to be exempted from having to pay taxes on land valued according to its fertility, arguing the point that agricultural land soon loses its natural fertility if not intensely cared for. Despite his partial disagreement with Henry George, Commons proved to be exceptional among his generation of professional economists and economics professors because of his interest in the moral principles associated with the adoption of George's proposals. On the other hand, Commons accepted the arguments for protectionism and looked to unionization and the collective bargaining by workers as the primary means by which they could improve their condition. George was unsure of how long the struggle for justice, for equality of opportunity and for a market system conducted on a *fair field with no favors* would take. He understood the motivation of workers who attempted to gain bargaining strength by unified action but also asked them to work for permanent, structural reforms that would create a labor market where there would nearly always be more jobs looking for people than people available to fill them. "[I]t is necessary, if workmen would accomplish anything real and permanent for themselves," wrote George, "not merely that each trade should seek the common interests of all trades, but that skilled workmen should address themselves to those general measures which will improve the condition of unskilled workmen."⁴⁷⁹

Few economists and other social scientists could bring themselves to accept George's assertion that a natural harmony existed between *labor* and *capital*. This harmony would generate broad prosperity if only an end to monopoly privilege could be achieved. Moreover, the most important public policy to be implemented was the societal appropriation of *rent*. Even in the United States, the day-to-day experience of workers competing with one another for scarce employment opportunities suggested the need for anti-trust legislation. Few in the reform

camp really understood the insights George shared in his writings and speeches. What George advocated was the emancipation of labor and capital from the confiscation of wealth they produced—confiscation in the form of rent paid to the landed and of taxes paid to government. The fact was that in many instances the same individuals were both producers of wealth as well as confiscators of wealth. Their contributions as laborer and capitalist needed to be respected, and the property they produced not confiscated by taxation. As holders of deeds to land, however, the claim on production they commanded represented unnatural property that rightfully belonged to the community and society. Injustice existed to the extent the rent fund of society was allowed to be privately appropriated.

George's own personality, his popularity with the worker class and his seeming radicalism, combined to alienate him from many of those who viewed science as something to be conducted separate and distinct from the political world. As a consequence, his converts within academia were few and far between. Even Commons is accurately described as only a moderate supporter. Less than three years after George's death in 1897, the Adam Smith Professor of Political Economy at the University of Glasgow, William Smart, included a rather long commentary on George's career in a book⁴⁸⁰ presenting the arguments for and against the taxation of land values. Smart called attention to George's general disdain for most of his contemporaries who practiced political economy, including a quote from George's *The Science of Political Economy* that is worth repeating here:

[T]he science of Political Economy, as founded by Adam Smith, and taught authoritatively in 1880, has now been utterly abandoned, its teachings being referred to as teachings of the 'classical school' of political economy, now obsolete.

What has succeeded is usually denominated the Austrian school, for no other reason that I can discover than that 'far kine [cows] have long horns.' If it has any principles, I have been utterly unable to find them. The inquirer is usually referred to the

incomprehensible works of Professor Alfred Marshall, of Cambridge, England...; to the ponderous works of Eugen V. Bohm-Bawerk...; or to Professor [William] Smart's "Introduction to the Theory of Value on the Lines of Menger, Wieser and Bohm-Bawerk," or to a lot of German works written by men he never heard of and whose names he cannot even pronounce.⁴⁸¹

As if this were not enough to arouse the animosity of the professionals (individuals who devoted years to formal study with very little financial remuneration) George attacked not merely the quality of what they learned and then taught but their motives in advancing a set of doctrines he found incomprehensible and without scientific foundation:

This pseudo-science gets its name from a foreign language, and uses for its terms words adapted from the German—words that have no place and no meaning in any English work. It is, indeed, admirably calculated to serve the purpose of those powerful interests dominant in the colleges under our organization, that must fear a simple and understandable political economy, and who vaguely wish to have the poor boys who are subjected to it by their professors rendered incapable of thought on economic subjects.⁴⁸²

Interestingly, Smart omitted in his quotation of George's sentiments the reference to himself as one of the key spokespersons for the new, so-called *Austrian* school. He then went on to challenge George's own moral principles, speaking directly to the question of whether the rental value of land is a legitimate form of private income.

Smart agrees with George that the rental value of nature arises and increases because of aggregate demand and the investment by society and individuals in physical and other types of infrastructure. Yet he mistakenly concludes that George holds government, as agent of the State, rather than society (i.e., the collective citizenry) as the legitimate claimant to the aggregate exchange value of all of nature. Smart suggests that George "*conceives of the government having, or desiring to have, a*

private estate, the land of the nation, the produce of which goes to defray the expenses of government."⁴⁸³ Had he referred to George's *Social Problems*, he would have realized George held no such view:

It is as social development goes on that we find power concentrating, and institutions based upon the equality of rights passing into institutions which make the many the slaves of the few. How this is we may see. In all institutions which involve the lodging of governing power there is, with social growth, a tendency to the exaltation of their function and the centralization of their power, and in the stronger of these institutions a tendency to the absorption of the powers of the rest.⁴⁸⁴

To prevent government from becoming corrupt and tyrannous, its organization and methods should be as simple as possible, its functions restricted to those necessary to the common welfare, and in all its parts it should be kept as close to the people and as directly within their control as may be.⁴⁸⁵

George had, in fact, broken with the English Fabians and other socialists over what he believed to be their misdirected quest to wrestle control of the State from the agrarian and industrial landlords and to nationalize land, capital goods, and the systems of banking and currency creation. George's scheme for the collection of the rental value of land was universal in its ideal application and based on a moral theory of property rights in the products of labor (such products to include capital goods as well as articles of consumption). As a practical matter, George also advocated and believed in local and cooperative decision-making on questions of how land use might be regulated. He had learned from his study of history the potential of centralized government for excess and tyranny. Reliance on a central authority for regulation and enforcement offered a prospect for universal application but also for widespread, systematic abuse.

As did George, William Smart also feared the growing power of the State. Unaccountably, however, he defended the very system on which such power had been secured, arguing that the "*present system makes the*

government dependent year by year on the taxpayers for the funds which it is to administer.”⁴⁸⁶ To the extent taxation was necessary to pay for government services, Smart argued (unconvincingly, based on the historical record) that each citizen benefited equally and should pay equally. By taking such a position, even though poorly supported by the facts, he could safely conclude that the collection of location rent by government was an unfair confiscation of one form of private property to the benefit of those who held other forms of private property. In the relations between private individuals, Smart argues, the collection of rent by the landed from tenants (or, the enjoyment of the use of locations without appropriate payment of rent to the community and society) involved no special privilege or unearned claim on the production of others. What Smart also ignored is that land, as the first factor of production, has a zero production cost in terms of labor and capital goods. And, in fact, neither labor nor capital goods are able to produce land. Rather, what nature provides can only be improved upon in the short or intermediate term by the application of labor and capital goods. Two very basic examples of this type of activity are the draining of wetlands or the creation of irrigation for agricultural production. In each case labor and capital goods are needed to bring land into production that could not be used efficiently in a natural state.

The bottom line with Smart was the fact that George was stirring deeply-rooted animosities, creating “*the new battle-ground of poor against rich, the economists in this case being regarded, thanks to Mr. George, as holding briefs for the oppressors.*”⁴⁸⁷ In this last assessment, his understanding was quite accurate, his defensiveness quite apparent.

Smart and many others in Britain who studied George’s proposals recognized in them a power to democratize British society by overthrowing the fundamental relationships created under the British constitution of government. Smart, in his criticisms, was also careful to point out to socialists that if George’s ideas were adopted, industrial landlords would no longer be taxed on the value of their capital goods

or revenue generated by the sale of goods or services. That many of the personal fortunes of the industrial landlords had been acquired at the expense of those who actually labored could not be denied. The control over land and the private appropriation of rent were important but not the only forms of monopolistic privilege enjoyed by this group. George was more concerned with charting an improving future than in rectifying past injustices. Yet, he was not inherently opposed to taxing very high incomes or huge estates as measures necessary to mitigate the worst examples of wealth concentration. History and the observation of human behavior brought George to warn, however, that such measures carried serious risks:

The object at which it [a graduated tax on incomes] aims, the reduction or prevention of immense concentrations of wealth, is good; but this means involves the employment of a large number of officials clothed with inquisitorial powers; temptations to bribery, and perjury, and all other means of evasion, which beget a demoralization of opinion, and put a premium upon unscrupulousness and a tax upon conscience; and, finally, just in proportion as the tax accomplishes its effect, a lessening in the incentive to the accumulation of wealth, which is one of the strong forces of industrial progress.⁴⁸⁸

In many other respects, Henry George was a strong advocate of individualism and of a highly participatory form of government. He recognized as did Herbert Spencer and others the tendency of the State to fall into despotic hands and to restrict individual liberty while advancing institutional license. Political economy—and economics—had already suffered under the pressures by the State (particularly in Germany) to assist in the planning of production for nationalistic objectives. The work of economists as well as other social scientists in every society was coming under the direction and funding of government. Henry George was among those who voiced concern over this development.

A planning establishment was slowly emerging whose members fully accepted the idea that the allocation of scarce resources required planning and organization at all levels of society. Individualism and the invisible hand of Adam Smith had to be controlled and directed by a new societal architecture constructed and guided by professionals trained in the art of social engineering. Economist Robert Heilbroner concludes, for example, that the nineteenth century system (what I have described as the combination of agrarian, urban and industrial landlordism) “poses a paradox. Unregulated, it will lead to results...that are not only ‘ethically’ intolerable, but that require government intervention to assure its continued functional operation.”⁴⁸⁹ The more centrally-controlled societies embarked on programs of planned industrial growth and institutional development as means to a political ends. Eventually, even those societies in which the unbridled individualism of *laissez-faire* slowed or prevented absolute centralization gradually introduced many of the same programs in response to actual and perceived internal and external threats. In the United States, for example, this process of incremental change developed into the complex set of conflicting programs and policies that, taken together, define the limits of twentieth century Liberalism.

The message conveyed by Henry George was a simple one that unfortunately escaped even many of those attracted to the moral tone of his writings and speeches. The consequences of human actions, natural though they might be and governed by laws of tendency, yield an unjust distribution of wealth and cause serious disruptions to the win/win exchanges inherently characteristic of fully competitive markets. Faced with this reality, George made the case for societal intervention. The philosophical debate centered on what sort of intervention ought to replace either *mercantilism* or *laissez-faire*. The State-socialists offered a program designed around the control and direction of individual decision-making. At the other extreme, anarchists called for absolute voluntary association. By 1892, Frederick Engels was confident

that the public disclosure of numerous corruptions marked the beginning of the end of the old system. All the outward signs suggested that European societies were headed into a period of transition and systemic change. The socialist revolution would take longer to achieve results in the United States, he wrote to Friedrich Sorge, because of its youth and the “predominantly material nature” involving “a certain backwardness of thought, a clinging to the traditions connected with the foundation of the new nationality.”⁴⁹⁰ And, although he did not understand this, the long experience with self-government and mutual assistance had created a people who instinctively continued to practice many elements of cooperative individualism.

What finally shocked *Americans* out of their relative comfort was the mass influx of southern and eastern Europeans beginning in the 1880s. Ten million people arrived in the United States from the Old World between 1860 and 1890, most of whom came from the British Isles or northern Europe. Between 1890 and the beginning of the First World War, another fifteen million people came, “drawn very largely from Austria-Hungary, Italy, Russia, Greece, Rumania and Turkey.”⁴⁹¹ Second, third, fourth and fifth generation *Americans*, fearful that the arrival of such a vast population of unskilled, uneducated and non-English speaking immigrants would be seriously taken advantage of. They represented an almost limitless pool of unskilled labor whose presence served to drive down wages and cause unemployment among real *Americans*. Workers agitated for legislation to dramatically slow the numbers of immigrants allowed to enter the United States. Laws were passed restricting Chinese immigration and the use of foreign contract labor. *Americans* grimly faced the disconcerting reality of limited opportunity. Disappearance of the frontier hastened the appearance of weaknesses in *the American System*, although few fully understood the true sources of their plight. Fear of the immigrant rather than a confidence in manifest destiny now came to dominate *American* politics. Protestants became apprehensive over the transfer of political power in

the nation's largest cities to Irish Catholics, and a general anti-Catholic mood quickly spread across the country. Similar nativist reactions arose in turn against virtually all new immigrant groups.

Economists and other social scientists, particularly in New England, conducted research and published papers concluding that immigration was jeopardizing the homogeneous development of an *American* nationality. Francis A. Walker, president of the Massachusetts Institute of Technology, authored a widely-discussed study in which he first identified a declining birth rate among the *American* population, then suggested this was in some way caused by competition from foreign immigrants. When Henry George entered the debate over immigration with an article published in *Frank Leslie's Illustrated Newspaper*, he first concentrated on the Irish, charging the British government with "shipping off its people, to be dumped upon another continent, as garbage is shipped off from New York to be dumped into the Atlantic Ocean."⁴⁹² George went on to describe as an oxymoron "the land of the free" to which they had come:

Have they, then, escaped from the system which in their own country made them serfs and human garbage? Not at all. They have not even escaped the power of their old landlords to take from them the proceeds of their toil.

For we are not merely getting these surplus tenants of English, Scotch and Irish landlords—we are getting the landlords, too. Simultaneously with this emigration is going on a movement which is making the landlords and monopolists of Great Britain owners of vast tracts of American soil. There is even now scarcely a large land-owning family in Great Britain that does not own even larger American estates, and American land is becoming with them a more and more favorite investment.⁴⁹³

While *Americans* were becoming increasingly concerned with new arrivals from the Old World, they were seemingly blind to the effects of landlordism in all its forms. Ireland was, to be sure, merely the most immediate and accessible example of the method by which an oppressive

and dominant minority (in Ireland's case, also largely absentee) systematically denied the majority access to land, and thereby to an opportunity for self-sufficiency.

Identifying land monopoly (or, more specifically, land rent monopoly) as the primary cause of poverty and source of injustice might have been enough to assure George a place in history. Armed with the truths he had discovered, he embarked on a crusade to teach others how they could rebuild society and secure liberty for future generations. This required the development of a full-blown philosophical treatise and examination of socio-political arrangements and institutions. Over time, however, less and less attention was paid by critics and supporters alike to George's contributions to socio-political thought, his detailed study of the economic laws of production and distribution, or his comprehensive analysis of business cycles. To the extent that individuals such as William Smart analyzed George's theoretical work, they consistently misrepresented what he wrote and the conclusions he reached. Under George's patient examination, for example, David Ricardo's presentation of rent theory is developed into an operational law of tendency that applies not only to agricultural land but to resource-laden lands and urban locations. Smart attempted to counter George by introducing data that suggested both rent and land values had risen hardly at all over several decades in many parts of Britain, despite an increasing population. In this effort, he was really responding to Ricardo rather than George. George not only examined the natural circumstances under which the potential rental value of land might remain stable or even decline, he devoted considerable attention to the influence of various externalities on the direction and extent of such changes. In doing so, however, George admits to moving beyond political economy and into the study of political science. "*Political economy can deal, and has need to deal, only with general tendencies,*" stresses George. "*The derivative forces are so multiform, the actions and*

reactions are so various, that the exact character of the phenomena cannot be predicted.”⁴⁹⁴

Henry George argued, almost as a matter of commonplace observation, that “a speculative advance in rent or land values invariably precedes...industrial depression[s].”⁴⁹⁵ The greater the concentration of control over locations, over agricultural land and over resource-laden lands, the more vulnerable that society is to the siphoning off of *wages* and *interest* by the landed—unless *rent* is societally-appropriated as a common fund to pay for public goods and services (and, potentially, distribution of the remaining portion to citizens under some agreed-upon formula). Individuals or entities whose primary role in an economy is the purchase and sale or leasing of land to others are neither producing material goods nor providing services that contribute to production. A low or nonexistent annual tax on the rental value of land they control gives the landed a tremendous advantage in markets when compared to those who must offer their labor in order to survive. Owners of capital goods must maximize the use of such capital goods in order to achieve an acceptable rate of return on their investment.

As Henry George examined the causes of recessions and depressions he observed that when a small number of participants were permitted to retain most of the rent fund as their own income, the productive sectors of society were put under enormous pressures and often forced to mortgage their assets in order to meet constantly rising costs of production. Industrialists pursuing what seemed to them to be self-interest used their political influence to forestall the organization of labor into trades unions. When this began to fail, they sought to reduce the cost of labor by introducing more automated production processes. Whatever temporary advantage this achieved for the individual producer, the aggregate effect on a society is loss of purchasing power among the millions of workers whose everyday purchases represent the demand side of the economic equation. The concentrated control over land creates an artificial scarcity of the first factor of production. In the

face of rising land prices, producers must find ways to increase output per unit of input of labor and capital goods in order to maintain profit margins. As history reveals, this race against rising land prices eventually results in the collapse of markets. Often the first sector to experience this collapse is the construction industry, which is highly vulnerable to sudden drops in the demand for new homes, apartment and office buildings and other structures. Investors who acquire land at the top of the land market cycle are faced with the challenge of finding tenants for their buildings who are able and willing to pay the high prices required to cover debt service and provide a reasonable profit. When many employers begin to release workers in order to cut costs, the inevitable result is recession. Just how deep and long the recession will be depends upon many factors, including the response measures taken by government. All of this Henry George examined closely as he worked to clear up the inconsistencies that continued to plague political economy as a mode of scientific investigation. Harry Gunnison Brown (1880-1975), one of the few professional economists of the early twentieth century to faithfully pursue the science of political economy, devoted much of his career to the thankless task of trying to resurrect and improve upon George's analysis. In an essay published in 1958 defending free enterprise capitalism, he echoed the conclusions and warnings offered by Henry George more than a half century before:

The clear logic of the matter...indicates not only that to relieve capital from taxation, so far as we can, by drawing heavily on the annual rental value of land, tends definitely to the strengthening of the free private enterprise system. The same logic indicates that to follow the opposite policy, i.e., to abolish the tax on land and take by taxation practically all the yield of capital, must lead to the management of all or practically all industry by the State, with saving thereafter compulsory.⁴⁹⁶

Harry Gunnison Brown had the good judgment to recognize the value of Henry George's contributions to political economy while maintaining a degree of intellectual distance. Henry George endeavored to do the same as he began his own study of political economy, not as an academic exercise on the path to a university degree and professorship in the subject but because of a driving desire to find the solutions to long-standing societal problems.

NATIONALISM AND LAISSEZ-FAIRE

During the decade following the end of the war between the *American States*, the conclusion of which established the United States of America as a centrally-governed nation, life in the northeastern cities was fast becoming indistinguishable from that in the industrialized cities of Britain, and parts of continental Europe. In every city the number of very poor increased with each passing year. Poverty and other forms of oppression stimulated in a mass exodus of people from all over Europe and Asia. Many came to the northeastern cities of the United States and were there joined by African-Americans who migrated north after emancipation. Almost everywhere, they formed ethnic enclaves where the number of individuals competing for money wages almost always exceeded the opportunities for employment and the demand for housing far exceeded what was either available or affordable. The rising urban populations, too poor to acquire housing of their own, were forced to compete for living space in large homes built by earlier generations and converted into tenement houses. Other, multi-storied dwellings, divided into as many units as possible, were hastily constructed one next to the other in uniform ugliness. Hot in the summer, cold in the winter, without sunlight or fresh air, built without indoor plumbing and infested with insects and rodents—these were the living conditions of hundreds of thousands of immigrant poor.

In the more affluent parts of the cities and within the ring of suburban enclaves arising along rail and trolley lines, the promise of life in the United States seemed to have been achieved. A generation of educated and highly trained specialists emerged in the late nineteenth century, engaged in scientific research across a broad range of disciplines. Colleges and universities were becoming the source of the nation's professional managers, engineers, social scientists, teachers and physicians. The corporation was taking over as the major player in international finance and commerce, protecting its interests by any and all means. Standard Oil, formed by John D. Rockefeller, consolidated monopolistic control over the production and distribution of petroleum products in the United States. A similar petroleum-based empire arose in Europe under the direction of Marcus Samuel. Rockefeller and Samuel then fought each other for control of new oil fields all around the globe. Other industrialists built similar empires in minerals, agribusiness, forestry, aquaculture and chemicals within a socio-political environment that sanctioned open access to (or control over) external markets and protection from foreign competition at home. Britain remained the one place where markets operated to a considerable extent unimpeded by tariffs or other protectionist measures. This brought limited but important benefits to the working poor, who experienced greater access to food and other basic goods at prices more affordable than they otherwise would have been.

The exploits of the industrial landlords and the corruption of public officeholders that defined the monopolistic game finally aroused a general call for reform. Henry Demarest Lloyd—trained in law at Columbia University, a free trader by inclination and a strong believer in the republic—opened his own detailed attack in 1894 on Standard Oil with a call for justice:

Nature is rich; but everywhere man, the heir of nature, is poor. Never in this happy country or elsewhere...has there been enough of anything for the people. Never since

time began have all the sons and daughters of men been all warm, and all filled, and all shod and roofed....

The world, enriched by thousands of generations of toilers and thinkers, has reached a fertility which can give every human being a plenty undreamed of even in the Utopias. But between this plenty ripening on the boughs of our civilization and the people hungering for it step the "cornerers," the syndicates, trusts, combinations, with the cry of "overproduction"—too much of everything. Holding back the riches of earth, sea, and sky from their fellows who famish and freeze in the dark, they declare to them that there is too much light and warmth and food. They assert the right, for their private profit, to regulate the consumption by the people of the necessities of life, and to control production, not by the needs of humanity, but by the desires of a few for dividends.⁴⁹⁷

Henry George, who possessed great faith in the power of competition to improve the material well-being of all citizens, agreed with Lloyd that "*Liberty produces wealth*," and would have understood but argue against his conclusion that "*wealth destroys liberty*."⁴⁹⁸ An important difference between these two reformers was that in Lloyd's mind the problem was as much a question of character as one of monopolistic socio-political arrangements and institutions:

If our civilization is destroyed,...it will not be by...barbarians from below. Our barbarians come from above. Our great money-makers have sprung in one generation into seats of power kings do not know. The forces and the wealth are new, and have been the opportunity of new men. Without restraints of culture, experience, the pride, or even the inherited caution of class or rank, these men, intoxicated, think they are the wave instead of the float, and that they have created the business which has created them....They claim a power without control, exercised through forms which make it secret, anonymous, and perpetual....They are gluttons of luxury and power, rough, unsocialized, believing that mankind must be kept terrorized.⁴⁹⁹

Others, more radical in their assessment of conditions and the cause of misery, looked to socialism as the solution, trusting in an ideologically-directed State to act in the best interests of all citizens. The promise of their hopes depended, unfortunately, on a very dramatic change in human behavior. Max Hirsch (1853-1909), a Prussian-born free-trader and one of the leading turn-of-the-century critics of socialism, pinpointed the full nature of this problem:

Socialism disregards the teaching of universal history—runs counter to the course which the evolution of human society has taken. Instead of aiming at less regulation, it aims at more regulation; instead of reducing the coerciveness of regulation from without, it must increase it. For the supersession of the unconscious and voluntary co-operation of to-day by a system of compulsory co-operation consciously directed by State agencies, involves universal regulation of the most minute and despotic kind.⁵⁰⁰

Hirsch became a powerful advocate of the principles of cooperative individualism, as well as a key figure in the movement that survived Henry George. He was engaged in a number of business activities that took him to the far reaches of the world, and he eventually settled in Australia. Francis Neilson, a British activist and member of the House of Commons from 1910-1915, wrote of Hirsch in 1939 that “[m]any of the leading Socialists of Great Britain and Australia, somewhat reluctantly, admitted that Hirsch had destroyed, in his analysis, Marx’s notions of labor time and surplus value.”⁵⁰¹ Hirsch’s writing on political economy, fashioned closely on the analysis provided by Henry George, strengthened the case that the exchange value for any good has only an indirect relation to the cost of production. The production of goods for exchange is initiated on the prospect that a demand exists at a price sufficient to recover all out-of-pocket costs, the amortized depreciation of capital goods and to compensate all those involved for their labor. For some, demand proves greater than expected, and either more units are produced and sold at a given price or the price commanded by each

unit increases (at least temporarily) until other producers enter the market with similar types of goods. For other producers, the anticipated demand does not materialize, the price commanded per unit is lowered in order to dispose of inventory, and the returns to labor and capital goods fall to well below the average return in the marketplace. Some producers come to the market with an added advantage when they hold title to land acquired at a low cost and subjected to little or no annual rent payments either to a private landlord or the community. A considerable portion of their income comes from this cost advantage as beneficiaries of imputed rent.

The expansion of industrial landlordism and the corporate form of ownership had important implications for the future of political economy as a scientific discipline. A transition of sorts displaced moral and practical philosophers who had long been the stalwarts of political economy with professional economists who viewed the world from the perspective of the market researcher, planner and statistician. Government sponsored research, which gradually increased during the final quarter of the nineteenth century, focused the attention of economists on the role of government in developing a communications and transportation infrastructure, as well as the marshalling of resources for warfare. One need only recall the reports written by Alexander Hamilton to demonstrate that the advocates of a strong national government recognized the importance of encouraging technological advances. Paul Dickson traces the origins of the military-industrial State in the United States to the 1830s, "*when the Secretary of the Treasury, confronted by pesky steam boilers that kept exploding in American steamboats, contracted with the Franklin Institute of Philadelphia for a study of the problem.*"⁵⁰² Opportunities for individuals with training in economics, able to advise industry and government leaders on the allocation of scarce private and public resources, expanded enormously with the technological age. Henry George, on the other hand, belonged to an earlier age and to a scientific school

concerned with broad questions of morality and justice, as well as economic efficiency.

As a self-taught political economist of the classical school, concerned with socio-political questions as well as the science of the market, Henry George recognized in the emergence of the State as benefactor of industrial landlordism (and vice versa) the greatest of dangers to individual liberty. This same partnership he understood would destroy political economy as an objective scientific discipline. In *The Science of Political Economy*, George expresses the depth of his concerns:

[T]he professors of political economy, having the sanction and support of the schools, preferred, and naturally preferred, to unite their differences, by giving up what had before been insisted on as essential, and to teach what was an incomprehensible jargon to the ordinary man, under the assumption of teaching an occult science, which required a great study of what had been written by numerous learned professors all over the world, and a knowledge of foreign languages. So the scholastic political economy, as it had been taught, utterly broke down, and, as taught in the schools, tended to protectionism and the German, and to the assumption that it was a recondite science on which no one not having the indorsement of the colleges was competent to speak, and on which only a man of great reading and learning could express an opinion.⁵⁰³

The favor was returned. Reviewing *The Science of Political Economy* in the August, 1898 issue of *The Yale Review*, Arthur Twining Hadley observed that while George “criticizes his predecessors with no sparing hand...he lays himself open to the same kind of criticism in far greater measure.”⁵⁰⁴ Hadley, who in the following year became president of Yale University, added that George began his career as a “good preacher” and ended a “poor controversialist.” One of George’s most ardent supporters thought “much of the manuscript seemed irrelevant.”⁵⁰⁵ Louis F. Post was even more frank in his criticisms. George responded, “I pit my own judgment against yours...and my own judgment is that this will be equal

to *Progress and Poverty*.”⁵⁰⁶ Charles Barker and other biographers of Henry George record that George’s ill health made impossible the intensive research that would have made his last book worthy of serious contemporary scrutiny. Henry George seems to have come to a point in the 1890s where he realized that the battle for the hearts and minds of the social scientists was largely lost. The teaching of political economy at the University of Pennsylvania had, for example, been taken over by ardent protectionists under Professor E.J. James, who looked upon classical political economy as “*a closed circle*” but one which had “*no line of advance*.”⁵⁰⁷ James was convinced, moreover, that the State “*must be continually interfering [to promote and create industry]; otherwise, progress would stop, and retrogression set in*.”⁵⁰⁸ The ascendancy at the University of Pennsylvania of E.J. James occurred at the expense of the Scotsman, Robert Ellis Thompson, described by Henry George as a member of the classical school “*who had been up to that time teaching the best scientific justification of protectionism that could be had*.”⁵⁰⁹ Thus, although George disagreed with Thompson’s conclusions, he looked upon him as a legitimate representative of the classical school. James, on the other hand, seemed to George not a scientist but a propagandist and apologist.

If the University of Pennsylvania emerged in George’s view as a center for disseminating protectionist doctrine, the direction taken at Harvard University was quite different. Harvard’s professors of political economy sought the same independence from socio-political pressures that the research laboratory had long provided to the physical scientists. The orchestration of this transition from political economy as a branch of moral philosophy to social research was overseen by Charles Franklin Dunbar (1830-1900), who after graduating from Harvard in 1851 and eventually studying law, spent a decade as editor of a New England newspaper, *The Advertiser*. In 1869 Dunbar was approached by Harvard’s president, Charles William Eliot, to replace Francis Bowen, who was retiring, as professor of political economy.

Although interested, his sense of inadequacy sent Dunbar to Europe for a two-year period of study. Then, back at Harvard, he embarked on a quest to train a generation of students in the new science of economics. Frank W. Taussig, who eventually joined the faculty at Harvard, wrote glowingly of the intellectual objectivity and character of this pioneer in economics:

For many years after his appointment Professor Dunbar was virtually engaged in equipping himself as a teacher of economics. Cherishing high ideals of scholarship, he delved in the earlier and later literature of his subject. He became widely read in the classic writers of England and France. It was not until a later period that he turned to German writers also, who indeed hardly deserved attention in so great degree at the outset of his academic career. He knew his Locke and Hume, Quesnay and Turgot, Adam Smith and Malthus and Ricardo and Mill, not to mention Say, Senior, Storch, Rossi, Bastiat, and the whole host of minor writers....

Not less characteristic than this absorption in the general literature of economics was his complete abstention from the discussion of current questions of economics and politics. His experience as editor had informed him of every detail in contemporary history, and had habituated him to constant and prompt discussion of questions of the day. It would have been natural that, as professor, he should continue such discussion. He never did so, and consistently rejected all proposals to contribute to periodicals on current topics....[This] was due to his ideal of the duties of the University teacher. Such a teacher should be, as he believed, a leader in thought and in investigation, elucidating the principles on which the solution of current problems must depend, contributing by slow accretions to the mass of information on which the advance of knowledge must rest, and leaving it for others to spread and apply the results of the scholar's research.⁵¹⁰

Three years before Henry George completed *Progress and Poverty*, Dunbar was already writing in terms that reveal a deep frustration with how grossly prejudiced were the writings of self-described political economists (few of whom had any formal education in the subject).

Individuals such as Henry C. Carey and Robert E. Thompson had for decades repeatedly defended protectionism essential to the expansion of national wealth. During the same period the nation had been subjected to the economic consequences of the political struggle over circulation of paper currency in lieu of coinage. At issue was how to retire a national debt incurred during the struggle to bring an end to slavery and the southern States back into *the Union*. These were essentially political questions and only secondarily questions of economic importance to Dunbar. His view of intellectual life within a democratic system is reminiscent of Tocqueville:

Our position as a nation charged with the business of subduing a new world, and the rapid material development which has attended our success in this work, have given to our life for the greater part of the century an intensely practical aspect. Practical objects, and pursuits which are believed to be practical, have occupied the first place, almost as a necessity of our external conditions.⁵¹¹

He understood, as did Frederick Jackson Turner, that few of those caught up in the day-to-day business of taming the continent gave much if any thought to the day when the "*monitions of economic law*"⁵¹² would operate in the New World much as they did in the Old, at which time hard decisions would be necessitated about how to guarantee some equality of access to increasingly scarce resources.

Dunbar's chief quarrel with the best minds of the classical school, of whom John Stuart Mill was the recognized leader during Dunbar's formative years, was their reliance on the deductive method of gaining knowledge. In response, he called for the "*verification of results reached by deductive reasoning*" by the "*patient collection and... conscientious sifting of facts.*"⁵¹³ By such efforts, for example, Ricardo's law of rent could be refined to account for all the different circumstances of time and place. In words Dunbar did not use but which are certainly appropriate, he raised his voice from the wilderness to remind his colleagues that the

laws of production and distribution were neither hard nor fast, but laws of tendency. Moreover, he was convinced that the usefulness of economic research to those concerned with “*higher purposes and duties*”⁵¹⁴ would be greatly enhanced by investigations free of conventional wisdoms deductively obtained. Henry George shared similar concerns and devoted considerable space in his final work to a clarification of the proper use of both deduction and induction:

In my view of the matter those who have said that the deductive method was the proper method of political economy have been right as to that, but wrong in principles from which they have made deductions; while those who contended for the inductive method have been wrong as to that, but right as to the weaknesses of their opponents.⁵¹⁵

One arrives inductively at probable laws of nature by looking at a preponderance of evidence and by identifying persistent patterns in the connections of causes to effects. Armed with an understanding of such laws, George argues, one is then able to reason deductively by forming and testing hypotheses. Departing from George’s assertions, Dunbar held that the changing nature of the human condition made virtually impossible the formation of principles universal in their application. Nevertheless, he and those who studied under his direction struggled to find comfort in some balance between deduction and induction. He was led by this conviction to write that, “*while the connection between assumed premises and the logical conclusion is immutable, so much of the economist’s conclusions as are based on conditions peculiar to his own time must lose a part of their importance as years pass.*”⁵¹⁶ He was joined in his assessment by two other Americans who also studied with professors in the European universities, Edwin R.A. Seligman⁵¹⁷ (1861-1939) and Richard T. Ely.⁵¹⁸

As alluded to above, the generation of transition-era economists nurtured by Dunbar also included Frank W. Taussig (1859-1940), who

graduated with honors from Harvard in 1879 and then spent half a year studying political economy at the University of Berlin. Upon his return to the United States, he accepted a position as secretary to the President of Harvard and began work on his doctorate in economics. Deeply interested in history, Taussig's dissertation and subsequent books dealt with the history of the tariff and the effects of protectionism on international trade. Joseph Schumpeter wrote of Taussig that "[t]o him, economics was always political economy," so that "[t]he practical problem in its historical, legal, political, in short, in its institutional aspects attracted him much more than any theoretical refinements ever did."⁵¹⁹ After ten years of teaching economics, Taussig in 1886 authored *Wages and Capital*, a book delving into the history of the wage-fund doctrine. In this work he also provided a critique of Henry George's arguments, although Taussig devoted considerably more space challenging the moral basis of George's reform proposals than their economic consequences.

Steven Cord, examining much of what George's contemporaries and immediate successors had to say about him, documents what can only be described as a pattern of very strong emotional reactions to George. The end result is a body of critical writing plagued by inaccurate representations of the socio-political principles and economic analysis actually presented by Henry George. Such was the case with John Bates Clark⁵²⁰ (1847-1938), described by Cord as having "*an incomplete understanding of George's law of wages*"⁵²¹ and, perhaps more importantly, revealed very confused ideas about how land markets operated, going so far as to defend land speculation as necessary for individuals to rise above poverty on the frontier. In essence, Clark held that the ability of some to charge others for the use of land, enabled one portion of the population to accumulate wealth they otherwise would not have been able to produce on their own. Ignoring the moral injustice caused by this form of confiscation, Clark's logic suggests, then, that if a small amount of land speculation is good, widespread land hoarding

and permanent monopolization of land must be even better. The basis for his arguments had little to do with economic efficiency. Speculation in land had been encouraged by individuals in control of the U.S. government for a multitude of reasons (not the least of which was their own pecuniary interests). Clark defended the continued support of this monopolistic privilege on the grounds that preventing speculative investment in nature would penalize those who had made investments in land on the promise of future gains. A response to this argument came from, among others, Henry George, Jr., who had been elected as a New York representative to the U.S. House of Representatives. In a speech made before the House on June 10, 1911, George pointed out the great harm of speculation and the liberating aspects of its prevention:

The hope of speculation gone, it is probable that there would be an abundance of free land open to whoever might wish to use it. Instead of having to go way out to the remote fastnesses of our mountains to find free land, we could then find free land accessible to our city populations, and, some part of the people going out upon it, city congestion would be relieved....⁵²²

There is no real scarcity of land anywhere. There is no scarcity even in the city of New York with its great population. Great areas are vacant on the outskirts, and you can go along Broadway and Fifth Avenue, the greatest and proudest thoroughfares on the whole hemisphere, and find vacant lots, and one and two-story shacks where there ought to be imperial buildings.

Why is this? Because the penalty of holding land out of use is so slight that men can pay the small tax and yet, owing to social growth and social improvement, and the consequent increase in value, realize handsome profits by the speculation. Some men acquire fortunes in a short time by simply getting hold of a piece of land, sitting down, and letting society do the rest.

This is so in every State; it is so in every village, town, and hamlet of our country. It is so throughout the agricultural regions; it is so throughout the mineral and timber regions.⁵²³

Henry George, Jr., although never achieving the same level of public support as his father, adhered to the principles of cooperative individualism preached by George. In 1905, the Macmillan Company published his book, *The Menace Of Privilege*. Two years earlier, Louis F. Post's *Ethics of Democracy* covered much the same ground. These works were important additions to the social commentary of the day. Tragically, however, there was no serious attempt by any trained political economist largely sympathetic with the positions taken by Henry George to complete the scientific work George had chosen to leave unfinished. Not until Harry Gunnison Brown earned his doctorate in economics under Irving Fisher at Yale University did any mainstream economics professor demonstrate more than a passing interest in George's reconstruction of classical political economy. Brown fought a delaying battle to prevent the theoretical fusion of *land* and certain forms of material wealth into the single factor of production, *capital*. He also challenged assertions by John Bates Clark that the opportunity for speculative gains from land investments was necessary for populating the interior of the North American continent.⁵²⁴ In 1932, Brown expressed a deeply-held concern that many of his colleagues had ceased to think and act as scientists where questions relating to land were concerned:

Are the economists who [confuse the issue] too intellectually inept to appreciate the essential distinction between capital and land! Or is the explanation rather that, seeing clearly this distinction, they yet find the single-tax idea so vicious as to justify, in their minds, the weapon of confusion to discredit it!

There are, also, enough recent text books and books of readings published by economists of the "institutionalist" and "behaviorist" schools and pretending to be "realistic" which avoid, as if it were a plague, any passage which might emphasize or clarify the distinction between capital and land.⁵²⁵

E.R.A. Seligman, Richard Ely and Frank Taussig were all on Brown's list. Yet, within the ranks of economics professors there were few—even if they shared Brown's views—willing to take on the social science establishment.

John Bates Clark, the Frenchman Leon Walras (1834-1910) and the Austrian Carl Menger (1840-1921) had emerged at the end of the nineteenth century as a triumvirate, leading the movement toward new economic reasoning. They ushered in a new wave of Utilitarian theory, seizing, as Harvard's Karl W. Bigelow wrote in 1925, "*the hedonistic principle that man always seeks pleasure and avoids pain.*"⁵²⁶ From this assertion, they postulated theories of marginal utility, but also mistakenly attributed to price the power to clear virtually all markets; that is, the expectation of specific monetary returns would always bring resources to the market in response to demand. The experience of everyday activity notwithstanding, they ignored the complexity of human behavior and created the fictional *economic man*. They also ignored the distributional implications of socio-political arrangements and institutions and the tendency of individuals holding wealth and political power over others to defend their positions with whatever influence could be applied. Their model of the world was static, influenced in no small measure by the type of analyses performed in German universities by professors who served the interests of a rigidly nationalistic and militaristic State. And, although Menger discounted the value of mathematics as a tool for economists, a growing number of his contemporaries were making use of calculus in the development of economic functions. Menger might have concurred with Ludwig von Mises, who concludes that the "*mathematical economists reiterate that the plight of mathematical economics consists in the fact that there are a great number of variables. The truth is that there are only variables and no constants. It is pointless to talk of variables where there are no invariables.*"⁵²⁷

Over the course of the twentieth century, most economists have virtually if not absolutely abandoned all connection with moral philosophy as held high by Smith, Malthus, Quesnay and their *American* disciples of the late eighteenth and early nineteenth centuries—and which was the driving force behind the reconstruction of classical political economy by Henry George. Even before the publication of *Progress and Poverty* in 1879, George had already come to the conclusion that the institutional environment of universities made them unlikely places to find individuals engaged in an unfettered analysis of socio-political arrangements and institutions or whose objectives included discovering the keys to equality of opportunity, the securing of liberty or the establishment of justice. In a speech made in 1877 before the students and faculty of the University of California (where he was under consideration for its first chair in political economy), Henry George repeated his sentiments. There is, perhaps, no statement from George that is more direct or that so well describes the distance between his view of scientific investigation and that of most university-trained economics professors:

It seems to me that the reasons why political economy is so little regarded are referable partly to the nature of the science itself and partly to the manner in which it has been cultivated.

In the first place, the very importance of the subjects with which political economy deals raises obstacles in its way. The discoveries of other sciences may challenge pernicious ideas, but the conclusions of political economy involve pecuniary interests, and thus thrill directly the sensitive pocket-nerve. For, as no social adjustment can exist without interesting a larger or smaller class in its maintenance, political economy at every point is apt to come in contact with some interest or other....Macaulay has well said that, if any large pecuniary interest were concerned in denying the attraction of gravitation, that most obvious of physical facts would not lack disputers.

As laid down in the best text-books, political economy is like a shapely statue but half hewn from the rock—like a landscape, part of which stands out clear and distinct,

but over the rest of which the mists still roll.... That it is so, you may see for yourselves in the failure of political economy to give any clear and consistent answer to most important practical questions—such as the industrial depressions which are so marked a feature of modern times....

Nor is it merely ignorant pretenders who thus degrade the name and terms of political economy. This character has been so firmly stamped upon the science itself as currently held and taught that not even men like John Stuart Mill have been able to emancipate themselves. Even the intellectually courageous have shrunk from laying stress upon principles which might threaten great vested interests; while others, less scrupulous, have exercised their ingenuity in eliminating from the science everything which could offend those interests....

All I wish to impress upon you is the real simplicity of what is generally deemed an abstruse science, and the exceeding ease with which it may be pursued. For the study of political economy you need no special knowledge, no extensive library, no costly laboratory. You do not even need text-books nor teachers, if you will but think for yourselves. All that you need is care in reducing complex phenomena to their elements, in distinguishing the essential from the accidental, and in applying the simple laws of human action with which you are familiar. Take nobody's opinion for granted; "try all things: hold fast that which is good." In this way, the opinions of others will help you by their suggestions, elucidations, and corrections; otherwise they will be to you but as words to a parrot.

If there were nothing more to be urged in favour of the study of political economy than the mental exercise it will give, it would still be worth your profoundest attention. The study which will teach men to think for themselves is the study of all studies most needed. Education is not the learning of facts; it is the development and training of mental powers. All this array of professors, all this paraphernalia of learning, cannot educate a man. They can but help him to educate himself. Here you may obtain the tools; but they will be useful only to him who can use them. A monkey with a microscope, a mule packing a library, are fit emblems of the men—and, unfortunately, they are plenty—who pass through the whole educational machinery, and come out but learned fools, crammed with knowledge which they cannot use—all the

more pitiable, all the more contemptible, all the more in the way of real progress, because they pass, with themselves and others, as educated men.⁵²⁸

One can imagine the discomfort among the university faculty members sitting in the audience as George's words filled the air. Needless to say, George was not offered the appointment. Over the years remaining to him, his relationship with university and college professors ranged from cool to hostile. Sensitive to the long-standing accusation that political economists were little more than defenders and apologists of agrarian, urban and industrial landlordism, Richard Ely countered in 1884 by declaring that his "*younger political economy no longer permits the science to be used as a tool in the hands of the greedy and the avaricious for keeping down and oppressing the laboring classes.*"⁵²⁹ Ely allied himself with those who looked to the growing interventionist powers of the State to promote social welfare reforms and mitigate social problems. They were among the Progressives in a vanguard of professional planners and scientists who would introduce interventionist policies as the basis for twentieth century Liberalism. A year later, Ely brought together a number of his colleagues to establish the American Economics Association, whose members generally accepted the premise that *laissez-faire* was "*unsafe in politics and unsound in morals; and that it suggest[ed] an inadequate explanation of the relations between the state and the citizens.*"⁵³⁰ Ely later wrote that although he and his colleagues were far from being socialists and believed in the spirit of individualism, they were also convinced "*there are certain spheres of activity which do not belong to the individual, certain functions which the great co-operative society, called the state—must perform to keep the avenues open for those who would gain a livelihood by their own exertions.*"⁵³¹ He saw the basis for giving these functions to the State as straightforward. "*The avenues to wealth and preferment are continually blocked by the greed of combinations of men and by monopolists, and individual efforts are thus discouraged.*"⁵³² With this perspective guiding their recognition

of the need for societal change, Ely and the other Association founders were soon joined by new converts who extended their problem-solving techniques beyond economics and into public administration, corporate management and institutional finance. A new generation of professionals was being trained to think in a dramatically different way about the world in which they lived and worked:

Evolution and pragmatism profoundly affected the interpretation of politics and history...There was a widespread revolt against Newtonian concepts of government—against the tyranny of abstract concepts like sovereignty, the state, the separation of powers, and the illusion that there could be such a thing as ‘a government of laws and not of men.’ Instead scholars and statesmen turned to the analysis of constitutions and government as they actually functioned: to the Constitution as a mechanism that often broke down and had to be tinkered with rather than as a sacred Covenant which (as one Judge put it) meant precisely the same in his day as it had meant in 1887! They studied the actual administration rather than impersonal government; analyzed what presidents and judges did rather than abstractions called The Executive Power or the Judiciary; explored the battlefields of party politics or the misty fogs of public opinion rather than the formal documentary record.⁵³³

What this meant in practical terms was that the consideration of self-evident truths so important to the moral and socio-political philosophies of the late eighteenth and nineteenth century transnationals was all but abandoned to relativism. Only those at the fringe, individuals such as Henry George, Louis F. Post and Max Hirsch, continued to challenge the foundations of landlordism and its corrupting effect on law and participatory government.

Perhaps the best example of the difference in thinking between George and the economists (as well as most other social scientists of the late nineteenth century) was his view that government ought to provide certain important, even necessary, services to citizens only where the market could not be relied upon to do so. Beyond that, government

ought to use its powers to secure and maintain a *fair field with no favors* in the realm of property and commerce. Once the accomplishment of these two objectives had been made commonplace, there would be little or no need for a redistribution of wealth and income from producers to those classified as poor. George's moral argument was, essentially, that a redistribution of wealth occurred whenever those who held deeds or otherwise controlled land were able to privately appropriate the annual rental value of land. History revealed that this tendency was prevalent in virtually every society practicing a settled existence; the greater the hierarchical structure of leadership—the less democratic in form and substance—the tighter was the concentration of control over nature, resulting in a massive private confiscation of nature's rental value. By the late nineteenth century, landlordism in all its forms had survived and grown to become a dominant part of the existing hierarchies. The centrally-controlled military-industrial-states protected these arrangements, relying on police powers to keep workers in line.

GATHERING DUST Science On The Shelf

Incremental change, introduced by a growing cadre of professional social scientists, reformers and enlightened civic leaders, fostered the establishment of *social democracy* as the socio-political framework for the future. The process of incremental change continued through two global wars, scores of regional wars and periodic economic collapses (including the global collapse of the 1930s). By the early 1950s virtually every society not governed under some degree of State-socialism or by an oligarchic elite could be described, generally, as a *social democracy*. Britain and a few other nations would continue to maintain a ceremonial monarchy (but fail to remove their privileged economic status as enormous *rent-takers*). While some agrarian landlords—particularly

those who actually worked the land or engaged in agribusiness—retained their nationalist perspectives and sought protections from external competition, many of their industrial landlord counterparts were adapting to a world in which loyalty to any country no longer held practical value and importance. As the twentieth century began, the world's industrial leaders slowly began to invest their financial reserves to produce goods wherever the host government was friendly to business, wherever sufficient infrastructure existed and wherever labor had the skills at the lowest cost possible. The opportunities for corporations to establish truly global production capabilities had to wait for the time when the majority of people around the world lived in societies free from external domination. Yet, as the end of the nineteenth century approached, there were few who visualized a future in which the economic stability of the nation-state would be dependent upon the location decisions of the multinational corporation.

As we know all too well, the competition between nation-states (or, more accurately, between those who wielded political power in each society) for control over natural resources, trade routes and territory that could accommodate a growing population dominated the political landscape of the decades leading up to the First World War. As he surveyed the global economic system in 1911, Frank Taussig observed that, “[m]ercantilist notions, universally discarded though they are by the well-informed, affect the policy of nations, not only by strengthening the movement toward protection, but in other ways also.”⁵³⁴ The elite in every nation continued to believe in the zero-sum game, that their success had to come at the expense of others. In the United States, the largest businesses were built and run by *Americans*, men such as railroad magnate Cornelius Vanderbilt; creator of the Standard Oil Trust, John D. Rockefeller; and steel maker Andrew Carnegie. Even so, the beginnings of a global economy and a global consciousness were already emerging. Henry George had taken his campaign around the globe with a message that the path

toward the just society was universal in content and application. Virtually everywhere he visited and spoke, supporters responded by the establishment of organized efforts to change their society along the lines George proposed. Virtually everywhere he visited and spoke, those whose privileges would disappear established organized efforts to defend the status quo and to denounce Henry George and his supporters as dangerous anarchists, socialists or worse.

Henry George was a vigorous and unrelenting campaigner. He worked tirelessly to bring what he saw as truth to people everywhere. By 1889 he was physically exhausted, returning to New York from a lecture tour circling the globe. He decided to withdraw from much of his public activities and devote himself to the writing of a comprehensive text on political economy. Not until early in 1891, however, did he have the strength and the time to work in earnest on the manuscript that would become *The Science of Political Economy*. This was the work he hoped might resurrect serious academic and scholarly interest the study of classical political economy. Even so, his attention to this work suffered from numerous interruptions, including a response to Pope Leo XIII's encyclical, *Rerum Novarum*, that seemed to Henry George little more than an unapologetic defense of the status quo. To George, the moral principle at stake was crystal clear:

Being the equal creatures of the Creator, equally entitled under His providence to live their lives and satisfy their needs, men are equally entitled to the use of land, and any adjustment that denies this equal use of land is morally wrong.⁵³⁵

This eloquently-written book restating the basis for equal rights to the earth enjoyed a wide circulation by George's supporters around the world. However, the Vatican was not moved to respond or engage in debate.

After only a few months of work on his *Principles*, George was again interrupted, this time to take Herbert Spencer to task for discarding the

sound logic and correct moral principles espoused by Spencer in the first edition of his work *Social Statics*. By mid-1892, George completed *A Perplexed Philosopher*, and the book appeared in October. Once more he returned to the unfinished manuscript, working on it intermittently until called upon in mid-1897 to campaign for the office of mayor of the City of New York. His health was much too frail for a vigorous campaign, and George's physician warned him it would undoubtedly cost him his life. He nevertheless accepted. After his death, George's eldest son completed the work of editing the manuscript, and the book was published in 1898. In the General Introduction, George explained why he felt compelled to undertake the challenge of a book length project one more time:

In all other branches of knowledge properly called science the inquirer may find certain fundamentals recognized by all and disputed by none who profess it, which he may safely take to embody the information and experience of his time. But, despite its long cultivation and the multitude of its professors, he cannot yet find this in political economy. If he accepts the teaching of one writer or one school, it will be to find it denied by other writers and other schools....

This is not for want of what passes for systematic study. Not only are no subjects so widely and frequently discussed as those that come within the province of political economy, but every university and college has now its professor of the science, whose special business it is to study and to teach it. But nowhere are inadequacy and confusion more apparent than in the writings of these men; nor is anything so likely to give the impression that there is not and cannot be a real science of political economy.⁵³⁶

Henry George had founded and led a campaign for reform that reached around the globe but never deeply enough to become self-sustaining once he was no longer alive. His supporters were activist and political but there were few among them committed to the instruction of the next generation. There were no colleges and universities using George's books as fundamental texts in the study of political economy.

And, among those who had the financial resources to do so, there was no effort made to establish such a program.

Had George committed himself to completion of *The Principles of Political Economy*, removed himself from politics, and lived to debate his reconstruction of classical political economy well into the twentieth century, perhaps the power of his intellect and force of his arguments might have had a sustaining influence. In the period of transition from *political economy* as a science concerned not merely with wealth production but with just distribution to *economics* as a tool for the allocation of scarce resources, George's absence was sorely felt. Among his most ardent supporters there were virtually no scholars, scientists or university-trained economists. At best, the community of social scientists included some who sympathized with George's moral principles but were careful not to express their agreement for fear of ridicule by their professional colleagues. One economist who expressed some appreciation for George's theoretical work, Herbert J. Davenport, recorded that those who carried on George's reform efforts were "*men with a bee in the bonnet, akin to the anarchists and the socialists and to other disturbers of the king's peace and the scholar's calm.*"⁵³⁷ Davenport added that "[e]conomists of all people dread the stigma of radicalism."⁵³⁸ In their minds, it was "[f]ar better...to elucidate and emphasize the excellent aspects of things as they are...[than] to question the economic harmonies, or to doubt the validity and the beneficence of natural law, or to bring in question the deft guiding of the divine hand."⁵³⁹ Henry George made no such compromise with experience and evidence by joining those who argued that what was natural was inherently good. He advocated interventionist programs where this was necessary to secure and protect liberty and justice.

With the coalescence of his supporters into a political party on the fringe of the Progressive movement, George was largely forgotten as a scientific thinker. Other than the review by Arthur Twining Hadley, the publication of *The Science of Political Economy* elicited only silence

from the academic community. One biographer of George, Edward J. Rose, repeats the verdict that “[m]any of his critics, friendly and otherwise,...thought that the posthumous publication of an unfinished work from a dying body and a tired spirit was an unfortunate error.”⁵⁴⁰ Much had occurred during the last years of George’s life that enhanced his influence as a reformer and political activist but severed whatever connection and influence he might have had with the professional and scientific community. The agitation in several countries by George’s successors to reform the systems of land tenure and taxation advanced with modest if periodic successes. His contributions to socio-political philosophy and to political economy lived on among his most admiring supporters who bothered to study George’s writings as a complete body of work.

The challenge of presenting George’s philosophical and scientific ideas to the public was taken up very modestly by one of George’s younger and most ardent supporters, Oscar H. Geiger, described by George as “*the future economist of our movement.*”⁵⁴¹ There is no question that Geiger developed a thorough understanding of George’s principles of political economy. Unfortunately, Oscar Geiger possessed no academic credentials and could command no audience in the same way that lifted Henry George from obscurity into international prominence. Nonetheless, after spending most of his adult years working at the fringe of *Georgist* political activism, Geiger came to the realization that the movement he cherished was dangerously close to extinction. With so many of George’s supporters either dead or quite aged, he decided to organize a school that would use George’s works as the basis for formal classroom instruction. In 1932, Geiger founded The Henry George School of Social Science and became its first director. John Dewey, one of the few academics appreciative of George’s intellectual contributions, agreed to serve as Honorary President. Geiger appealed to the remaining *Georgists* for support. If the one, true political economy was not to

be taught in the institutions of higher learning, at least there would be one school that would do so:

In the lecture field and elsewhere the fiscal aspects of the Single Tax have heretofore been largely emphasized; and while this method has its advantages, the prevailing chaos in state and industry, and the befuddlement in the minds of the highly placed, demand a more fundamental treatment of Henry George's proposals—a treatment that will meet all the current fallacious theories; a treatment that will oppose reaction of every kind; a treatment that will prove that Henry George's teachings point the only way out of our age-old and now threatening economic difficulties.⁵⁴²

The history of the school founded by Oscar Geiger has been recently, although incompletely, chronicled.⁵⁴³ Despite many challenges, financial and otherwise, the Henry George School of Social Science has survived, headquartered in New York City. Tragically, however, rarely outside the school (which almost from the beginning had extensions and affiliates around the world) were George's works systematically studied. By 1967, in fact, one economics professor at Vassar College merely commented that “[f]or most economists...George's views are of only historical interest.”⁵⁴⁴ That assessment has changed somewhat over the last several decades, in part because of research by economists that has supported at least parts of Henry George's earlier observations. What remains to be accomplished, however, is broad reassessment of the adequacy of Henry George's systemic analysis—his closed system of wealth production and distribution based on laws of tendency. George's presentation explains in a remarkably accurate way the forces at work pushing and pulling societies and civilizations in directions that either advanced or thwarted the establishment of liberty, equality of opportunity and justice. For many of us who have made a serious study of Henry George's writings, the lessons we have learned changed our thinking forever. Unfortunately, we are few and far between.

Insofar as the reconstruction of classical political economy is concerned, George's formulation of the laws of tendency governing the production and distribution of wealth essentially completed his work. His subsequent writings added information relating to the influence of a wide range of environmental and socio-political externalities. And, what most economists and other social scientists researched, investigated and documented, George saw as having little to do with the foundation of political economy. Their work was important but hampered by a failure to recognize and consider the underlying laws of political economy George so painstakingly explained and supported.

Central to George's presentation was the specificity he attached to the terms he used. Such cautiousness had not been characteristic of the leading writers in political economy, the result being to cause unnecessary and predictable confusion. Recognizing the power held by those who enjoyed privilege, George knew that the most contentious part of his work would come in his treatment of wealth distribution. He emphasized the distinction between factors of production and those persons or entities the law permitted to claim what was produced. "As a term of political economy, distribution is usually said to mean the division of the results of production among the persons or classes of persons who have contributed to production," he wrote. "But this... is misleading, its real meaning being the division into categories corresponding to the categories of factors of production."⁵⁴⁵ In the absence of written laws to the contrary—and prior to the stage when the best was land was not longer freely accessible—wealth would be produced by labor applied to land, labor retaining all that was produced. The introduction of capital goods merely increased the quantity and quality of wealth that could be produced by labor. There was no return to land until all the land of equal potential productivity was occupied. Land that had a potential productive advantage then began to enjoy a claim on the wealth produced by labor. With this description, George stripped away all of the complexity of existing socio-political arrangements to reach the fundamental

structure of economic relations. The system is a closed system because all wealth produced is distributed to the factors of production. The pattern of distribution is governed by laws of tendency, not hard and fast, but observable and measurable as patterns over time and across space.

History reveals the accuracy of the relationships as George presented them. And, in fact, throughout most of the history of societies once they established permanent settlements the pattern repeats over and over again. The speed with which the pattern emerges is closely associated with the way access to nature was awarded and protected and the degree to which the rules of society dictated that wealth produced by the individual belonged to that individual.

There came a point in all societies—even under conditions where individuals lacked the coercive power to hold land out of use—when the pressures of population growth and diminishing returns from the natural environment (more often because of inappropriate methods of cultivation than because of changes in climate) made impossible an equality of access to land having the same potential productivity. Access to land began to command a value in exchange. George's predecessors had long used the term *rent* to describe the wealth returned to land, wealth most often claimed by some person or persons who were themselves not producers. However, even producers enjoyed *rent* when they controlled access to land that was potentially more productive than their neighbors.

Again and again George stresses that at the heart of the political economy of every society are the natural laws of tendency, existing independent of any socio-political arrangements or institutions. The operation of these laws stems from the dynamics of how we live. One point that cannot be overemphasized is that the operation of natural laws concerning our behavior possess no inherent goodness. Our moral sense of right and wrong enables us to make judgments regarding consequences. Ideally, we come together to form societies in which freedom is constrained by constant vigilance, the object of which is to ensure

each member has an equal opportunity to secure and enjoy the *goods* of a decent human existence. Henry George was among those who believed in the inherent goodness of people, that the overwhelming majority of individuals were fully willing and capable of establishing and living under systems of law consistent with moral principles. He was not disheartened by the fact that nowhere did such societies exist during his own time:

The poverty which in the midst of abundance pinches and embrates men, and all the manifold evils which flow from it, spring from a denial of justice. In permitting the monopolization of the opportunities which nature freely offers to all, we have ignored the fundamental law of justice—for, so far as we can see, when we view things upon a large scale, justice seems to be the supreme law of the universe. But by sweeping away this injustice and asserting the rights of all men to natural opportunities, we shall conform ourselves to the law—we shall remove the great cause of unnatural inequality in the distribution of wealth and power; we shall abolish poverty; tame the ruthless passions of greed; dry up the springs of vice and misery; light in dark places the lamp of knowledge; give new vigor to invention and a fresh impulse to discovery; substitute political strength for political weakness; and make tyranny and anarchy impossible.⁵⁴⁶

Henry George thought of himself as an ordinary person who had come to an extraordinary understanding of how his world worked. He was under no illusions that he would see far-reaching change during his lifetime. He was convinced beyond doubt that bringing an end to the monopolization of nature would rekindle a universal ascent of civilization. What was needed, then, was for each and every individual, to the fullest extent possible, to be nurtured to think without prejudice and to pursue truth unhampered by coercive or doctrinaire propaganda. He campaigned toward that end and trusted in the future to embrace truth.

Slightly more than a half century later, when the infant social democracies were faced with an ideological struggle against the expanding

reach of State-socialism, Albert Einstein called upon individuals to demonstrate the same kind of personal courage exhibited by Henry George and those who lifted and carried the torch of cooperative individualism. In a letter to a young man sentenced to prison in the United States for refusing to enter military service, Einstein wrote:

There is a sphere of conflict between the written laws of one's country and the unwritten laws, the existence of which becomes manifest in what we call our conscience. In the event of conflict, the state adheres to the written law; only with great reluctance does it take into account the unwritten law of conscience. But even the state has recognized the duty of the individual to act according to the unwritten law when commands based on national laws are in striking conflict with the laws of his conscience.⁵⁴⁷

Fortunately for this individual, he lived in one of the few societies where the rights of individuals to outspokenly disagree with those who created law did not automatically result in imprisonment, torture and execution. That has not consistently been the case even in the United States, and there are far too many countries today in which dissent and nonviolent civil disobedience are met with brute force. Respect under law for those who challenge some aspect of existing law or public policy is one of the fundamental strengths of social democracy. A good deal of credit can be given to Henry George for setting into motion the spirit of reform that achieved meaningful, incremental changes in the socio-political arrangements and institutions that mitigated some of the worst conditions prevalent in the United States, Great Britain, and elsewhere.

In assessing the overall contribution of Henry George toward improvement of the human condition, Einstein once wrote of George that "[o]ne cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice."⁵⁴⁸ George had accepted the tremendous responsibility and challenge of appealing in his speeches and lectures to the moral conscience of people everywhere. By

his written words and by the intense activism in his life, he made possible the passing of the torch after his departure. The subsequent years of dedicated work exhibited by people such as Tom L. Johnson, Max Hirsch, Francis Neilson, Louis F. Post, Frederick C. Howe, Oscar Geiger and thousands more says a great deal about the power of George's writing to reach the hearts and minds of thoughtful individuals. He was never the charismatic leader upon which many social movements depend. Rather, he came forward when called upon to state and restate the essential truths to which he had arrived by scientific investigation and good deal of instinctive feel for what made sense. Only now are his contributions as a political economist beginning to receive a more objective, scientific scrutiny. My own summarization and interpretation of George's closed system of wealth production and distribution follows. The reader is directed, however, to George's own writings for a more satisfying discovery of his unique insights.

WEALTH PRODUCTION

What Drives Us To Work?

The simplest answer to the question of motivation is that we possess a love of life and come to a recognition of what behaviors enhance our prospects for survival. For most of us, working is necessary to obtain—directly or indirectly—basic survival goods and to avail ourselves of the services offered by others. What is also true is that to the extent possible, our tendency is to avoid irksome types of work, although the definition of what is irksome becomes a very personal response to activities undertaken voluntarily and without coercion. To the extent that socio-political arrangements and institutions in a given society protect equality of opportunity and liberty, the form of work one chooses would by definition be voluntary (limited only by individual desires, abilities, motivations and knowledge). Under such conditions where there is an

absence of coercion, the incentive to produce wealth is enhanced as well by the expectation that what one produces will be respected as personal property. On the other hand, as Henry George observed, “[t]he moment producers [see] that what they produced might be taken from them without their consent, production would cease.”⁵⁴⁹ By this observation, Henry George aligns himself with those economists in our era who have been labeled *rational expectationists*. People can be misled and manipulated for awhile, acknowledges the rational expectationist, but they eventually come to understand the game and do what they can to counter such manipulation and make decisions based on their perceived self-interest.

Governments do not, generally, enact legislation or issue mandates specifically instructing the individual not to produce (payments to farmers and agribusinesses to withhold acreage from cultivation being a widespread exception). Faced with certain confiscation of property, individuals instinctively withhold labor and capital goods or take measures to avoid discovery by the societal agencies charged with wealth confiscation. Around the globe an enormous amount of economic activity occurs in *underground economies* and *off the books*. Under such conditions, the individual will not labor unless physically and/or mentally coerced (or cajoled, tricked or shamed) into working for the benefit of others. At the extreme end of the coercion scale we find chattel slavery and forced labor—in societies where liberty is least protected under law and a hierarchical ruling elite is most entrenched. Even within virtually all of the social democracies, the systems of law and taxation impose heavy financial burdens on producers and/or consumers. And, within those societies still subject to the doctrines of State-socialism a large portion of the wealth produced is taken by the State, arbitrarily redistributed between producers and non-producers alike. In some societies women are prohibited from obtaining knowledge, from obtaining formal education or acquiring property. Others observe rigid caste structures that sanction discrimination, privilege and the distribution of

wealth from producers to non-producers. In response to such circumstances, the victimized individual will take measures to reduce the probability of confiscation, either by moving beyond the range of control of oppressors or by fighting back with whatever means are available.

Our recognition that claims by others to what we as individuals produce are unjust (i.e., are acts of criminal *license*) appears to be somewhat instinctive and somewhat learned. In the absence of scarcity and where wealth is produced cooperatively, the need for strict rules governing property is low. Even today there are a small number of scattered tribal societies and cooperatively-structured intentional communities that continue to live in such a manner. For most of us, however, scarcity is an everyday concern. And, scarcity is assured because of socio-political arrangements that have secured, sanctioned and protected entrenched privilege, allowing non-producers to claim a portion of the wealth created by others. The law establishes the means by which some are able to exercise economic license; and, all too consistently, many engage in criminal license as a way of life. We do not willingly produce for others without negotiating for what we deem to be reasonable compensation. In exchange for our services, we expect to receive a share in the wealth we help to produce commensurate with the utility of the labor we contribute. Our socio-political arrangements and institutions determine the degree to which a just distribution of wealth actually occurs.

To Labor, Its Just Reward

We are each born into the world as equals, in the sense that we have species-specific characteristics that define us as human beings. And yet, as individuals we each possess distinct inherited and learned abilities. Our interests and desires differ. Our physical strength and intellect differ by degree. Because of such inequalities our ability to contribute to

the production of wealth is not the same. I may toil endlessly at a task another can perform with little effort. Some of these advantages or disadvantages are dictated at birth by our genetic makeup; the rest come as a result of the environment in which we are nurtured or as a consequence of physical and/or mental injury. What is important to the study of political economy is to recognize, therefore, the constraints imposed on the scientist in presenting qualitative and quantitative information about the potential productivity of individuals. When speaking of *wages*, then, the constraint imposed on analysis is the need to rely on average productivity achieved by an aggregation of individuals (i.e., on average, how much wealth can *labor* produce at a given point in time and a given place with a given assistance from *capital goods*). In our own time the ease with which the knowledge of production is transferred to places where the physical infrastructure for production has been constructed, creates widely disbursed opportunities for above-average productivity. This, in part, is what makes the global economy an extremely competitive environment.

Any expectation that individuals will, if left to their own devices, each produce wealth of equal or near equal exchange value is inconsistent with history up to this point. What this means to the political scientist or economist in the study of externalities is that any policies adopted by the State to coercively transfer wealth from one group of producers to another based on a desire to achieve an equality of wealth ownership will become an immediate disincentive on the more productive members of society. Ludwig von Mises, for one, warned the post-Second World War generation of social engineers that to unjustly redistribute wealth with the objective of achieving a rough equality of wealth ownership was a serious mistake:

Saving, capital accumulation, is the agency that has transformed step by step the awkward search for food on the part of savage cave dwellers into the modern ways of industry. The pacemakers of this evolution were the ideas that created the institutional

framework within which capital accumulation was rendered safe by the principle of private ownership of the means of production.⁵⁵⁰

Henry George provided the additional observation that the private appropriation of *rent* impedes the very process of capital goods accumulation to which Mises and others ascribe such importance. Many individuals who manage to acquire vast personal fortunes not only exchange their claim on existing wealth into landed estates, they have no personal or financial need to make the fullest use of the land they hold. Control over land held idle is a measure of individual success, an outward indication of status. Moreover, history suggests that their heirs become far more concerned with mere asset preservation and conspicuous consumption of luxuries rather than the use of wealth to create more wealth. What justice demands, George tells us, is not a redistributive plan to achieve *equality of result*; rather, distributive justice yields an *equality of opportunity* within which society requires government to act as its agent in the collection of the rent fund that grows in response to the development of societal infrastructure and the resulting demand for land, a demand fostered by the knowledge that any improvements made by the titleholder or leaseholder will be protected under those positive laws relating to private property.

The Idea of The Margin

Henry George writes that “[w]ages depend upon the margin of production, or upon the produce which labor can obtain at the highest point of natural productiveness open to it without the payment of rent.”⁵⁵¹ Thus, the margin of production is anywhere land is freely accessible, in the sense that one does not have to compensate anyone else (or society) for access and use. History reveals that margins of production are always changing. At certain times and in certain societies land may not

be accessible because the knowledge and technological skills possessed are not up to coping with extremes in climate, terrain or the ongoing presence of volcanic eruptions, floods or earthquakes. In societies where all the land is cooperatively held some locations will still be marginally more or less productive than others but *rent* will not be recognized. All members of such societies tend to receive a share of what is produced based on a generally agreed upon assessment of their contributions to the group.

Under a system where land is controlled by individuals, those who are prevented from gaining access to highly fertile or well-located parcels of land are condemned to labor for those in control. Their only options might be migration to a society where there is greater opportunity or move onto land that is much less capable of providing even a subsistence living. Poor farming methods can also turn fertile land sterile by erosion of top soil or loss of essential nutrients. Climatic changes bring greater heat or cold, or rain, or dryness. New knowledge unleashes undreamed of uses for natural resources found beneath barren desert or prime farmland. Margins of production shift when territory is acquired or lost by warfare. Yet, although in constant change, one principle always applies: at the margin of production *rent* does not play a role; none who work the land at the margin can be voluntarily induced to exchange a portion of what they produce. Only the better quality land or the more advantageous urban locations yield *rent*. The better the quality or the better the location, the greater the *rent*.

How Wages Are Determined

The margin of production determines the level of *wages* returned to labor. Henry George observes that “[w]here land is free and labor is unassisted by capital, the whole produce will go to labor as wages.”⁵⁵² When labor is applied to land, the wealth produced by labor has been

given the term *wages* by political economists. This is the elemental process of natural wealth distribution. The adoption or imposition of socio-political arrangements and institutions then encourages or thwarts this natural result. In general, those who labor must be confident in the probability (although not necessarily the absolute certainty) of receiving and controlling the wealth their labor produces. The promise of reward is the incentive to act; the quest to satisfy survival needs and other desires is the driving force. Because our labor unassisted by capital goods tends to be relatively unproductive, the quantity and quality of wealth produced tends not to be very great. Where capital goods are minimal, the quantity and quality of wealth produced tends to sustain life little more than a day at a time. Moreover, at that level of societal development the production decision often involves whether or not to remain at a given location or attempt to search for a potentially more productive wealth-producing environment. When the natural resources of one place are harvested and consumed, our ancestors simply picked up and moved on, leaving nature to slowly recover. Today, there are fewer and fewer such opportunities available to us. Living off of nature generally requires a very high ratio of land area to human population. We should not be surprised at how slowly population grew until groups began to engage in horticulture, animal domestication and the use of tools. These circumstances suggested a second important principle to Henry George:

Where land is free and labor is assisted by capital, wages will consist of the whole produce, less that part necessary to induce the storing up of labor as capital.⁵⁵³

In making this observation, George was not implying that the individual producer somehow lost part of a legitimate claim to the wealth produced. The introduction of *capital goods* as a distinct category of wealth involved in the production of additional wealth required, for clarity of explanation and specificity of calculation, the introduction of

a term that could be used to identify that portion of the exchange value of total wealth produced attributable to the use of *capital goods*. The not altogether satisfactory term, *interest*, was chosen to describe the wealth generated by the introduction of *capital goods*. What *interest* is not, when we are speaking in terms of the laws governing wealth production and distribution, is the fee paid to a banker or other provider of credit, coinage or paper currency for temporary access to these representations of purchasing power controlled by others. Henry George, more than most of his predecessors and contemporaries, took great pains to describe the involvement of money and credit as an externality to the fundamental system of wealth production and distribution. Each alteration in the institutional structure under which money and credit were controlled served to advance or thwart operation of the underlying system. The debates continue to this day over whether we ought to prohibit governments from mandating their own paper notes as legal tender, or whether paper notes ought to stipulate a fixed exchange value in terms of specific goods (e.g., a basket of goods or precious metals). Economists are also in serious disagreement over the desirability of empowering State-run or State-sponsored central banks to act as intermediary participants in credit markets. Admittedly, the dynamics of money and credit add another layer of complexity to the work of the economist; however, this does not alter the importance of mastering the fundamentals.

How, then, given the complexity of large-scale production processes that blossomed with the industrial revolution, is the distinction between *wages* and *interest* to be determined? An important part of the answer has to do with the evolution of the process of negotiation (i.e., the expansion of markets far beyond face-to-face exchanges) that grew in conjunction with specialization, the division of labor and global commerce. At some point in the process of negotiation, each participant involved will arrive at a level of distribution that satisfies a personal sense of fairness based on their contribution of direct labor

and/or capital goods. Here, history supports Henry George's statement that we attempt to satisfy our desires with the least exertion possible. Thus, when not constrained by oppressive socio-political arrangements, we will attempt to minimize the expenditure of direct labor by transferring productive effort to capital goods. Once again, the distributional effects appear as a natural outgrowth of human behavior. *Interest* will arise as the use of wealth as *capital goods* is recognized as expanding the quantity and quality of wealth eventually available for consumption.

Individual and/or collective control over land and natural resources adds the final dimension to the natural distribution of wealth. So long as there is ample land of roughly equal quality and locational advantage available to all who need access, those who control specific locations experience no potential to receive a portion of total wealth produced in exchange for granting to others access to *their* land. Throughout history the pattern of change has been very consistent. With settlement and increases in population, eventually all the more desirable locations become occupied and in some fashion controlled—by individuals, families, clans, a privileged elite or an external society with superior militaristic organization. Even where there are no privileges extended to some, however, the underlying laws of rent and wages operate in opposite directions. “*Where land is subject to ownership and rent arises,*” observes Henry George, “*wages will be fixed by what labor could secure from the highest natural opportunities open to it without the payment of rent.*”⁵⁵⁴

One might legitimately ask whether rent would arise under circumstances where a formal mechanism for dividing and regulating the control of land does not exist. Starting from the premise that individuals will not voluntarily engage in production without reasonable security that what they produce will not be stolen, the interest of all requires a general consensus respecting the claims by individuals and subgroups to specific locations or the sharing of access to specific locations.

Cooperativd patterns of land usage eroding under the pressures of vested interest. As history reveals, the transition of tribal organization into socio-political hierarchies based on claims to divinely-granted authority, entrenched by the adoption of rituals and social mores, eventually leads to the allocation of a society's territory under the system of written deeds. The introduction of coinage, promissory notes and legal tender paper currency facilitates the process by making possible the acquisition of title to land by the use of credit. And, when repayment is not forthcoming, the mechanism of foreclosing against defaulted borrowers allows for the passage of title from debtor to creditor.

Under strongly enforced systems of positive law, those who control access to locations (i.e., to land) have been able to demand payment of a considerable portion of what is produced by others. Early on, I referred to this as a *criminal license*, in the form of extortion. The amount extorted is that amount of wealth demanded above what producers would freely exchange for the administrative and protective services provided, say, under what might equate to a feudal contract. Where such feudal contracts disappeared or never existed, those who worked the land and were prohibited from leaving endured the life of the slave. In societies where the unpropertied were and are free under law to withhold their labor and to migrate, the wealth claimed by the landed who directly use little or none of the land they control is more appropriately described as *monopolistic rent*. We have the record of almost continuous rebellion by peasants against the landed and of civil wars initiated to decide which faction would control the land. Violent resistance occurs when the demands made to turn over production are so great that living conditions deteriorate to a point few can endure. The frontier and newly-settled lands provided a safety valve for societies threatened by upheaval from the bottom.

Henry George's descriptions of past societies begins at a point when the behavior of those who controlled land was limited by socio-political arrangements and by technological constraints, so that only as much

land as they could themselves (and their family group) actually use was easily controlled. By virtue of their exclusive use, they enjoyed something of a monopolistic privilege; however, the exchange value of this license was zero because other locations of equal potential productivity were readily available. At the point where all the locations having the highest level of potential productivity became occupied, the initial group begins to enjoy a real advantage over other members of society who must apply their labor to locations acknowledged to be somewhat inferior in potential productivity. The difference in the potential amount of wealth produced (with the same application of labor and capital goods) yields to those who control the superior locations an *imputed rent*. A portion of the potential exchange value of what is produced is now derived from the fact that not enough locations of equal potential productivity are available for all to access. No payment is necessarily made from one party to another, and actual production by some users of better land may fall short of the full potential. On the whole, however, both the quantity and the exchange value of the wealth produced by the original group of land users tends to be consistently greater even where the quantity and quality of labor and capital goods applied are equal. At the point where some individuals and families control enough land to live off of a combination of their own production and *rent* charged to others—the *rent* coming from granting other producers access to *their* better land—supply and demand dynamics begin to create a market in locations. We then begin to see the payment of *rent* as described by George and other political economists. “Wages depend upon the margin of production,” George clarifies, “or upon the produce which labor can obtain at the highest point of natural productivity open to it without the payment of rent.”⁵⁵⁵ From these observations, he then formulates a principle describing the general tendency of wages to fall as the margin of production moves to ever less potentially productive locations. This fall is not an absolute certainty, but is a tendency observed and recorded across time and space.

At the core of George's presentation of the *Law of Wages* is his observation that the willingness to produce on marginal locations continues until the point at which the quantity and quality of wealth produced will no longer sustain a livelihood. There is no overt coercion necessary, no intervention by the State required. Wages fall simply as a result of land coming under cultivation (or other use) to the point where a margin of production occurs in response to the complete control over the fixed supply of the potentially most productive locations and so on.

Continuing on in his investigation, George ventures further into our behavior and the consequences of our tendency to gain control of much more land than can be directly used and then to speculate that the price others will be willing to pay in the future will yield greater long run returns than an ongoing application of labor and capital goods. As suggested above, those who acquire very large fortunes often do not even view their control over land as speculative ventures, but as symbols of their status in society or as storehouses of value in an unpredictable world. The economic result is the same; the margin of production is artificially pushed downward by the holding of access to land away from potential users. All things being equal, the price others will be required to pay for access to remaining land will rise above what would be commanded absent artificial scarcity.

Speculation in Nature

Take land out of use and hold it out of use while population is increasing. All other variables held constant, the exchange value for access to the remaining available land cannot but rise. We absolutely require (directly or indirectly) access to nature in order to survive. Wealth can only come from applying labor and capital goods to land; and, as most forms of wealth have rather brief periods of utility, new wealth must be continuously produced or life cannot long be sustained.

The more that land is held out of use—for monopolistic reasons, for speculation, or merely because of inattention—the less land there is available for use in the production of wealth. Thus, speculation and monopoly artificially take the margin of production out to locations of potentially lower and lower productivity. In the process, the exchange value of land will continue to rise—up to the point where not enough wealth remains to the producer to warrant the expenditure of labor and capital goods (unless, for example, some dramatic new technologies create the potential for greater production efficiencies). Henry George described the impact of speculation on the market in this way:

[T]he influence of speculation in land in increasing rent is a great fact which cannot be ignored in any complete theory of the distribution of wealth in progressive countries. It is the force, evolved by material progress, which tends constantly to increase rent in a greater ratio than progress increases production, and thus constantly tends...to reduce wages, not merely relatively, but absolutely. It is this expansive force which, operating with great power in new countries, brings to them, seemingly long before their time, the social diseases of older countries.⁵⁵⁶

This was a stern warning from George, already late in the game in 1879, that largely fell on deaf ears in a nation where speculation in land had been a primary business activity even before the first Europeans actually stepped ashore. And yet, what George also realized was that speculation was merely the consequence of the fundamental socio-political arrangements that sanctioned the concentrated control over nature by the few. He witnessed the combining of the landed, the capital goods-owning and the financial interests into a distinct class of overlapping agrarian, urban and industrial landlords. These individuals came to accumulate and hold vast personal fortunes and to exert powerful influence over the affairs of state. Only by changing law to affect a just distribution of wealth could justice prevail. And, by *just*, George was guided by the insights developed by those before him who had

managed to think for themselves and ignore vested interest, conventional wisdom, tradition or institutionalized doctrine. Wealth belonged to its producer. The exchange value of nature—of any and all natural monopolies—belonged to the community, to all members of a society—and, in the most global sense, to all of humanity. In *Protection or Free Trade*, he asserts that these statements are really common sense—“*simple principles, both of which are self-evident*”—at least to anyone guided by their moral sense of right and wrong:

- I – That all men have equal rights to the use and enjoyment of the elements provided by Nature.
- II – That each man has an exclusive right to the use and enjoyment of which is produced by his own labor.⁵⁵⁷

The Tendency of Capital to Self-Destruct

Henry George admonished his predecessors and contemporaries for their failure to first define their terms, then make use of them in a manner consistent with their own definitions. His criticism was directed to the use of all terms essential to political economy, beginning with the subject itself, which George defined as “*the science that investigates the nature of wealth and the laws of its production and distribution.*”⁵⁵⁸ George then gave considerable thought to what was and was not *wealth* from the standpoint of political economy. He limited his use of the term *wealth* to only those material things produced by human effort (with or without the assistance of capital goods) that satisfied some desire and had exchange value in the marketplace.

Next, he addressed the role of people. We contribute our mental and/or physical powers in the form of *labor*, directly and indirectly.

Observing that many of his predecessors and contemporaries had failed to distinguish between *capital goods* as a form of wealth and *land*

as the source of wealth, George explained why attempts to combine the two inherently misrepresented the process of wealth production and distribution. A *capital good*, as defined by George, is “*wealth in the course of exchange, understanding exchange to include not merely the passing from hand to hand, but also such transmutations as occur when the reproductive or transforming forces of nature are utilized for the increase of wealth.*”⁵⁵⁹ A process is implied, the duration of which might be long in developing or immediate. Specific forms of capital goods come into being and enjoy a relatively long period of functional and in most circumstances economic utility, accompanied by a tendency to experience a gradually diminishing exchange value. In our own era, the pace of technological improvement is now advancing so rapidly that many forms of capital goods are made functionally inferior almost before they come into use. In the business environment, the term generally used to describe this decline in functional utility and exchange value is *depreciation*; and, in the accounting treatment of physical assets, capital goods are partially depreciated each year over the anticipated life of the asset until what remains is the asset’s scrap value. An office building or factory might have an anticipated functional lifetime of thirty years. The machinery and equipment in the structure will be depreciated over much shorter periods of time. And, in fact, a tremendous annual expense is normally incurred (i.e., the infusion of additional labor and capital goods) just to maintain existing capital goods in satisfactory functional condition. Without such infusions of additional labor and capital goods most forms of capital goods would quickly lose their usefulness in the process of wealth production.

To speak of “preserving capital,” then, one is faced with the fact that vast quantities of additional labor and capital goods are required to do so. And yet, the attempt may or may not be more labor/capital goods-saving than simply allowing one’s capital goods to depreciate without maintenance effort. The cost in terms of labor/capital goods input in creating long-life, maintenance-free capital goods is generally quite

high. Competition among producers tends to stimulate creative solutions for producing the highest quality, longest-lasting goods for use as capital goods or for consumption—with the least input of labor and capital goods. Under highly competitive market conditions in an exchange economy, producers will succeed only by accurately gauging what the demand will be for the goods produced and at what price range consumers will be willing to exchange their purchasing power for the goods offered. There are, of course, no guarantees and enormous risks. The market is not particularly forgiving of those who do not spend the time to fully understand the level of demand. And, then, of course, there are the unforeseen consequences and externalities.

Interest as the Return to Owners of Capital

In general, the motivations for forestalling direct consumption of wealth are not that difficult to explain. Individuals recognize that their years of productive labor will eventually end; at some point, continuation of a decent human existence requires either a reliance on savings, on the good will of family, on philanthropy of strangers or on the social welfare attitudes of society as a whole. Those who inherit wealth from others or manage to accumulate quantities of wealth far above that necessary to meet even ostentatious consumption patterns will look for opportunities to invest their wealth at the highest possible rates of return. Because wealth tends to lose exchange value quickly when not put to use, strong incentives exist against speculation in capital goods. The investor in capital goods (i.e., the capitalist) will as a matter of course—and influenced by the degree of certainty deemed acceptable—search for alternative uses of financial reserves with an eye on comparative rates of return for the risk incurred. “*There must be such a point at, or rather, about, which the rate of interest must tend to settle; since, unless such an equilibrium were effected,*” writes Henry George,

*“labor would not accept the use of capital, or capital would not be placed at the disposal of labor.”*⁵⁶⁰ What George suggests here is that there is a general level of *interest* that comes to be accepted as a reasonable rate of return in that time and place. Below this rate financial reserves will generally be withheld from capital goods production (e.g., by retention of perceived exchange value-preserving goods such as collectibles or precious metals, investment in bonds yield some fixed rate of return but also carrying some risk of nonrepayment, investment in shares of corporation stocks—or by speculative acquisition of control over urban locations and natural resource-laden lands).

When owners of capital goods also seek to obtain by anti-competitive means—involving either criminal or economic licenses—rates of return higher than that generally available, labor is adversely affected and will attempt to retaliate by such means as are available (e.g., collective bargaining, work stoppages or migration). Business practices that attempt to drive competitors out of business by gaining special privileges from government or by artificially restricting access to raw materials or essential services, are by definition monopolistic and interfere with the functioning of price as a market clearing device. Under conditions of relative equality of monopolistic power, either workers or landlords (whether agrarian, urban or industrial) might choose to migrate as the means of securing some advantage or a more hospitable environment (from their perspective) in which to produce. Normally, however, migration presents a significant hardship on individuals dependent on the repeated and continuous sale of their labor in order to survive. The industrial landlord, on the other hand, responds to benefit/cost analyses that forecast the recapture of moving expenses in the form of higher profit margins within a few years after relocation of production facilities to new locations. Such decisions are these days made in many parts of the world without serious concern for outdated nationalistic interests. The multi-national corporation may be headquartered in a particular country but have production facilities and a

distribution network that rings the globe. Production today can be shifted quickly on the basis of profit maximization calculations.

At the same time that multi-national producers are engaged in the sophisticated process of bringing goods and services to market, their decisions are influenced by a number of externalities greatly affecting the understanding of political economy. The policies of individual governments toward production, trade, commerce, pollution, speculation and monopoly are all important. Tax structure and how effectively tax laws are enforced also greatly influence production decisions. Such externalities cloud and alter results predicted to occur under the bare bones three factor model governed by the laws of production and distribution. Under wholly non-coercive conditions but where the margin of production has fallen to a point where individuals are unwilling to exert themselves, an equilibrium distribution of wealth between labor and capital goods will be established. This observation brought Henry George to what might be described as his fundamental contribution to the theory of capital goods formation. In his own words:

There is a certain relation or ratio between wages and interest, fixed by causes, which, if not absolutely permanent, slowly change, at which enough labor will be turned into capital to supply the capital which, in the degree of knowledge, state of the arts, density of population, character of occupations, variety, extent and rapidity of exchanges, will be demanded for production, and this relation or ratio the interaction of labor and capital constantly maintains; hence interest must rise and fall with the rise and fall of wages.⁵⁶¹

How is it that *wages* and *interest* are to rise and fall together? George has advanced this principle wrapped in a rather demanding statement of limiting conditions. To the extent that all other variables remain static, the principle operates. What George asks us to entertain is the conclusion that the objectives of those who own capital goods and those who labor directly are not inherently antagonistic, despite what

surface circumstances appear to reveal. My examination of history and the development of socio-political arrangements and institutions supports George's conclusion, I believe. The great historians have documented a continuing gravitation of power into the hands of a relatively few agrarian landlords, the urban landlords and then the industrial landlords in society after society. Those who must compete with one another to offer their labor under these conditions are at a distinct and serious disadvantage.

Around the globe today the overwhelming majority of the world's population is not only landless but almost propertyless. Most people must offer themselves as laborers to those who hold title to land and capital goods and do so in competition with hordes of other workers. Under these circumstances, a large portion of what are legitimate natural wages (i.e., wages that already account for the distribution of wealth to land as a factor of production) is confiscated in the form of monopoly-rents, monopoly-interest and taxation. When the workers form unions and are successful in obtaining a reasonable amount of protection under law, the strategic response of landlords is to bring in other workers willing to accept the conditions the unionized workers have rejected. If this tactic proves unsuccessful, the landlord is often permitted without financial penalty to close down production facilities and relocate to where workers have fewer protections under law and where the costs of access to land, regulation of how land is used and taxes collected by government are less burdensome.

What has clouded the analysis of wealth distribution within the social democracies has been the large-scale ownership over time of land and capital goods by many of the same individuals, groups and entities—so that some individuals or corporations are powerful agrarian, urban and industrial landlords all at the same time. Although the principles advanced by George demonstrate that *interest* as a return to *capital goods* will (as occurs with *wages*) fall in the face of rising returns to land, the measurement of profitability under landlordism is interwov-

en into the economic fabric. There are, to be sure, a significant number of individuals and companies whose primary or only focus is on the speculative acquisition of land. Yet, the executives of many of the world's largest corporate landowners view their holdings as either a necessary asset for doing business or as a reservoir for future expansion. As a consequence, they are sometimes largely unaware of annual changes in the potential exchange value of the land under their control. Moreover, unlike inventories of finished goods or capital equipment, land is carried in accounting records at acquisition cost except where expensed annually for depletion of natural resources extracted. Gains in exchange value are not recorded until such time as land is actually sold. Land, unlike most other assets, is not "marked-to-market" to record periodic fluctuations in value.

The pure capitalist, the business person who gains access to land by leasehold arrangement and must pass on to the titleholder the rental value of the location, attempts to outdistance rent demands by achieving above-average rates of productivity for labor and capital goods. Those who fail in this endeavor will not long survive under conditions of rising rents. Global competition means that domestic producers are not always in a position to pass along to customers the increased costs of doing business associated with rising rents. Other producers, whose overall costs of production (including transportation of goods across the oceans) set the minimum acceptable market clearing price for commodities and all types of goods. Therefore, if the amount of *rent, wages* and taxes paid by the overseas producer, the domestic producer must achieve higher and higher productivity—or seek public subsidies such as protection under tariffs charged on imported goods—or face relocation or closing.

Refining Interest Theory

Among economic historians, the general tendency is to ignore the effort by Henry George to develop into laws of tendency the principles of wealth production and distribution and focus on his leadership of the Single-Tax campaign. Even among his much less famous contemporaries and the succeeding generation of economists teaching in the universities, George's theoretical contributions languished on the shelf along with other treatises considered outdated and irrelevant. As recently as the early 1960s, Warren Catlin simply stated that George "*approaches, but probably does not quite attain, a well-rounded productivity theory for labor and capital.*"⁵⁶² The problem with this conclusion is that the advance of technical knowledge and the variety of capital goods brought into use between the late 1800s and the 1960s made the world of production a very different place.

Henry George was, to be sure, first and foremost a reformer in the tradition of Horace Greeley, without formal academic credentials and (in the opinion of most economists) insufficiently learned in the new methodology of economics to be seriously considered a scientific colleague. Nevertheless, a significant number of economists and other professional social scientists felt the sting of George's charge that they had become agents of the established socio-political order. To the extent that social scientists were advocates of progressive reforms, they were almost unilaterally incrementalists who could not bring themselves to conclude that existing socio-political arrangements and institutions operated overwhelmingly in the interest of monopolistic privilege; or, even if this were the case, radical change opened society to the danger of collapse or despotic rule. Their own experiences in life confirmed to their satisfaction that at least *the American system* continued to permit advancement based on individual ability. Henry George demanded, conversely, that people face the harsh reality that time was running out

and the Jeffersonian vision was seriously at risk. The monopoly over nature had to be dealt with and quickly, once and for all.

In the final analysis, a general consensus emerged among economists that although George was a pioneer in taxation theory his closed system of production and distribution was theoretically flawed and not substantiated by subsequent historical trends. In a biography of George published in 1974, Syracuse University professor of economics Jacob Oser restates the collective view of twentieth century economists:

George was wrong in believing that wages probably would fall as society progresses, and the percentage of the nation's income that goes to labor certainly would fall; he was just as wrong in believing that the share going to landowners would increase.⁵⁶³

This conclusion by Oser is quite revealing. What he and many other economics professors have failed to understand is that the twentieth century brought into play extraordinary technological and socio-political externalities that overpowered the natural tendencies of wages to fall and rents to consistently rise. Industry and the State required educated and highly skilled workers and managers to build and maintain the expanding physical, technological and communications infrastructure. The introduction of publicly-funded education yielded widespread literacy and opened participation in the political system to the sons and daughters of poor immigrants. Workers gradually united, gaining numerical and financial strength. And, two world wars stimulated temporary periods of full employment and by virtue of massive destruction, long periods of rebuilding. The tragedy of economists in their role as scientists has been to discard the core model of political economy, accept as systemic rather than external existing redistributive policies and then advance the adoption of incremental changes based on the study of statistical relationships.

One of Henry George's important observations was that periods of economic expansion eventually stimulate widespread speculation in land. In our own time, this game is fueled to a large extent by the ability of speculators to leverage their own financial reserves with loans willingly provided by commercial and savings banks, insurance companies and other financial entities (including, even, pension funds charged with investing the savings of workers). The result is to drive up the cost of land to industry, small businesses and homeowners to a point where the increased cost of gaining access to land can no longer be passed on in the form of higher prices. Marginally-profitable businesses are then the first to reduce the size of their work force or close their doors in search of a lower cost environment. Unemployed workers and their families reduce consumption and often default on debts owed to banks, finance companies and other creditors. The chain of financial hardship spreads throughout local and regional economies. Office buildings under construction cannot lease available space. Builders default on construction loans, declare bankruptcy and leave financial institutions with massive loan losses. New automobiles and other consumer goods find fewer and fewer buyers at any price, and workers in distant regions or other nations are threatened with unemployment. During the upward spiral of the land market cycle, sellers of land pocket tremendous gains on the sale of control over locations. Those who control locations the longest incur very little financial risk; they simply wait for governments and producers to work things out and for the cycle to begin again. Meanwhile the selling price of land plummets as overextended speculators compete with one another to rid themselves of inventory acquired on the prospect of a continuing upward spiral in land prices. Financial institutions are forced to write off loans made for land acquisition and development and to try to dispose of property acquired at foreclosure. The weaker financial institutions fail, bringing ruin to shareholders and, often enough, depositors. Somehow, the connection between speculation in land and the repetitive boom-to-bust operation of the *business*

cycle is continuously ignored or downplayed by economists, policy analysts, public officials and those who ought to have a more complete understanding of how the closed system of production and distribution works. Henry George did not make that mistake.

CLOSING RANKS AGAINST FREE TRADE AND A JUST SYSTEM OF ACCESS TO NATURE

Given the conservative nature of economics professors of George's era, their reluctance to associate themselves with the political movement initiated by Henry George is understandable. Only a small minority bothered to read George thoroughly or even directly. Most misunderstood or misrepresented his key arguments and policy recommendations. Many of those who considered themselves possessed of a scientific mind and attitude looked upon George as a revolutionary zealot. His exchanges with Herbert Spencer and George Campbell (the Duke of Argyll) convinced many people that George was a socialist advocating land nationalization. The complexity of reaction to George is, of course, related as much to his activism as to what he actually wrote and said. Albert Jay Nock summarized this aspect of George's successes and failures with, I think, appropriate balance:

...George was one of the most formidable anti-collectivists, as well as the most radical, who ever lived. His work leaves not a shred of plausibility attaching to any of the Protean forms of collectivism now rampant in the world,...He did, unfortunately, advocate the State-socialization of economic rent, as Spencer himself had done in *Social Statics*; it is the only weak spot in George's social scheme, easily amended and therefore unimportant.⁵⁶⁴

George's scheme was viewed by some as an attack on property and by others as yet another means of concentrating additional power in the

hands of the State. For different reasons, then, his ideas aroused opposition from the agrarian landed, from speculators in urban locations, from industrial landlords, from some individualists and from some collectivists. The means by which he chose to advance his cause were inherently confrontational and potentially successful only with the overwhelming support of the masses. That level of public interest and support never materialized.

One can only guess the course of events had George been more patient in terms of political objectives and concentrated his attentions on economic science. The great weakness of the movement he created was its heavy reliance on his energy, wit and intellect for its successes. Once started, George could have more productively nourished the growth of this social reform movement by stepping into the role of philosopher-scientist or sage. Had George lived and continued to write for another two decades, his international reputation might be secured and his scientific work integrated into economics as studied and taught in the universities. Perhaps some of the financial resources brought into the movement by Joseph Fels (of the soap manufacturing family in Pennsylvania) and others would have been used to endow a new university where young men possessed of great intellectual curiosity and social concern could have carried out valuable research and writing. That, unfortunately, did not occur and became less and less possible with the passing decades and the disappearance of interest in George's work.

Among academics, the English economics professor Alfred Marshall was one of the first to challenge George's assertions that landlordism was leading to an ever-greater concentration of wealth. In an examination of Marshall's commentary on George, Robert Hebert observes that modern "*studies employing the more sophisticated econometric techniques seem to support Marshall's claim that real wages were increasing during the eighteenth and nineteenth centuries.*"⁵⁶⁵ Arnold Toynbee reached much the same conclusion without good statistics. Writing in

1884 about the impact of the Industrial Revolution he first repeated then challenged claims by land reformers that, “[f]rom the evidence of farmers and land-agents we see that it is widely believed that the high rents exacted from farmers have been partly taken out of the pockets of the labourers...and that the only limit to the rise of rents was the bare necessities of the peasantry.”⁵⁶⁶ However, John Stuart Mill and J.E. Cairns had each forecasted just this result during the mid-nineteenth century. Toynbee countered that it was “a fact that though the cost of living ha[d] undoubtedly increased, wages ha[d] risen in a higher ratio.”⁵⁶⁷ Here, again, the most important element in the debate had been ignored. The real question was whether this information suggested problems in the laws of tendency as developed by George, or required investigation into externalities. For example, to what extent did the loss of population due to out-migration increase the ability of at least some workers to negotiate for higher wages than otherwise would have been the case?

Although George made numerous attempts in his writing to describe what seemed to him as obvious externalities affecting the standard of well-being enjoyed by workers, this part of his analysis was given very little attention. The world’s population, although growing, had been driven by oppression and poverty to migrate en masse to the sparsely populated regions of the world, places where the demand for labor was still greater than the supply and where the claims by landlords on production had not yet resulted in the generational poverty prevalent in the Old World. In an open letter to Pope Leo XIII, written in response to an Encyclical Letter published in May, 1891, George points to a few of the many examples of how land monopoly caused mass unemployment—which, in turn, caused the mass exodus of people from their traditional homelands:

If you go to Scotland you may see great tracts that...are given up to wild animals. If you go to Ireland your Bishops will show you, on land where now only beasts graze, the traces of hamlets that...were filled with honest, kindly, religious people.

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 were not room enough and work enough for those already here.

Or go to the Antipodes, and in Australia as in England, you may see that private property in land is operating to leave the land barren and to crowd the bulk of the population into great cities. Go wherever you please where the forces loosed by modern invention are beginning to be felt, and you may see that private property in land is the curse...⁵⁶⁸

The circumstances described by George were readily observable by anyone who cared to see the reality of the situation. Sadly, there were many (the Pope included) too fearful of change or too dependent on the largesse derived under existing socio-political arrangements to embrace their instinctive moral sense of right and wrong.

One is hard-pressed to understand the failure of otherwise remarkable intellects such as Alfred Marshall or Arnold Toynbee to appreciate the complexity of Henry George's scientific investigation. Even a cursory reading of George provides a sense of the depth of his knowledge and thinking. He, far more than most of his critics, seemed to have a comprehensive grasp on the socio-political and environmental externalities influencing the actual outcomes in a given society at a given time. Toynbee makes the almost unbelievable statement that George had "*as great a contempt for facts and verification as Ricardo himself*."⁵⁶⁹ For reasons that are not clearly stated by Toynbee, he attempts to discredit George's premise that wages and interest tend to rise and fall together in opposition to the rise and fall of rent. By relying on profitability statistics associated with manufacturing concerns, without making the most basic distinction based on whether such businesses operated on leased or deeded land, Toynbee ends up confusing the aggregate returns enjoyed by industrial landlords with the distribution of wealth actually

associated with the employment of capital goods. With regard to the conditions of workers, George would have explained to Toynbee that one reason why some workers in Britain were enjoying a level of relief from rising costs of living was the nation's continued policies of allowing free trade in agricultural products. The free importation of agricultural commodities would tend to depress the price of agricultural land in Britain. However, greed on the part of non-producing landlords had driven land rents far higher than tenant farmers could possibly pay and still compete profitably with international prices. British consumers, generally, were still far better off, and the landed who actually engaged in farming had the advantage of not having to pass on any of their income to an absentee landlord. Here, again, Henry George was one of the few observers who recognized and described these market forces at work.

During these times of falling agricultural prices, one land agent in England wrote to his landowning client in 1873 that he found "*there is not the competition for large farms which there used to be: men possessing the necessary capital preferring to invest it in commercial pursuits yielding a larger return than farming does, or, as I think ever will do again.*"⁵⁷⁰ Had agricultural land not been owned in such concentration and not been virtually exempt from any annual taxation based on land value, a competitive land market would have operated to drive down rents to the point where English farmers could offer their products at the lower internationally-determined prices and still maintain a decent standard of well-being. Instead, monopoly rents went uncollected, and many absentee agrarian landlords found themselves forced to sell parts or all of their landed estates rather than attempt to produce something themselves. Tenant farmers suffered the worst. "*Everywhere I heard of farmers having become bankrupt; or of other farmers having given up their farms because they could no longer make them pay,*" observed the U.S. consul in Birmingham in 1880, adding that "*in many cases I have been told that*

those farmers have gone to America."⁵⁷¹ Thus, even as late as 1880 the Americas continued to provide a safety valve for the Old World.

Adding to the demise of Britain's agribusiness was also the fact that the North American rangelands were producing millions of head of cattle and attracting vast sums of financial reserves out of Britain's wealthiest citizens. A devastatingly frigid winter in 1886-87 then hit the overgrazed plains of North America, killing hundreds of thousands of cattle and bankrupting overeager European investors. At this point, interestingly, although foreign production had been hit hard, the agitation against free trade in Britain took off with renewed vigor. Despite an eventual end to the prolonged economic downturn and the determined opposition of free traders, protectionism continued to gain strength during the first decade of the twentieth century. Winston Churchill, on the verge of entering British politics in 1902, recalls a dinner conversation with Joseph Chamberlain, leader of the Conservatives, who exclaimed, "*You...have entertained me royally, and in return I will give you a priceless secret. Tariffs! There are the politics of the future, and of the near future. Study them closely and make yourselves masters of them, and you will not regret your hospitality to me.*"⁵⁷² In May of the following year, Chamberlain went public with the full extent of his views, calling for an end to free trade and the introduction of protectionist measures he hoped would prop up a crumbling empire.

In 1899 the free trader and publisher T. Fisher Unwin (son-in-law of Britain's leading free trader, Richard Cobden) republished Henry George's book *Protection or Free Trade* in an effort to awaken the thinking public to the real strengths of allowing commerce to take place without penalty of taxation or other restrictions. George's work was a powerful and effective statement in the struggle. "*It is as natural for men to trade as it is for blood to circulate,*" wrote George. "*Man is by nature a trading animal, impelled to trade by persistent desires, placed in a world where everything shows that he was intended to trade, and finding in trade the possibility of social advance. Without trade man would be a savage.*"⁵⁷³

Even George Bernard Shaw at this time joined forces with the free traders to warn of the grave dangers of the Conservative plan to use protectionism to bind the far reaches of the empire under an imperial umbrella:

There is nothing I long for more than to see Australia attain her independence, to see Canada adopt a flag of her own, and to see South Africa set up housekeeping as another United States. When this happens English trade will be more flourishing than ever, and all four of England's great offshoots can enter into the closest ties of offensive and defensive alliance with the mother country and with each other, and wars can be banished from the earth. The one great fact today that makes for war and discord in the world, far more than the Russian empire, is the British empire.⁵⁷⁴

Shaw knew enough of history to know that mercantilist practices benefited only a select few, leaving the costs of maintaining empire to be absorbed by the workers and those most vulnerable to prolonged periods of economic decline. Shaw saw through Chamberlain's rhetoric and understood that what would be most protected were the monopoly profits of a privileged minority.

Winston Churchill, instinctively a free trader, sought out Francis Mowatt at the Treasury within days after Chamberlain's protectionist speech and obtained from Mowatt a crash course in economics. He then went on the attack against the elder politician and the protectionists:

They are wrong in economics, wrong in political conceptions, wrong most of all in their estimate of public opinion....It will need all [Chamberlain's] most weighty arguments...all his courage and all his oratory to persuade the English people to abandon that system of Free Trade and cheap food upon which they have thrived for so long and under which they have advanced from the depths of poverty and distress to the first position among the nations of the world.⁵⁷⁵

Churchill understood that the people of Britain had for a quarter century struggled or thrived (depending upon one's position in British society) with its borders open to the goods of other countries. To be sure, other nations had not chosen to follow the British lead. Their citizens had absorbed high prices and goods of low quality in order to protect the financial interests of the agrarian and industrial landlords. The elite of other societies were more concerned with the consolidation of political and military power that protectionist measures facilitated. Germany adopted this opposing model.

With the widespread global recession that began in 1873, Germany under Bismarck had abandoned what had been little more than a flirtation with free trade. Faced with rising unemployment and falling profits, Bismarck responded to the protectionist urgings of Germany's ancient agrarian landlords as well as the newly-emerging industrial landlords charged with turning Germany into a core power. More importantly, perhaps, he also saw protectionism as key to the consolidation of German nationalism. From across the Atlantic, North American farmers continued to flood the Old World with inexpensive grains, driving landowners and farmers⁵⁷⁶ alike into the arms of the protectionists. Five years later, a protectionist majority entered the Reichstag and gave Bismarck the barriers and spending programs he wanted. Somewhat ironically, Karl Marx confided to Friedrich Sorge that "*Bismarck is working for us.*"⁵⁷⁷ By this he meant that Bismarck was leading his nation down a path destined to lead to retaliation, to deeper recession and very possibly, to a civil war Marx believed would bring the communists into power. France, Austria, Russia, Italy, Spain and virtually every other continental government adopted the same nationalistic strategies as Germany. Those displaced from the land or otherwise unemployed began their mass exodus, more than 13 million of whom came to the United States between 1875-1914.

Henry George and his supporters had been fighting in the United States and in Britain against protectionist, monopolist and nationalist

sentiments. And, those who benefited most under existing socio-political arrangements were not about to acknowledge any peculiar advantages they enjoyed. Objectivity was imperiled by the fear of being labeled a socialist, and economics professors, particularly in the United States, were extremely sensitive to any charges that they held socialist views. Richard Ely, who served as secretary to the newly-formed American Economic Association, felt compelled, for example, to retaliate against just such a charge, by defending the institution of private property and declaring "*I point out many causes for the evils of present society, as intemperance, imperfect ethical development of man...unchastity, ignorance of the simplest laws of political economy, extravagance, and in fact 'the wickedness of human nature'*"⁵⁷⁸—all weaknesses attributed to the individual. Absent from his list of causes was the structure of socio-political arrangements or any suggestion that monopolistic privilege resulted in a concentration of wealth and income. In 1888, Ely's volume of essays was published with the title *Problems Of To-Day*, one of which explained his view of the synergistic relationship developing between the modern economist as theorist and adviser and the public officials and business persons the economist increasingly served. When Ely discussed monopolies, he acknowledged that deeds to land grant monopolistic licenses; however, he refused to call upon society to remedy the status quo, preferring to advance a socio-political philosophy that sanctioned existing relationships as having stood the test of time. As a pillar of his profession, securely tenured at Johns Hopkins University, Ely was willing to go only so far in agreeing with any writer (and with George specifically) who sounded socialistic or who challenged the status quo of property rights, including those associated with access to and control over land:

Certain pursuits are monopolies on account of their own inherent qualities. These we call natural monopolies. Legislation neither makes them monopolies nor can it

prevent them from becoming monopolies. All that legislation can do is to recognize the fact that they are and must remain monopolies, and to act upon it....

There is one natural monopoly which stands apart by itself with peculiar qualities. It is land. Land was not made by man, but was given to man ready made. It was a gift of nature, or, if you please, of God. But so much was given, and no more. The amount that man can add to land or take away from it is so utterly insignificant as to be unworthy of notice. The most tremendous practical consequences flow from the fact that land is a natural monopoly, and the so-called land question deserves all the attention it is receiving. It deserves even more attention than it is receiving. I would gladly take up this question and discuss it carefully, were it not so large a question.... It may be said, too, that important as this question is, the amount of land in proportion to our needs is still large, and it is a problem of to-morrow rather than of to-day.... Unfortunate as have been some of the phases of the agitation of Henry George, I cannot but think that the world owes him a debt of gratitude for placing in a clear light before the masses the fact that land is a natural monopoly. The ugly feature of his agitation is his proposed confiscation of the rent of land;... I do not believe it will ever appear to the American people a just thing to take the property of land-owners without compensation.... It is, however, worth our while diligently to read a book like "Progress and Poverty," and to gather from it the useful lessons which it undoubtedly teaches.⁵⁷⁹

All things considered, Ely's candor in this passage is quite remarkable. He admits he is unprepared to take on the challenge of reforming the nation's system of land tenure, preferring to leave this to a later generation. One is left to wonder whether he considered that waiting would impose even greater hardships on those victimized by existing relationships.

Ely's ideal social scientist is an observer who records only, not attempting to apply moral principles or being concerned with philosophic values. Working in this manner is consistent with scientific method in the physical sciences. Acceptance of economics as a true scientific discipline by other scientists required, Ely and many of his contemporaries felt, the same detached approach. When, despite their

strongest efforts at detachment, their findings became troublesome, the solution reached by economists was, from their perspective, brilliant. They simply decided to include nature in their definition of capital goods. Now there would be only two factors of production—labor and capital goods. Locations, natural resource-laden lands, the broadcast spectrum, all were grouped with factories, tools, and machinery as *inputs* that, when combined, results in *outputs*. Even among economists who championed societal reforms and stood firmly on moral principles, the desire for respect of their work as a legitimate branch of science had distasteful consequences. Thorstein Veblen even goes so far, for example, as to challenge Adam Smith on whether there ever was an “*early and rude state of society which precedes both the accumulation of stock and the appropriation of land.*”⁵⁸⁰ Rather than question the process by which humanity arrived at its current circumstances, Veblen suggests that such an investigation is beyond the concern of the economist:

It is needless at this day to point out that this “early and rude state,” in which “the whole produce of labour belongs to the labourer,” is altogether a figment. The whole narrative, from the putative origin down, is not only supposititious, but it is merely a schematic presentation of what should have been the course of past development, in order to lead up to that ideal economic situation which would satisfy Adam Smith’s preconception.⁵⁸¹

Such questions were, Veblen reminded his readers, appropriately abandoned by the Utilitarians who followed Smith, so that within a generation “*post-Bentham economics [became] substantially a theory of value...as a measure of, or as measured by, the irksomeness of the effort involved in procuring...valuable goods.*”⁵⁸² A more modern adaptation of the Utilitarian perspective is found in Frank W. Taussig’s *Principles Of Economics*, first published in 1911. According to Taussig, “[c]omplex political and social questions present themselves, quite beyond the scope of a book on economics.”⁵⁸³ Such was the prevailing attitude, spread from

teacher to student in the classroom and from professional to professional in the journals and papers circulated. And, in the process, considerable time has been lost while those prospectively in the best position to offer solutions to societal problems instead chose to advance incremental mitigation.

Classical political economy, to which George had dedicated his efforts to explore and clarify, no longer had a following. There was no school of classical political economists willing to rally around George's presentation. Despite George's effort to resurrect land as the distinct first factor of production and to distinguish between land unimproved by human intervention and land whose potential productivity had been in varying degrees enhanced by the infusion of labor and capital goods, the economists accomplished within a generation "*the amalgamation of land with capital.*"⁵⁸⁴ In the matter of wealth distribution, these very same economists began to speak of rent not merely as the return to land but as that portion of wages or interest that were above average—whether derived from monopolistic privilege or extraordinary ability. Nassau Senior, for example, argued that individuals with special talents or skills that enabled them to command earnings above what the average person commanded received not only *wages* but *rent* (or *quasi-rent*) as well. A similar argument arose where *capital goods* were concerned. John Bates Clark and Herbert Davenport, along with Frank Taussig, were also instrumental in the rapid transition to the two-factor model of input-output analysis, detailing the modern system of large-scale production in which corporations acquired title to vast tracts of resource-rich lands or centrally-located sites for manufacturing and processing of raw materials into intermediate and finished goods. Distribution was converted into the process of delivering goods from factories to store shelves. Political economy as a science seemed to be dead and buried.

As always, however, there are dissidents within the ranks, individuals not easily swayed by conventional wisdom or popular trends. One such

person was John R. Commons (1862-1944). Commons never earned his doctorate, yet taught economics for nearly thirty years at the University of Wisconsin. After the end of his teaching career and near the end of his life, he authored an anthology of the theoretical development of political economy in which he explains in rather straightforward fashion what happened to the treatment of *land* as a distinct factor of production and of *rent* as a return for the use of land:

Ricardo's distinction of unearned rent...disappears—as stated by [Frank A.] Fetter in 1901 at the turning-point of the last transition in the meaning of capital—because all future incomes, no matter how monopolistic, discriminatory, or unfair, are looked upon as future “rents,” to be paid for the use of any and all kinds of property, so that capital becomes the present discounted value of those future rents.

It will be seen...that the changing meanings of Capital depend on changes in the meaning of Rent. Rent, in Fetter's popular usage of the term, has the same meaning as “hire,” or payment made for the use of anything over a period of time....The entire Nineteenth and into the Twentieth Century of economic theory has been occupied with breaking up th[e] feudal, legal, and popular meaning of rent into its economic differences; and the need of the distinctions becomes more urgent with the increase of urban land values and the relative decrease of agricultural land values.

Ricardo was the first to make the economic distinction of rent, provoked by the conflict of interests between capitalists and the feudalistic landlords over the protective tariff on wheat. In doing so he had to change the meaning of rent from the historic meaning of payment for the use of land to payment for the use of the “original and indestructible” qualities of the land. Thereby he made the rent of landlords an “unearned income,” for which they rendered no equivalent service, whereas interest, profits, and wages were earned incomes.

Neither [John Stuart] Mill nor [Henry] George made use of Ricardo's distinction between fertility and the indestructible qualities of the land. George, in his original work, though not in later works, did not even follow the single tax of Quesney, who declared that only the original fertility of the soil was a divine gift to man, but that the maintained and enlarged fertility was advanced by the landlords and cultivators.

George, at first, like Smith and Malthus, considered that all fertility of the soil produced wealth, by divine beneficence, in excess of that produced by labor and capital...and therefore should be single-taxed in order to relieve the productive capitalists and laborers of taxation. This, we know, as did Quesnay and Ricardo, as well as George in his later works, is not true. Fertility is exhaustible for the most part, and in so far must be reproduced, like any form of "capital"...

Site-values range all the way from several million dollars per acre in the financial districts of great cities, to no value at all at Ricardo's remote margins of cultivation, inaccessible to markets. Site-value may be increased by good roads, railroads, telegraph and postal service, and it may be decreased by the same agencies if they serve to move population, industry, and merchandizing to other localities. It is therefore a peculiarly social value assigned to, or taken from, individual owners according to the technological changes in means of transportation whose installation is encouraged or restrained by public policy.⁵⁸⁵

Where Henry George's work was concerned, Commons seemed (far more than many of his contemporaries) to recognize the moral and socio-political implications of George's quest to convert the exchange value of nature into the equal property of all. However, to the extent that Commons supported Georgist (or, more accurately, neo-Georgist) proposals to collect this fund, he did so on the basis of Utilitarian rather than moral considerations. He urged that past practice be ignored and questions of equality be set aside, so that "*we can then pass from the dogma of natural rights and the ancient notions of the productivity of nature's resources, to the institutional doctrine of proportioning the inducements to individuals to acquire wealth by increasing the commonwealth.*"⁵⁸⁶ I read Commons as saying that in the modern world only Utilitarian arguments have sufficient strength to carry the day in the political realm; demanding that public policy be consistent with moral principles (i.e., with our moral sense of right and wrong) is no longer relevant when benefit/cost analysis dictates decision-making.

In his own way, Commons was also a transitional participant in the developing community of economists and other social scientists. Economists at the dawn of the twentieth century were consumed by the psychology of hedonism. Commons sought to identify and describe the symbiotic relationships between the individual and the collective actions of individuals taken within the framework of existing socio-political arrangements and institutions. With the sudden, unexpected and global collapse of the 1930s, the work of theorists such as Commons was vastly widened by economists who suggested that government might do what the interplay of supply and demand could not; namely, to foster the maintenance of an equilibrium level between production and consumption, savings and investment, that would generate gradual but continuous economic expansion. These were ideas that emerged very tentatively during the first three decades of the century. And, they sought by various means to do just what Commons had recommended in his discussion of appropriate tax policy—to achieve societal objectives by directing investment into areas that created new property rather than redistributed existing property from the haves to the have nots.

Broadening the ownership of property and increasing the incomes of the workers was not among the concerns of economics professors contemporary to Henry George and the last generation of political economists. The first president of the American Economics Association, Francis A. Walker of the Massachusetts Institute of Technology, was an ardent defender of unbridled individualism and landed property. Walker wrote that he purposefully excluded from his text on political economy any treatment of George's proposals for achieving justice in the distribution of wealth, declaring, "*I will not insult my readers by discussing a project so steeped in infamy.*"⁵⁸⁷ A few years earlier Walker had devoted an entire book, *Land and Its Rent*, to a poorly thought out and highly emotional attempt to repudiate George. In the process, he narrowly quoted George so that Henry George seemed to be advocating the

government ownership and management of land. Over time, Walker softened in his absolute rejection of George's proposals and eventually suggested to Association members that "*conceding compensation to existing owners, the proposition [advanced by George] is one which an honest man can entertain.*"⁵⁸⁸ George, on the other hand, recognized the psychological benefits associated with allowing individuals to hold title to land over mere leaseholds. Quite rightly, then, George advanced no such plan to purchase deeds from existing holders. Both justice and economic efficiency would be served, he argued, by using the tax system to collect what was legitimately societal property:

I do not propose either to purchase or to confiscate private property in land. The first would be unjust; the second, needless. Let the individuals who now hold it still retain, if they want to, possession of what they are pleased to call their land. Let them continue to call it their land. Let them buy and sell, and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent.⁵⁸⁹

Walker also eventually acknowledged the right of society to collect its share of production but continued to side with those who argued for compensation to those who had purchased land under the old system. If imputed rent is capitalized by the market into a selling price for land, and society taxes away this imputed rent every year, there is nothing to be capitalized. Thus, once Henry George's proposed is implemented, the selling price of land will tend to fall. Just how far and how fast (or if at all, in the short or intermediate term) the selling price will fall is subject to a wide range of externalities. To the extent someone paid the previous owner of land a selling price and public policy changes resulted in the reduction in this market value, Walker argued the deed holder ought to be compensated. Henry George argued vigorously against doing so.

Collecting the full potential rental value of land as George proposed would also reduce considerably the rate of return received on land speculation as an investment activity. Absent the presence of speculators in the market, the selling price of land would tend to fall rather quickly to a point where demand by users established a new equilibrium. As noted above, the influence of aggregate externalities would determine just how much. A fall in selling price to near zero is theoretically possible if each potential user is able to choose from a large number of alternative available sites. This would require conditions where the supply of land brought to the market is greater than demand and the annual tax is sufficiently high as to be a drain on other income received by large numbers of landlords that rely on rents as a primary source of income.

Faced with such near-term uncertainties, many twentieth century proponents of George's reform recommended its gradual introduction. In the state of Delaware, a Single Tax Party (formed in 1896) made a determined though failed attempt to press for removing all taxes on property improvements, leaving real estate taxes to be levied on land values only. Elsewhere, activists continued to press for changes in law that would set the stage for the Georgist reform. Missouri and Colorado became arenas for political struggles led by Georgists/Single-Taxers. In both cases landed interests mobilized their political influence to defeat measures designed to give individual citizens a direct voice in how their tax system would be structured. One observer from the academic community, Allyn A. Young of Washington University, wrote in the March, 1913 issue of *American Economic Review*:

It is unfortunate that much of the active work against the proposed change was done by men who were willing to defend the worse features of Missouri's present system, and who were willing to appeal to the crudest prejudices in order to gain votes.⁵⁹⁰

Similar experiences occurred in Oregon, Rhode Island and California (where a limited application of a tax on land values was introduced in the state's Irrigation Districts). To the north, the Canadian province of Manitoba rather quietly exempted all improvements from taxation, after a young journalist named W.W. Buchanan—influenced by Henry George's writings—submitted a plan to the government designed to discourage land speculation and absentee ownership of large tracts of virgin wilderness. In 1904, the people of Edmonton, Alberta adopted a new charter under which all government revenue was to come from the taxation of land values. Calgary and the other smaller cities of Alberta soon followed the example of Edmonton.

In Britain, a Royal Commission on Local Taxation was created in 1896 and charged with examining the existing methods of raising revenue for local services. A minority report emerged recommending a special assessment on site values to fund police, education, roadways and poor relief. The measure collapsed under the weight of landlord opposition. Over the course of the first decade of the twentieth century, British Georgists agitated in almost every major city for local authority to tax site values. A major policy objective of the Liberal Party, returned to power in 1906, was the reform of Britain's land laws to include "*a just and equitable taxation of land values and ground rents.*"⁵⁹¹ At the time, Winston Churchill was still among the leading Liberal spokespersons; and, in a speech delivered at King's Theatre in Edinburgh on May 17, 1909, he restated the Georgist case:

It is quite true that land monopoly is not the only monopoly which exists, but it is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly. It is quite true that unearned increments in land are not the only form of unearned or undeserved profit which individuals are able to secure; but it is the principal form of unearned increment which is derived from processes which are not merely not beneficial, but which are positively detrimental to the general public.

Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position—land, I say, differs from all other forms of property in these primary and fundamental conditions.⁵⁹²

And, in a manner even more condescending than that voiced even by Henry George himself, Churchill challenged the intellectual integrity and capacity of those who sought to defend landed monopoly:

Nothing is more amusing than to watch the efforts of our monopolist opponents to prove that other forms of property and increment are exactly the same and are similar in all respects to the unearned increment in land.⁵⁹³

Between 1906 and 1910, the agitation for a tax on land values reached its zenith in the British Parliament. Henry Campbell-Bannerman, the Prime Minister, was joined by Churchill and other leading Liberals to endorse the Georgist reform. Churchill actually dared the House of Lords to oppose the taxation of land values, promising in retaliation an end to their veto power over legislation passed by the House of Commons. The landed interests, represented by the Lords, charged the Liberals with opening the door to socialism and the taking of other forms of property. Despite their attacks, in 1908 the Liberals convinced Lloyd George (the new Prime Minister) to include a tax on land values in the 1909 budget. "*This public recognition of Land Reform as the first part of Liberal policy, and of Henry George as its leading exponent marks the opening of a new era in the history of our country,*"⁵⁹⁴ declared Churchill. The Lords became aroused and vetoed the budget, Parliament was dissolved by resolution carried in the House of Commons and a general election scheduled. Churchill and Lloyd George attacked the nation's landed in speech after speech. A second election would be required before the Liberals secured a sufficient majority to push through the land tax proposal. Conservatives charged

that Lloyd George was jeopardizing British power and stability by exposing the country to the utopian proposals of Henry George. Meanwhile, the valuation of land had commenced and was scheduled for completion by early 1914. The political struggle was far from resolved when war interrupted and all domestic issues were subordinated to the conflict abroad.

During his own period of activism, Henry George made political currency out of the fact that the government of New Zealand had adopted a modest land value tax in 1877, two years before the publication of his work, *Progress and Poverty*, popularized the need for this reform. Although repealed by a Conservative government before land could be assessed and the tax collected, the return of the Liberal Party in 1890 under John Ballance began a renewal of the experiment in collecting revenue from the taxation of land values. During about the same period, legislation was adopted in the state of South Australia to consistently if only modestly tax land values. Queensland eventually followed, as did New South Wales. Henry George visited New South Wales in 1890, stimulating political agitation not merely for the taxation of land values but for free trade policies as well. And, in 1894, George H. Reid's Liberal Party was swept into power with a mandate to implement a Georgist program. In 1904, a new national government headed by J.H. Carruthers orchestrated passage of a Local Government Act in 1906 that directed local governments to impose a tax on land values. Sydney thereafter became one of the world's most free and active port cities, its commerce unhampered by taxation and its land area developed appropriate to its highest and best economic use, contributing revenue to the public fund as the demand for land increased.

As promising as these developments seemed to George's supporters, the agitation for free trade and the taxation of land values was on a collision course with the imperialistic and neocolonial objectives of the world's industrialized nation-states. Within the ranks of reformers generally, the fight against land monopoly was secondary to mitigating the

excesses brought on by unbridled individualism and industrial landlordism. Urban landlordism (or, rather, the practices of slumlords) attracted the attention of reformers, but the problems caused by agrarian landlordism were relegated to the level of minor concern.

At one extreme in the United States could be found academics such as Brown University's Lester Frank Ward, a sociologist who challenged much of the doctrine of individualism. He declared, moreover, that the era of *laissez-faire* was destined to collapse in the face of serious global challenges that could only be addressed by government intervention. Everywhere one looked—in Germany, France, England and even the United States—the State was becoming an instrument for building and protecting military and industrial strength. “*The whole world has caught the contagion, and all nations are adopting measures of positive legislation,*”⁵⁹⁵ observed Ward. Like Henry George, he understood that natural laws were at best morally neutral and not necessarily inherently efficient from a Utilitarian point of view. He went so far as to argue that because “*all men will, under all circumstances, seek their greatest gain,...[t]he law of force...is an essential part of the law of acquisition [and] its method may be denominated natural justice.*”⁵⁹⁶ In essence, Ward had reached the conclusion that some degree of coercive force was required to prevent and/or regulate individual behavior in the interest of justice. The problem, of course, is that greater coercive power added to a system of law designed to secure and protect privilege can yield only greater injustice. Privilege left unprotected by strongly enforced police powers of the state will tend to dissipate under public pressure.

Those of us who are deeply concerned with our liberty ought to also recognize the need for societal intervention to thwart natural but wholly destructive actions some individuals are more than willing to perpetrate on other persons. An important lesson of history documented in this work by drawing on the contributions of many others is just how powerful has been the influence of those who have enjoyed generations

of entrenched privilege. Ward understood that the nation's socio-political arrangements were unjust. He rejected out of hand the idea that those at the top of society were there because they were the strongest and most gifted. The solution he came to was the creation of a "*sociocracy*," to incrementally achieve a changed socio-political environment. As a leading member of the professional class, Ward placed a great deal of faith in the ability of social planners to develop and implement policies that would yield equality of opportunity. Unfortunately, the process of change has never been that smooth, and knowledge has not necessarily resulted in its use. Therein lies the reason why, for example, massive public spending on education and health care has failed to end illiteracy, drug abuse, alcoholism, violent crime and a whole host of social maladies.

Other reformers in the United States were largely of two minds. One group traced the cause of economic chaos and the worsening of poverty to the rise of industrial monopolies and the arrival of immigrants in such large numbers that the positive influence of democratic institutions and values had been overwhelmed by Old World forces. They pointed, for example, to Cornelius Vanderbilt's estate valued at over \$100 million, amassed, in part, by securing monopoly privileges for his railroad lines and paying off corrupt politicians all along the way. Yet, such was the mystique of the self-made individual that numerous apologists ignored the incredible harm monopolistic behavior imposed on millions of others. Even as late as 1961, we find John Chamberlain declaring: "*If Cornelius [Vanderbilt] was a robber baron, the country needed more like him.*"⁵⁹⁷ Even as the scales of justice tilting out of balance in the United States, circumstances were worsening in much of the rest of the world—where the countervailing forces of representative government had little or no influence.

Within the German State, from which so many displaced and propertyless workers and peasant farmers were departing, the liberty to outspokenly question government policies was restricted and could be

personally dangerous. Even in this political atmosphere, however, a small number of economists led by Adolph Wagner⁵⁹⁸ boldly proposed an imperial tax on future gains in land value. And yet, Wagner is described by historian W.M. Simon as “*an extreme state socialist and ardent supporter of Bismarck*”⁵⁹⁹ and cannot be included among those guided by a commitment to the principles of cooperative individualism. Yet, he recognized the obvious benefits to the State of bringing land into efficient use and breaking the grip of the landed aristocracy. Some six hundred German cities and towns eventually adopted variations of what amounted to a capital gains tax on the sale of real estate, on the generally appropriate assertion that virtually all such gain is related to increases in land values. From the standpoint of appropriate economic policy, however, such a tax—when significantly high—discourages owners of land from offering land for sale. Instead, the absence of an annual tax equating to a location’s potential rental value encourages the landed to collect the rent themselves by leasing sites to users.

Elsewhere in Europe the Danish agricultural scientist Jakob E. Lange was instrumental in forging a Georgist reform effort in 1889. After a decade of suffering under ill-conceived tax measures that benefited large landowners at the expense of those who labored and owned capital goods, an increasing number of reformers rallied to the side of the Danish Georgists. A Danish Henry George League was organized under the leadership of S. Berthelsen, who edited the League’s weekly, *Justice*. In 1916 a bill was passed in the Danish parliament authorizing the separate valuation of all land in the nation. Danish Georgists then united with supporters in Sweden and Norway to form a League for the Democracy of Justice. Even in Spain there could be found a small but active Spanish League for the Single Tax. In the southern hemisphere of the Americas, Argentines already had a legacy of activism for land reform long before a translation of Henry George’s *Progress and Poverty* was completed. After 1914, an Argentine Single Tax League

worked for reform under the direction of Jose Bianco, an influential ex-Senator and Professor of Economics at the University of Buenos Aires. Uruguay had already adopted a tax on land values sufficient to cover a large portion of national expenditures, and a number of Brazilian cities were moving in the Georgist direction.

Half way around the world, Georgists convinced Chinese President, Sun Yat-sen (1866-1925), to established a program of internal settlement that allotted land to peasant farmers under a fixed rental payment scheme. When thirteen, Sun Yat-sen had joined his brother in Hawaii and obtained a Western education, eventually returning to Asia to attend Queen's College in Hong Kong and then Hong Kong Medical College. In the aftermath of China's 1895 defeat at the hands of the Japanese, he dedicated himself to the overthrow of the Manchu dynasty and establishment of a democratic republic. He and other Chinese revolutionaries met in Tokyo in 1905 to organize the League of Common Alliance, their program built on the redistribution of land from the landlords to peasant farmers. Sun Yat-sen studied the works of Henry George and upon his return to China wished to end the scourge of land monopoly in his own society:

Why can the West not solve the social problem? Because it has not solved the land problem. With all progress of civilization, land values increase....

Chinese land has only to come under Western economic influence to transform its owners into millionaires like the capitalists of the West.... Rise in land values should be credited to all the people and their efforts; the landowner himself has nothing to do with the rise and fall...⁶⁰⁰

When civil war broke out late in 1911, he returned from the United States and was elected President by a provisional assembly. Actual power rested with the military commander Yuan Shih-k'ai (1859-1916), and after only a year Sun Yat-sen yielded the Presidency, forming a new opposition party, the Kuomintang. It was during this brief period that

he was visited by Joseph Dana Miller in an effort to stimulate his interest in promoting Henry George's remedy to the problem of land monopoly. Miller also made a similar appeal to Yuan Shih-k'ai. Several years later, Miller reflected on the state of affairs in Asia in a manner that powerfully suggested the course of future events:

During the revolutionary time I wrote articles warning the rulers against accumulating debts and getting into the toils of the money-lending class. China is like a rich man who smokes his opium pipe, gambles and borrows money for his pleasures and takes a mortgage on his lands and property. Bye and bye there comes the time of foreclosing, and all the land and property belong to the money-lender. China like Japan is becoming a deeply involved debtor nation. There is hope for Japan if she steals all the natural wealth of China and has the Chinese labor produce for her. She can shift her debts over onto China. If China had a real democratic party there would be some hope; but alas! the democrats when in power did a good deal of stealing. If they had put up a better thing when they had the chance the people would desire them back.⁶⁰¹

Miller not only wrote articles in Chinese, he translated Henry George, Patrick Edward Dove and Herbert Spencer into Chinese. He was also instrumental in distributing copies of *Progress and Poverty* and *Protection or Free Trade* to leading members of the Chinese Senate and Assembly.

Following a failed revolt against Yuan Shih-k'ai, Sun Yat-sen and his key supporters fled to Japan, where they remained until the death of Yuan Shih-k'ai left China divided among surviving warlords. After being rebuffed by the West, Sun Yat-sen appealed to the Russians for assistance. The circumstances and the consequences of events to follow were much later described by Chiang Kai-shek, who had been among those gathered in Japan to plan the next phase of their revolution:

In China, where a series of unequal treaties had imposed upon her a sub-colonial status which she was trying hard to shake off, the Russian Communists found fertile soil for their ideas. The relinquishment of Russia's special rights in China immediately won the goodwill of the Chinese people.

But the Russians played a double game. While conducting negotiations with the Chinese government in Peking on this subject, Russian emissaries approached Dr. Sun in Canton with offers of assistance. At the same time, they organized the so-called Chinese Communist Party, to which they gave financial aid and political guidance. In other words, even while they were helping the National Revolution, they were already preparing to sabotage it.⁶⁰²

Until Russia's defeat in 1905 at the hands of Japanese, Russia's landlords and imperialists looked upon the sparsely inhabited and resource-laden parts of Asia as ripe for the taking. The Bolshevik revolution was itself not fully consolidated until 1922, with the creation of the Union of Soviet Socialist Republics as a quasi-federation of nominally independent and equal States. The nation they inherited was in desperate condition. Large regions stretching from Europe to the Pacific Ocean were devastated and left in ruin. Some twenty-five million people were on the verge of starvation. "*From all sides families set out,*" writes Louis Aragon, "*for it seemed that elsewhere there was bread: long processions of carts, roads strewn with dead; and when the cold came the survivors stripped the dead of their clothing; when it could be done the piled-up bodies were thrown into common graves.*"⁶⁰³ Several good harvests and the receipt of food from outside lessened but did not eliminate a continuing famine. Lenin's solution was to make agriculture a monopoly of the State, to crush the farmer's hope for land ownership and organize them into collectives. His economic views were repeated and clarified in a pamphlet published in 1921:

Russia is so vast and so varied that all...different types of socio-economic formation are intermingled. This is what constitutes the specific feature of the situation.

The question arises: what elements predominate? Clearly, in a small-peasant country, the petty-bourgeois element predominates and it must predominate, for the majority, and the overwhelming majority at that, of those working the soil are small commodity producers. The shell of state capitalism (grain monopoly, state-controlled entrepreneurs and traders, bourgeois cooperators) is pierced in one place or another by *profiteers*, the chief object of profiteering being *grain*.

It is precisely in this field that the struggle is mainly proceeding....It is not state capitalism that is at war with socialism, but the petty bourgeoisie plus private capitalism fighting together against both state capitalism and socialism. The petty bourgeoisie oppose *every kind* of state interference, accounting, and control, whether it be state-capitalist or state-socialist. This is an absolutely unquestionable fact of reality, the failure to understand which lies at the root of many economic mistakes. The profiteer, the trade marauder, the disrupter of monopoly—these are our principal “internal” enemies, the enemies of economic measures of Soviet power.⁶⁰⁴

Lenin lived only until January of 1924; and, even before his death his leadership and revolutionary ideas were attacked by his primary nemesis, Leon Trotsky. “As Trotsky saw it,” writes Louis Aragon, “*Leninism contained within itself ‘anti-revolutionary characteristics’ since it supported the notion of the dictatorship of the proletariat and of the peasantry.*”⁶⁰⁵ State-socialism built on the socio-political institutions advocated by Lenin would, Trotsky believed, eventually decay under the weight of their inherent and pervasive “*lies and fallacies.*”⁶⁰⁶ Trotsky’s attempts to supplant Leninism with his own view of the revolution met with stiff opposition within the Communist Party’s central committee, and he was summarily relieved of his chairmanship of the committee maintaining control over the army. While such actions removed Trotsky as an immediate threat, others within the core group of Soviet leaders were concerned that the demands from rural peasants for land distribution presented the most serious of threats to socialist objectives of equality in wealth distribution.

Lenin's program of economic development demanded self-sufficiency and internal development. The resources of the State were put to work on the extension of literacy, on the production of electrical power and on the expansion of industrial capacity. By 1926 an extraordinary number of projects were under way or already producing capital goods. Yet, long before the communist control of land, labor and capital goods proved capable of restarting and even expanding production over Czarist levels, Soviet leaders were supporting the aspirations of revolutionaries in other lands, including the small number of communists in China. According to Robert Payne, Lenin "*was especially disheartened by the emergence of Soviet imperialism,*"⁶⁰⁷ a nationalistic tendency inconsistent with the liberating objectives of revolutionary communism. His hope was for communism to spread naturally to the largely agrarian societies of Asia, with tens of millions of landless peasants dominated by feudalistic aristocracies and European interventionists. Despite his hopes, Lenin seemed to understand that human nature would not permit the ideals of socialism to prevail:

It would be unpardonable opportunism on our part if we, on the eve of the emergence of the East, and at the dawn of its awakening, permit our authority to be undermined by our own coarseness and injustice toward our nationalities.⁶⁰⁸

[A]s a result of the last imperialist war, a number of countries of the East, India, China, etc., have been completely jolted out of the rut. Their development has definitely shifted to general European capitalist lines. The general European ferment has begun to affect them, and it is now clear to the whole world that they have been drawn into a process of development that must lead to a crisis in the whole of world capitalism....⁶⁰⁹

In the last analysis, the outcome of the struggle will be determined by the fact that Russia, India, China, etc., account for the overwhelming majority of the population of the globe. And during the past few years it is this majority that has been drawn into the struggle for emancipation with extraordinary rapidity, so that in this respect there cannot be the slightest doubt what the final outcome of the world struggle will be.⁶¹⁰

The opportunity to extend the reach of international communism as well as Soviet imperialism opened in 1924, when Sun Yat-sen (convinced that Soviet assistance would be beneficial in achieving national unification) opened the Kuomintang to Chinese communists and accepted the presence of Soviet military advisers. A military academy was organized in Canton under the direction of Mikhail Borodin. However, after the death of Sun Yat-sen in March of 1925, Chiang Kai-shek,⁶¹¹ who feared Soviet expansionism more than Western colonialism, led troops loyal to the Kuomintang against a rebel force aligned with the northern war lords and established Canton as the headquarters for the National Government. At the Kuomintang's Second National Congress held in January of 1926, Chiang Kai-shek proposed raising an army to march against the northern war lords. He then frustrated a plot by Chinese communists to take him prisoner and seize control of Canton. With the Kuomintang temporarily purged of communist disruption, he marched against the war lords. Early in November his army captured Nanchang. He entered Nanking in March of 1927 and Shanghai in April. At this point, Kuomintang leaders recognized the threat posed by the communists and purged them from the nationalist movement. As Chiang Kai-shek recalled the events of 1927:

A Communist cold war against our National Revolution was...in full swing. The Communists picked the political departments of our Revolutionary Forces as their main targets for infiltration, and, once in, they did their best to undermine cooperation among various units....

At a special meeting of the Kuomintang Central Supervisory Committee held in Shanghai on April 2 under the chairmanship of Tsai Yuan-pei, a well-known educator, more evidences of Communist subversion and treason were reported. The overall picture caused the Committee grave concern. Thereupon, it unanimously resolved to request the Central Executive Committee to adopt emergency measures and to take all Communist ringleaders into preventive custody. The Political Council of the Central Executive Committee further recommended a party purge. A special body was

set up to take charge of the purge, which was subsequently carried out in a systematic manner in Nanking, Shanghai, and Canton. In this way law and order was maintained, and for a time, we escaped from being sacrificed on the altar of intra-party disputes in Moscow.⁶¹²

Other sources add historical balance to Chiang Kai-shek's self-serving statements. The fact is that the Kuomintang under his leadership committed its share of atrocities against the Chinese people. Perhaps the most appropriate of assessments is that offered by Paul Johnson, who suggests that "*[i]n the vast chaos of China, everyone was an opportunist, Chiang above all.*"⁶¹³

In Shanghai, Chiang turned his army against the workers, putting down an uprising against the propertied business owners and financiers. Afterward, at the direction of Stalin, the Chinese communists embarked on a failed campaign of terrorism led by Mao Tse-tung, Chou en-Lai and others. With Chiang's power on the rise, the widow of Sun Yat-sen accused Chiang of subverting her husband's nationalist and democratic principles. She then sought refuge in Europe. Mao also escaped with a small armed force into the mountains and began to build a peasant army with promises of land redistribution and anti-landlordism. During the next three years he and the Kuomintang fought a war of attrition characterized by frequent mass murder and assassination on both sides. More than eighty other armies rampaged across the Chinese landscape, looting and killing as they went. Indeed, the Chinese people were forced to endure a condition of almost total chaos. Kuomintang forces were still fighting against Mao and the warlords when, in September of 1931, the Japanese attacked. Ten years of internecine carnage continued while the Kuomintang and communist forces each fought the Japanese.

Despite efforts by officials in the Truman administration to bring Chiang and Mao together as heads of a coalition government, the personal ambition of each of these nationalist leaders proved too great for

compromise. Paul Johnson summarizes the civil war that followed as amounting to “*a personal conflict*” that had less to do with a conflict over principle than an old-fashioned struggle for dominance:

The great majority of China's vast population played no part in it, from start to finish. It is true that Mao had some success in mobilizing peasant energy and discontent for his purposes. But this was due in part to the [Kuomintang's] highly successful literacy programme, which by 1940 had reached most of the villages. It is true, too, that some peasants feared a victory by Chiang because they associated him with landlordism. But Mao did not lead a crusade to ‘give’ the people their land. In the areas where he was strongest they already had it. The estate system was not as widespread as outsiders believed. Land was worked by its owners in four-fifths of the north, three-fifths of central China, and half the south. In most places the main issue was not ownership of land, but who could provide security and peace.⁶¹⁴

Mao proved the better revolutionary and military leader, and by the end of 1948 controlled half of China. The Red Army crossed the Yangtze River in April of 1949, pushing Chiang's force off the mainland to the island of Formosa. The People's Republic of China then came into being under a Maoist doctrine that subverted ancient Confucian beliefs and brought an end to China's version of aristocratic feudalism. Mao also purged China of foreign interference and neo-colonial domination. Those of us involved in the struggle for cooperative individualism have had little reason for celebration over that lone achievement. What occurred in China is an all too familiar story of greed, corruption and betrayal. “*[A]fter forty years of civil conflict, in which millions had died, none of Sun Yat-sen's original aims, which included parliamentary democracy, freedom of the press and habeas corpus, had been secured, and China was back where it had started, with a despotism—albeit a much more confident and oppressive one.*”⁶¹⁵ Some two million mainland Chinese took refuge on the island of Formosa, joining several hundred thousand Taiwanese of Chinese and Malayan heritage.

The Kuomintang established a new government-in-exile on Formosa, with Chiang Kai-shek as party chief and president. Although democratic government (and implementation of the principles of Sun Yat-sen) was ostensibly an objective of the Kuomintang, martial law prevailed under Chiang for the next quarter century. They took over from the Japanese a land fertile enough to feed a growing nation, with the beginnings of good transportation and communications systems. Then, the Kuomintang orchestrated a program of land distribution. A rental ceiling of 37.5% of the annual harvest was also placed on tenant-farmed land and new laws secured tenant rights to the value of improvements they made to the land. Beginning in the early 1950s, government-controlled land was sold to farmers, conditioned on their commitment to maintain the land in continuous cultivation. By 1957, “[o]wner-farmers and part owner-farmers owned more than 83% of the total farm land.”⁶¹⁶ Although Taiwanese reforms did not convert the annual rental value of land into a public fund, these measures did result in a dramatic increase in the acreage of land under cultivation, increasing the domestic food supply and generating a broader distribution of rent (particularly imputed rent) to actual farmers. Monopolistic rents were further prevented by establishing national control over the pricing and distribution of rice. In combination with an annual tax on land values (collected as a fixed quantity of rice based on land quality), a government agency purchased the farmers’ rice crops at two-thirds the wholesale price. In this way, the government was able to raise sufficient revenue to initiate a program of infrastructure development and industrialization, as well as maintain a strong defensive military.

THE WINDOW OF OPPORTUNITY CLOSED

There would be no sudden and wholesale transition of any society away from the grip of monopolistic privilege and the centralized intervention of

the State. The promise of cooperative individualism remains untested. Individual groups around the globe have struggled for and against liberty, not really understanding in what direction to proceed. The colonial empires of the nineteenth century began to fall apart after the First World War, and the number of uprisings by indigenous peoples against foreign rulers accelerated after the Second World War. Unfortunately, after removing the oppressive cloak of the domestic agrarian landlord and the multinational industrial landlord, millions of people were then subjected to the tyranny of State-socialism or totalitarian dictatorship. Others simply experienced the displacement of one totalitarian regime by another.

With the implosion of the Soviet system there came a brief period of self-satisfaction on the part of social democratic leaders, particularly in the United States. State-socialism as practiced by successive Soviet regimes set the seeds of its own destruction. One has to point to the enormously costly arms race as bankrupting the Soviet Union into dissolution, hastened by the inefficiency and corruption associated with state-controlled production. With the passage of years, there is broad recognition that the world is still a very dangerous place. What we in the social democracies must understand is that our socio-political arrangements and institutions, supported by law, continue to protect and privilege at the expense of liberty, equality of opportunity and our moral sense of right and wrong. These internal weaknesses are, perhaps, as potentially destructive as any external threat.

I reserve the last word in this part of the discussion for economist Harry Gunnison Brown, who fought tirelessly against the beneficiaries of monopolistic privilege and State-socialism throughout his life. He recognized in the writings of Henry George the combined strengths of scientific method and moral purpose. Brown was not afraid to champion the causes in which he believed, and he spoke of Henry George as the modern era's most dramatic and consistent champion of moral principle and justice. Winston Churchill, for all his later accomplishments, abandoned the quest for liberty to the expediencies of defending British

nationalism first, against the socialist programs of Labour, then against fascism, and, finally, against the State-socialism of the Soviets and Chinese. No comparable political figure in the United States or any of the other social democracies emerged to carry the banner of cooperative individualism. In the tense atmosphere of the late 1940s, Brown asked thinking people to look beyond the surface struggle for power between the United States and the Soviet Union, to the fundamental cause of all human misery:

Time was when the American Declaration of Independence and the struggle of the American states for freedom from political domination by Great Britain, stirred the imagination of liberty loving people in many other countries. Today we seek allies and sympathizers in our ideological struggle against the socialistically regimented countries of the communist bloc. Will it help us in this ideological struggle, will it stir enthusiasm for capitalism, if in the "capitalism" that we practice and that we urge upon others, there must be included vast private income derived from charging (1) for permission to use—and history might have been such as to make it so—navigable lakes and streams, or (2) for permission—and this is the way history really made it—to work on and live on the earth?⁶¹⁷

These were the same questions raised by Henry George half a century earlier. Only a small remnant remained of the tens of thousands who rallied around Henry George and the solutions he proposed. The work would have to be carried on by a far smaller number, people like Harry Gunnison Brown struggling to keep alive the perspective of the political economist among economists, and small groups around the globe working at the edge of the political landscape. Out of the remnant that had been the Georgist movement came the Henry George School of Social Science, with its main location in the heart of New York City and with extensions and affiliate schools scattered around the globe. In these small educational enclaves, the writings of Henry George were kept alive. New adherents were brought into the remnant.

The philosophy espoused by Henry George disappeared from public memory as the world divided over old and new “isms” competing for dominance over the affairs of state and the lives of individuals. The twentieth century brought many things. Peace and justice were not among them.