

Progress and Poverty: 75 Years After

By GLENN E. HOOVER

THE Henry George School of Social Science has operated in the United States and Canada for many years. If there are any who believe these schools are being conducted by fanatics they are in error. By inviting here tonight one who has frequently disagreed with some of George's opinions you have given further proof that you are not uncritical champions of orthodoxy—not even of Georgean orthodoxy. When so many of our frightened contemporaries are insisting on ideological conformity you have shown a tolerance for dissent, and tolerance is the trait that chiefly distinguishes a free society from an authoritarian one.

In devoting yourselves to education rather than to indoctrination you are conducting yourselves, I am sure, in a way that Henry George would approve. Although he was, in his fashion, a deeply religious man, his beliefs were not based on Sacred Writings and he never at any time made any pretense to infallibility. He asked only that his works be read and pondered—not that they be venerated and enshrined. On this point it has always seemed to me that we would do well to respect his wishes.

History of Progress and Poverty

The appearance of this book, its impact on the world during the lifetime of its author and the rapid decline in its prestige after his death, when taken together, constitute a really incredible story. Miracles have long been out of fashion, but if you will permit me to use words loosely I will comment briefly on certain miracles associated with *Progress and Poverty*.

Let us turn back the years. It is September 18, 1877. A man has just written in his diary "Commenced *Progress and Poverty*." Who is this fellow? An undersized redhead, thirty-eight years old, with a wife and family, always hovering on the verge of actual want. An unschooled, indigent printer with some experience as reporter and editor on short-lived little newspapers, which were as impecunious as George himself. At the time of entry in his diary he was barely keeping himself and his family alive by serving as State Inspector of Gas Meters—a high sounding title for a position, which carried no salary. He received only fees, and there were few meters in California at that time. As his duties—and earnings—decreased he had more time to study, write and talk to all who would listen. What man of common sense would have dreamed that such a ne'er-do-well would write the most famous



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book on economics that was ever produced on this side of the Atlantic, and that we here should be celebrating the seventy-fifth anniversary of its appearance?

The rise and the subsequent fall of *Progress and Poverty*—can best be discussed together. History affords many instances of books which become famous long after the death of their authors. However it is clear that the interest and the enthusiasm aroused was in large measure the work of the living George and could not survive his death.

In the subtitle for his book George described its contents as follows:

"An inquiry into the cause of industrial depressions and of increase of want with increase of wealth."

George made it clear in this subtitle that his book and the thinking that led to it were products of the serious business depression which lasted from 1873 to 1879. This was the longest depression our country experienced from 1855 to 1929. We may conclude, I believe, that the impact of this depression on George and his contemporaries influenced the content and the style of *Progress and Poverty* and accounted in part for its popularity in that depression-conscious age.

There are however some disadvantages in writing a book about depressions at the end of a long depression period. The one in question lasted for about five and a half years and it is therefore not surprising to find that George and his contemporaries had come to look upon the depression as the inevitable and even normal development of our economic system. This probably explains why George began his book by asking the following question:

"Why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?"

If George had spent his creative years in a period of prosperity during which he had observed a steady improvement in the condition of all workers—including himself—it is doubtful if he would have asked that question. In any event the modern worker, in his calmer moods, sees no tendency for wages to fall to a minimum which will give him but a bare living. He is therefore a little suspicious of a book which purports to explain why wages tend to fall to the minimum existence level, when at least in the Western World, they obviously do nothing of the kind.

George next proceeds to attack the notion that poverty arises from the fact that there is

Dr. Glenn E. Hoover, Professor of Economics Emeritus at Mills College, and a Councilman in his home city of Oakland, was a guest speaker at the banquet in San Francisco during the Tenth Annual Conference of the Henry George School of Social Science. He reviewed "Progress and Poverty" on its 75th anniversary in straightforward terms, pointing out that "no problem is ever really settled until it is settled right."

While stating unequivocally that he had "no doubts or mental reservations whatsoever" about the desirability of the program, he questioned some of the emphasis. Dr. Hoover seems to have encountered resistance to George's program from other economics professors, not on economic but on ethical grounds. This involves the matter (not touched on here) of compensation for land holdings which may represent a lifetime of saving. This address and those on the following pages are all condensed in an attempt to present as complete a report as possible in one conference issue.

too little capital out of which the wages of too many workers must be paid. He argues convincingly that workers are paid out of the product of their labor.

One could wish that some of his energies had gone into examining the effect on production caused by a change in the money supply and the resulting decline in the price level. But monetary theory was not George's forte.

It is of course no criticism of George that he did not pioneer in the field of business cycle theory, even though his explanation of depressions now seems a bit naive. He wrote:

"That land speculation is the true cause of industrial depression is, in the United States clearly evident." (Book V, Ch. 1)

The Great Depression and the inflations which have accompanied two world wars have taught us much about the impact of monetary changes on our economy. If this evidence had been available to George I doubt if he would have been so certain—and as I see it so wrong—about land speculation as a cause of industrial depressions.

George vs. Malthus

Almost one-ninth of *Progress and Poverty* consists of a stimulating but rather prolix criticism of the Malthusian theory. Some of this criticism was directed not against the theory itself, but rather at the reprehensible use that had been made of it. Many who were indifferent to the sufferings of others sought to justify their indifference by pretending that the teachings of Malthus showed how impossible it was to improve the lot of the masses.

It would seem that the differences between George and Malthus on the population problem were accentuated by the difference in stage of development of the countries in which they lived. Malthus was reared in a small island and his *Essay on Population* was published at the end of the Eighteenth Century. In the last thirty years of that century the population of England had increased by almost one-third. Many

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Englishmen were—or believed themselves to be—the victims of population pressure and were seeking to migrate overseas.

On the other hand George grew to manhood in California, then one of the most underpopulated states in an admittedly underpopulated country. He was acutely aware of the advantage which a frontier community would derive from an increase in its population. He was aware too that there were other portions of our globe that were thinly populated, and that in some of these areas the population had declined much below that of former times. However, much of his material on this point was logically irrelevant, for all Malthusians admit that an area may suffer from underpopulation. But they insist too that a region may suffer from overpopulation—a conclusion which George would not accept.

He did however admit that as population increased in any area, the demand for food would force into use some of the poorer grades of land and that such use would result in the payment of rent for the privileges of using the better land, on which labor was more productive. This indeed was the basis for the Ricardian Law of Rent to which George subscribed. However, George believed that the decline in the per capita production of farm crops which resulted from the use of the poorer lands was more than offset by the advantages in industrial production which an increased population made possible. This possibility must of course be considered in attempting to determine when a population has reached its optimum number.

George, however, refused to accept the notion that there could be an "optimum" number of people in any area, for to do so would imply that if the number increased still further, that area would suffer from the evils of overpopulation. His honesty and common sense however led him to admit that "there may be small islands, such as Pitcairn's Island, cut off from communication etc." in which poverty might fairly be attributed to the pressure of increasing population.

This was logically a serious admission for if Pitcairn's Island might become overcrowded then it would seem that an island twice as large with a population twice as large might be equally overcrowded. But is not a continent only a larger island? And from a cosmic point of view what indeed is our little planet but another Pitcairn's Island—and a miniature one at that?

The Core of the Doctrine

As one who believes that George's attack on the Malthusian Theory was a stimulating but rather fruitless diversion, it is a pleasure to turn to his central thesis. It was, quite simply, that each of us had an equal claim to the earth on which we live. Whether we believe that our little planet is the product of an impersonal Nature or of a personal God, we can all agree that it is not the work of man. It follows that the citizens of every country have equal claim to the earth, air and water within their country's frontiers.

How can these claims be realized? The illiterate, landless peasants of Asia, Africa and Latin

America may believe that their claims can be met by continuously dividing the land into parcels of equal desirability. Sometimes they are encouraged in this belief by more sophisticated Communists. However, after a Communist regime is firmly established the peasants generally find themselves working on a bureaucratically administered state farm, or a cooperative farm almost equally subject to the control of a bureaucratic state.

Without approving the fake remedies which may be offered these landless peasants we should rejoice that they are becoming increasingly aware of their equal claim to that portion of the earth which Nature and History have allotted them.

In more industrialized and more literate countries such as our own it is obvious that land cannot be continuously divided into parcels of equal desirability. Nor do most of us harbor any illusions about the efficiency of government managed businesses, whether they be farms or industrial enterprises. However, we can satisfy the claims of justice if we take the annual value of land and use it for the common good. In other words the value of the land can be equally divided by taxing it into the public treasury and using it for public purposes.

Whether the public revenue thus acquired would enable us to support all levels of government in modern times may be doubted, but in any case the possible size of such a fund is not relevant to the main issue. All advocates of land value taxation can agree that we should first take the socially created value of land for public purposes, and stretch it as far as it will go before levying taxes which burden productive labor and productive capital.

We usually think of George's program as falling within the field of economics, but the more we consider it, the more evident it becomes that it is essentially ethical in nature. If he had argued only that his program would simplify our tax structure, add to our produc-

tivity and raise the real income of both workers and productive capitalists, he would have been arguing as an economist. But the unique contribution of George was that he raised the "land question" from the level of economics to the level of ethics, where questions can be answered in terms of right and wrong. It was thus that he transformed into a crusade what would otherwise have been a more sober movement for an economic reform.

Were George's Claims Extravagant?

The impact of *Progress and Poverty* on our generation is admittedly much less than might have been expected in the exuberant years which followed its publication. One explanation given for its modest success is that its author's claims were extravagant; that his just and sensible reform was offered as a panacea—a tactic which attracts the starry-eyed but repels our more sober citizens.

It is possible that George himself, in his later years, may have suspected that some of his claims made in *Progress and Poverty* smacked of grandiloquence. At the end of Ch. XVIII of his *Social Problems*, written some six years later, he said:

"Let me not be misunderstood. I do not say that in the recognition of the equal and unalienable right of each human being to the natural elements from which life must

be supported and wants satisfied, lies the solution of all social problems. I fully recognize the fact that even after we do this, much will remain to do. We might recognize the equal right to land, and yet tyranny and spoliation be continued."

Gains and Losses

In the United States we are making less spectacular progress than is being made abroad, but here too some progress is being made. In most of our states the value of land is now assessed separately from the value of the improvements on it and thus the way is cleared for taxing improvements at lower rates than may be imposed on the site value of land. As you know this is now being done in Pennsylvania and we may hope that other states may provide for the reduction of taxes on improvements, pending the time when they will be exempted altogether.

Nor should we forget that the general property tax, the chief support of our local governments, already takes for public purposes a considerable share of the publicly created land values. Our local governments perform more functions than local governments in most other countries and it may be a larger share of our land values are taken by our general property tax than in other countries where local governments derive all their revenues from taxes levied solely on the land.

If at times we are somewhat discouraged it is well to recall that no problem is ever really settled until it is settled right. If, as we believe, there can be no permanent solution of the land problem until we recognize that we all have equal claims to our common heritage, the good earth, our ultimate success is inevitable. Some specialists in eugenics believe that if the scrub human stock continues to breed more rapidly than the thoroughbreds, our racial intelligence will decline, and the light that has set us apart from other animals may sputter and die out. But for so long as that light continues to flicker we can hope that when all the possible mistakes have been made, the solution of the land problem set forth in *Progress and Poverty* will be adopted.

To make the general property tax less obnoxious we frequently exempt such property as growing fruit trees, mechanics tools, household goods and farm machinery. Partial exemptions are sometimes given to family home-

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steads. Other states have learned that cash, jewelry, securities and other forms of movable personal property have the habit of disappearing on the day fixed for the Great Inquisition. They have therefore attempted to get this elusive property back on the tax rolls by taxing it at a lower rate than other forms of property. In 1933 the State of New York gave the *coup de grace* to its general property tax by exempting from taxation all forms of personal property.

The foregoing summary indicates that we are slowly converting the general property tax into a tax on "real estate," i. e. land and improvements. When we have reached that goal, we have only to exempt improvements, and the absurd general property tax will have been transformed into a "single tax" on land. Whether or not this would result in taking all of the economic rent of land for public purposes would depend on the size of the local government budgets. It is probable that most of the economic rent of land would be taken if the public were to conclude that it is better for each community to pay the full cost of its schools, relief, et cetera than to be subsidized by state governments.

Unfortunately, while we have been eliminating some of the absurdities of the general property tax, state and local governments have been relying increasingly on excise taxes, sales taxes, income taxes and business license taxes of various kinds. Taxes on liquor, tobacco, horse racing and certain luxuries can perhaps be justified as a means of discouraging useless and foolish expenditures. Inasmuch as fools and their money are soon parted, perhaps the sooner the better. However, a tax on the sale

of children's clothes and the tub in which they are to be washed is no way to reduce the tax burden on the "small home owner."

Conclusion

Finally I want to congratulate the Henry George School extensions represented here. In an age when educators are derided as "egg heads" you have clung to your faith in education. Hold fast to that faith, for the world — and especially the United States — is passing through one of its anti-intellectual moods. In the name of patriotism efforts are made to still the dissenting voice. Let no one make you afraid.

If ignorant or vicious critics accuse you of being Communists or Socialists you will be tempted to rebuke them for their ignorance or their wickedness. Resist that temptation. Instead, suggest that they go read a book, any standard book on economics, for with their ignorance they could profit from reading any of them. And don't forget to offer them *Progress and Poverty*, the most readable and widely read book on economics which the New World has yet produced.

Of the desirability of the program set forth in that book I have no doubts or mental reservations whatsoever. I am therefore grateful for the opportunity to pay my tribute tonight to Henry George and to the extensions of the Henry George School in the major cities of this country and Canada which are carrying forward the magnificent appeal to reason and to conscience which was embodied in *Progress and Poverty* seventy-five years ago.