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Some Surviving Elements in the Work of Henry George

By DAVID R. KAMERSCHEN*

ABSTRACT. While not appreciated by many professional *economists* during his lifetime despite his appeal to the general public, *Henry George* (1839–1897) was a self-taught economist whose best work is still surviving. His work is still applauded by economists in their theoretical work especially in the area of *site value taxation* and *rentseeking*. However, perhaps the most enduring tribute to the genius of *Georgism* is in the current application of *land value taxation* and *gradation* in several countries around the *world* including the *United States*.

I

Introduction

HENRY GEORGE, journalist, political campaigner, and self-taught economist in classical economics, is scarcely mentioned by name in most modern introductory economics textbooks. Yet some of his germinal ideas survive in one form or another and are put into practice in several countries around the world. His first published effort, *Our Land and Land Policy* (pamphlet, 1871) was largely ignored despite the fact that, for the most part, it foreshadowed the basis of his sensationally successful *Progress and Poverty* (1879). Despite the fact that his book was to be an all-time best seller, few professional economists *of his time*, at least in the United States, gave him high marks for scholarship.¹ The great arbiter of economic achievement, Joseph Schumpeter (1954), said: “Professional economists who focused attention on the single-tax proposal and condemned Henry George’s teaching, root and branch, were hardly just to him.”²

II

Current Appreciation of George’s System

CLEARLY, THE ECONOMICS PROFESSION *at this time* recognizes his achievements. The following three examples indicate this finding.

First, in his masterpiece Professor Schumpeter remarked: “Even the panacea—nationalization not of land but of the rent of land by a confiscatory tax—benefited by his competence as an economist, for he was careful to frame his ‘remedy’ in

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such manner as to cause the minimum injury to the efficiency of the private-enterprise economy.”³

Second, tributes to Henry George’s skills as an economist are being recognized by articles in journals which specialize in the history of economic thought—such as the *History of Political Economy*—as well as in more general journals such as this *Journal*.⁴

Third, and most important, Henry George is one of 397 deceased economists⁵ selected for inclusion in the prestigious *Who’s Who in Economics: A Biographical Dictionary of Major Economists, 1700–1981*,⁶ edited by Blaug and Sturges. This book is the first biographical dictionary of major economists to appear in any language and is an extensive and authoritative guide to 1,071 economists, past and present, who have made substantial contributions to economics. The living economists were selected on the grounds that they had the greatest impact on their colleagues as revealed by the high frequency with which they are cited in the *Social Sciences Citation Index*. However, the deceased economists were selected by a critical comparison of the names appearing in the indexes of leading histories of economic thought. Blaug and Sturges’s complete comment is as follows:

“**Career.** Developed the idea that ownership of land by a minority was the chief cause of poverty, and advocated taxation of the ‘unearned increment’ of rental values. He also favoured public ownership of railways and other monopolies such as telegraphs, but stopped well short of socialism. His arguments at first received some academic acceptance in Europe but later his enormously successful speaking tours in Britain caused Fawcett, Marshall and others forcibly to reject his ideas. In the 1880s he seized on the term ‘single tax’ as his main object and formed a major political movement in its favour. To this day he has disciples around the world, particularly in Australia and New Zealand, who generally favour ‘site value taxation’ of land as the kernel of Georgism,” (p. 131).

III

George’s Present Impact on Theory

THE PRESENT IMPACT of Henry George on scholars is significant. This trend started with the influential work of Harry Gunnison Brown (1880–1975).⁷ I was personally fortunate to be on the staff of the Economics Department at the University of Missouri when Professor Emeritus Brown was residing in Columbia, Missouri, and was in close touch with the department. I found him to be sharp as a tack analytically while still in his nineties.⁸ A disciple of his, in the Economics Department, Pinckney Walker, later became Dean of the College of Business Administration, as Brown had been. Another *Who’s Who* selection, Herbert Joseph Davenport (1861–1931), had a slight overlap with Dr. Brown at the University of Missouri (Professor, Dean, 1908–1916) and was also influenced by Henry

George. Professor Davenport, of course, is most famous for his concept of opportunity cost and his anticipation of the indifference curve approach.

Harry Gunnison Brown is represented in *Who's Who* and Blaug and Sturges's comment on his contributions is as follows:

"**Career.** Academic follower of Henry George who continued to advocate land value taxation throughout a long career. His work on business administration introduced economic principles as a basis for the subject. In retirement, he acted as a consultant to local authorities modernising their tax structures;" (p. 51).

Undoubtedly the two theoretical areas of current research where Henry George has had the most impact are in site value taxation and rent-seeking. Turning to the former, such widely read and respected specialized journals as *Land Economics*, *Assessors Economics*, *Journal of Urban Economics*, and *Journal of Public Economics*, as well as our more general journals, have frequent reference to Georgism. These papers are both theoretical and empirical. The flow is apparently not abating as there are numerous working papers around drawing upon George's seminal ideas many of which will, no doubt, be turned into journal articles.

For instance, a recent paper by Jan K. Brueckner (1985)⁹ tried to provide a more formal modern analysis of land (or site) value taxation as a source of government revenue. In particular, Professor Brueckner analyzes the long-run effects and the incidence of short-run gains and losses from site value taxation. The long-run effects were shown to be a function of the relative sizes of the tax zone and the housing market; when the tax zone encompasses a negligible portion of the market, gradation (*i.e.* taxing land at a higher rate than improvements) raises both the level of improvements per acre and the value of land while preserving housing prices. In contrast, when the tax zone comprises the entire housing market, gradation raises the level of improvements, while reducing the price of housing, and the value of land.¹⁰

These results suggest that whereas gradation will generate capital gains for landowners in the case of a small city which is part of a large metropolitan area, landowners in the case of a metropolitan-area-wide situation will have capital losses even though gradation benefits the ultimate consumers of housing. His short-run analysis flies in the face of conventional wisdom in that the most (least) intensively developed parcels tend to have windfall losses (gains) from gradation. Clearly, a considerable amount of refinement and redirection of Georgism is going on in academic circles.

The second strand of thought that is at least related to Georgism is the widely discussed topic "rentseeking".¹¹ While rent-seeking refers to the wasting of resources in fighting for artificially created rents and not the natural and competitive dissipation of rents emphasized by George, can there be any doubt as

to the paternity of rent-seeking?¹² Starting in around 1974, and increasing almost exponentially since then, the topic of rentseeking has been finding its way into the research articles and books of economists.¹³

IV

Present Impact in Application

WHILE HENRY GEORGE'S IDEAS have intrigued economists and other social commentators, they have apparently not captured the support of politicians and/or voters in any major way, looking at the world as a whole. Of course, economists admit that Georgism despite its analytical advantages may have practical limitations in determining rents and in using them exclusively for government revenues. This may account for some of its less than ubiquitous usage. Yet, land value taxation is practiced in Jamaica as a whole and in certain cities in Australia and New Zealand. In addition, gradation is practiced in some Canadian provinces as well as cities (e.g. Pittsburgh) and smaller communities in Pennsylvania.¹⁴ While extrapolation to the future of economic trends is always fraught with danger, it does not seem unreasonable to predict that if supplantside economics stays in power, gradation will become more prevalent.

Notes

1. Some of the perspicacious economists who recognized George's genius include, *inter alia*, John Bates Clark (1847–1938), Franz Oppenheimer (1864–1943), Marie-Esprit Léon Walras (1834–1910), and Philip Henry Wicksteed (1844–1927).

2. *History of Economic Analysis* (New York: Oxford University Press, 1954), p. 865. Also see W. E. Kuhn, *The Evolution of Economic Thought*, seconded. (Cincinnati: South-Western Publishing Co., 1970). Henry George's other major books were *The Land Question*, (1881); *The Condition of Labor*, (1891); and the work posthumously completed and published by his son, *The Science of Political Economy* (1898).

3. *Op. cit.*, p. 865.

4. While the citations to *HoPE* are too numerous to mention, two of the more recent efforts in *A.J.E.S.* are Frank C. Genovese, "Why Everyone Should Read George's 'Progress and Poverty': On the Classic's Centenary, the Specialists Find the 19th Century Best Seller Still Very Timely," *American Journal of Economics and Sociology*, Vol. 43. No. 1 (January, 1984), pp. 115–21 and Bruce Yandle, "Henry George, His Advocates and Adversaries: Together, Friend and Foe of His American Philosophy Helped to Develop Modern Economic Theory (Review)" *idem*, pp. 125–27.

5. There are 674 living economists in this volume.

6. Cambridge, Mass., 1983. I have coauthored with Charles D. DeLorme, Jr. an article entitled "What *Who's Who in Economics* Tells Us About the Economics Profession," *Quarterly Review of Economics and Business* (forthcoming, 1986), which discusses the significance of this book to economists.

7. One of the most important articles—apart from his numerous books—that dealt directly

with the ideas of Henry George was his "Land Speculation and Land-Value Taxation," *Journal of Political Economy*, Vol. 35 (June, 1927), pp. 390–402.

8. Dr. Brown is also listed for his influential work on the *A.J.E.S.*, and designated a co-founder of it. According to Will Lissner, a professional science journalist and founder of *A.J.E.S.* (private communication, January 4, 1986), the paternity of *A.J.E.S.* is as follows: Dr. Lissner spent a year in research before he arranged the financing through two friends and then recruited the editorial board and the advisory board. Dr. Brown was one of several collaborators whom he excused from any duties as referee or editorial adviser so that they could concentrate on writing articles for the *A.J.E.S.* It is important to recognize that back in 1941 the *A.J.E.S.* was the only scientific journal that would print an article using the interdisciplinary approach (now it has more than 50 imitators.) The working members of Dr. Lissner's editorial board included Harold Hotelling, John Ise, George Raymond Geiger and Raymond E. Crist. On the advisory board the most active was John Dewey who, among other things, originated the practice (now almost general) of providing the author's business address so that the reader could write him or her if so moved. One member of the editorial board Dr. Lissner apparently had to persuade to resign was Mortimer J. Adler. Lissner learned that Dr. Adler, a very busy professional philosopher, was neglecting his own research so he could help *A.J.E.S.* (as a wide-ranging scholar—he was soon to erect his monument, the design of the current *Encyclopedia Britannica*—he realized the need for such effort). The only sensible alternative, in Lissner's judgment, was to relieve Adler from responsibility. It is quite likely that Lissner's foresight helped to give us Adler's comprehensive research on *The Idea of Liberty* down through the ages, a work still inadequately exploited by scholars. Probably Professor Lissner's real co-founder should be considered Violetta G. Peterson, who helped to get *A.J.E.S.* its sponsorship and financing and who ran the business office as a volunteer for some 40 years until health forced her retirement. Some of Brown's *A.J.E.S.* articles have been collected and published by the Robert Schalkenbach Foundation.

9. "A Modern Analysis of the Effects of Site Value Taxation," given at the University of Georgia, November 5, 1985.

10. Under realistic elasticity assumptions.

11. See, e.g., Robert D. Tollison, "Rent-Seeking: A Survey," *Kyklos*, Vol. 35, (1982), pp. 575–601. For a recent and interesting application of rent-seeking see David N. Laband, "Restriction of Farm Ownership as Rent-seeking Behavior: Family Farmers Have It Their Way," *American Journal of Economics and Sociology*, Vol. 43 (April, 1984), pp. 179–89, in which the author demonstrates empirically that the pattern of legislative restrictions against foreign ownership of farmland does depend on the relative political power wielded by family farmers.

12. Charles D. DeLorme, Jr., David R. Kamerschen and John M. Mbaku, "Rent Seeking in the Cameroon Economy," *American Journal of Economics and Sociology*, *American Journal of Economics and Sociology*, Vol. 45 (October, 1986), pp. 413–23.

13. Anne O. Krueger, "The Political Economy of the Rent-Seeking Society," *American Economic Review*, Vol. 64 (June, 1974), reprinted in James M. Buchanan, Robert D. Tollison, and Gordon Tullock, editors, *Toward a Theory of the Rent-Seeking Society* (College Station: Texas A&M University Press, 1980), pp. 51–70.

14. See, Brueckner, *op. cit.* Also see Gurney Breckenfield, "Higher Taxes That Promote Development," *Fortune*, (August, 1983), and Daniel M. Holland, "A Study of Land Taxation in Jamaica," in Arthur P. Becker, ed., *Land and Building Taxes: Their Effect on Economic Development*, Madison: University of Wisconsin Press, 1969): pp. 239–86. Some subsequent literature has extended beyond Krueger's antistatist position. In a forthcoming article in *A.J.E.S.*, Will Lissner opines that Krueger's insight is limited by her rigid adherence to neo-classical tradition and should be extended to all monopolies and oligopolies, even to union monopolies maintained by violence and not government sanction, as well as land speculation, an institutional oligopoly.