

The Challenge of Henry George

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HENRY GEORGE as an economist had two basic concerns: the fact of poverty in the midst of wealth, and the gross inequality in the distribution of wealth. He held that economics was an exact science. As George Geiger stated: ". . . it traced through, by means of infallible causal or logical sequences, the workings of indubitable first principles, 'truths of which we are all conscious and upon which in everyday life we constantly base our reasoning and action.'"

Furthermore, he emphasized rights derived from natural law. These natural rights were to him "sacred, eternal, God-given things." Despite his emphasis, George was himself critical of other economic principles. He believed, however, in the Ricardian law of rent, and he looked upon those others* before him who had held similar ideas, as "additional evidences that we were on the true track."

The Ricardian rent statement with which George concurred states: "Rent is that portion of the produce of the earth which is paid to the landlord for the use of the original and indestructible powers of the soil." It is the produce of the earth, Ricardo says, which is paid to the landlord, such payment being made not for what the landlord himself contributes, but for something outside himself—something which is really a gift of God, a part of nature itself.

The landlord's right, in the sense of this statement, is founded on legal

* Spinoza, John Locke, Thomas Spence, Patrick Edward Dove, James Mill, Herbert Spencer, Edwin Burgess, et al.

property ownership. The landlord, therefore, is in a position to control the situation and to gather his harvest by virtue of property rights and also because of the pivotal importance of land in the functioning of the economic system.

This suggests distinctions between land and capital or capital goods. Land is a part of nature. Capital is the result of the productive effort of labor applied to natural resources. Land is neither producible nor reproducible; whereas the supply of a capital good may be augmented at will. And it is this fixedness of land which has important bearings on the extraordinary advantages enjoyed by the landlord, for it means that the price of land will advance not only on account of increased demand due to an increase of population, but on account of the operation of other growth factors, derived from association and from a progressive community life.

Ownership of land brings with it a type of gain or advantage not enjoyed by the owner of capital, since the holder of land is a beneficiary of conditions and developments which have nothing to do with his productivity. Yet it is productivity which constitutes the determinant of the wage return to labor and the interest return to capital.

Henry George accepts the Ricardian elaboration of the idea of marginal productivity of land incident to the pressure of population; and also the fact that basically agricultural rent is a surplus going to the owner of better grades of land—a surplus owing to the fact that a given expenditure of

labor and capital on a given tract of better grade land yields a larger quantity of produce than the same expenditure of labor and capital on a similar piece of marginal land, i.e., land which is only equal to the purpose of covering the wages of labor and the cost of capital.

It is this rent theory which led George to concern himself with the idea of a tax which offered a means of reacquiring the rent of land for public use, nullifying the special advantages enjoyed by the landlord.

George accepted the subsistence theory of wages presented by Ricardo, and before him by Turgot, the eminent statesman of pre-revolutionary France, and others. What this meant was that the wage system was subject to a tendency to lower levels until a mere subsistence standard was struck—though subsistence in the Ricardian sense did not ignore the role of habits currently called standards of living.

The economic forces that induced this tendency to a subsistence level flowed, according to George, from the very advantages enjoyed by the owner of land. In other words, the rising tendency with respect to rent was at the expense of both the owner of capital and the worker. Whatever was produced was due to the workers and capitalists and the growing quantity of produce flowing into the hands of the landlord was therefore, at the expense of the real producers.

Thus considering the Georgian picture, one may speak of it as the configuration of a rigged economy. George saw the economy rigged in favor of recipients of rent. In other words, the seeds of disease were scattered in the economic organism resulting, on the one hand, in the victimization of the productive classes, and on the other, in the enrichment and enhancement of the land owning class which had nothing of a productive

character to show for what it acquired.

This situation constituted an incapable challenge to Henry George. It gave him the incentive to apply himself to the problem of mastering the fundamentals of economic thought, to develop his own plan and order of ideas to remedy the existing disorder, and to set off on a career of persistent activity to hasten the fulfillment of his hopes.

In 1871, when he was 32 years old, he knew next to nothing of economic writings; but his important pamphlet, "Our Land and Land Policy," appeared in 1871, and *Progress and Poverty*, his leading work, in 1879. In 1886 came his book, *Protection or Free Trade*, and at the time of his death in 1897 (at the age of 58), *The Science of Political Economy*—not quite finished was published in book form.

Though he had very limited schooling, George was regarded by John Dewey as one of the world's ten social philosophers who ranked "from Plato down."

"It is a poor version of his ideas which insists only upon the material effect of increase of population in producing the material or monetary increment in the value of land," wrote Dewey. "Henry George puts even greater stress upon the fact that community life increases land values because it opens 'a wider, fuller and more varied life,' so that the desire to share in the higher values which the community brings with it is a decisive factor in raising the rental value of land."

One may look upon George as a political leader, a distinguished writer and ethical teacher, as well as an economist whose ideas won him a place in the realm of world importance. For he was, as Dewey's phrase "social philosopher" suggests, much more than an economist.