Chapter 11
The Single Tax

Both ground-rents and the ordinary rent of land are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Though a part of this revenue should be taken from him in order to defray the expences of the state, no discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society, the real wealth and revenue of the great body of the people, might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are, therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them.
Adam Smith.

WHEN one is studying the life of a man such as Tolstoy, with unconventional ideas to which, in his own writings, he gives the forceful and dramatic expression suited to a wide audience, it is sometimes instructive to turn to those of an intimate friend, in order to catch the tone of the great man's musings during his more relaxed moments. Here is such a moment, as recorded by Aylmer Maude, from a time when Tolstoy had come to a better understanding of Henry George's philosophy:

> Speaking of the same subject [i.e. of the progress made in the dissemination of this philosophy], Tolstoy remarked that some men are born with the qualities and the *limitations* that enable them to concentrate their powers on some one subject that needs attention, and to see all that relates to it without seeing anything that would turn their energies in other directions. So we get a

> Cobden to abolish corn-laws, and a Henry George to elucidate the land question. God needs such labourers as much as he does men of a wider sweep of perception.[1]

It will probably now never be known whether this particular conversation was being conducted in Russian or in English; for each had a more than adequate knowledge of the other's language. In either case, Tolstoy's attitude to manual work makes it highly unlikely that the word 'labourers' or its Russian equivalent was intended to convey any pejorative meaning – rather the contrary. The only question is: was Tolstoy – who evidently regarded himself as having a 'wider sweep of perception' than either Cobden or George – correct in this view in so far as George was concerned, or was the difference between them one of emphasis only?

Certainly Tolstoy, whether he was writing about a more rational Christianity, or about the criminality of the State, social evils in general, land reform, vegetarianism, temperance or any other subject near to his heart, turned his full attention on it, like a spotlight, so that a casual reader might suppose it to be the only subject about which he had deep feelings. George, on the contrary, took involuntary poverty as his starting point. Tracing its origin solely to the unequal distribution of rights to land, he, it should not be forgotten, also saw it as being in its turn the origin of many more of the ills that afflict humanity, which caused him no less concern. As a result, his remedy, which he not only wrote down but toured the world to talk about, was distinguished by the clinical precision of a tablet of glyceryl trinitrate, which forestalls a heart attack by dilating the cardiac arteries, but does not directly affect any other bodily organ whatsoever.

Unlike Tolstoy, the landed aristocrat, George was a man of the people, and had personal experience of poverty. He was born in Philadelphia in 1839, eleven years later than Tolstoy, into a middle class family of mixed English, Scottish and Welsh ancestry. His father began and ended as a Customs House clerk, with a seventeen year interval as a publisher of religious books. Henry, by contrast, went to sea at the age of sixteen as a

foremast boy on an old East Indiaman, bound for Melbourne and Calcutta by way of the Cape of Good Hope. It was during the last stages of the journey to Calcutta, up the Hooghly branch of the Ganges, that, as his son Henry George, Jr., records, the eventual pattern of his life was set:

> Then came the first impressions of the country – impressions that always afterward remained vivid and helped before long to direct thought to social questions; that changed the fancied India – the place of dreamy luxury, of soft and sensuous life – into the real India, with its extremes of light and shadow, of poverty and riches, of degradation and splendour; where the few have so much, the many so little; where jewels blaze in the trappings of elephants, but where, as he has since said in talking with his son Richard, 'the very carrion birds are more sacred than human life!'[2]

In June 1856, the old sailing-ship completed her return voyage, and dropped anchor in New York Bay.

From the autumn of 1856 to December 1857, George worked for a large printing firm in Philadelphia, and not only learned the trade of type-setting, which was later to stand him in good stead, but got into the habit of absorbing, considering and discussing pieces of information of all kinds. One such item, brought to his attention by a senior colleague, was the fact that, while in old countries wages are low, in new countries they are always high. This seeming paradox haunted him for a long time, until the answer to it gave him the clue he needed for his great discovery.

After this, and another brief spell as a seaman on a coastal trader, he received an appointment as storekeeper on board a ship destined for service as a lighthouse tender on the west coast. He arrived in San Francisco in May 1858, in time to join the rush of 50,000 people to the mouth of the Frazer River, where large quantities of gold were said to have been discovered. As he was later to write:

> It was the discovery of placer mines in unappropriated land to which labour was free that raised the wages of cooks in San Francisco restaurants to $500 a month, and left ships to rot in the

> harbour without officers or crew until their owners would consent to pay rates that in any other part of the globe seemed fabulous. Had these mines been on appropriated land, or had they been immediately monopolised so that rent could have arisen, it would have been land values that would have leaped upward, not wages.[3]

The reports of gold turned out to have been exaggerated; but their observed effects provided yet more food for thought for the budding political economist.

On his return to San Francisco, in November 1858, George entered on a period of his life characterised by alternate phases of adversity and relative prosperity in the world of printing and journalism. One of his homes during this time was a room in an hotel named 'What cheer house', where a young ex-Army captain called Ulysses Simpson Grant, a future President of the United States, had stayed four years before. One of its features was a little library of several hundred well-selected books, including some on economics. In later years, George was to tell a friend that this was where he had begun his serious reading, and had in fact seen there for the first time a copy of Adam Smith's *Wealth of Nations,* though he did not remember actually reading it then.

Whatever doubts there may be about the relative weight to be attached to his personal observations and his reading – and he himself always maintained that reading came second – there is no doubt at all about the milestone in the progress of his thought represented by an article that he wrote for the *Overland Monthly* in October 1868, entitled 'What the railroad will bring us'. It referred to the transcontinental railway, then nearing completion:

> The truth is, that the completion of the railroad and the consequent great increase of business and population, will not be a benefit to all of us, but only to a portion. As a general rule (liable of course to exceptions) those who have, it will make wealthier; for those *who have not,* it will make it more difficult to get. Those who have lands, mines, established businesses, special abilities of certain kinds, will become richer for it and find

> increased opportunities; those who have only their own labour will become poorer, and find it harder to get ahead – first because it will take more capital to buy land or to get into business; and second, because as competition reduces the wages of labour, this capital will be harder for them to obtain.[4]

He had not yet achieved the startling clarity of his later work; but he was, as it were, struggling towards the light.

The moment of illumination came when the railway had reached Sacramento, and there was a proposal to extend it to Oakland. As a result, there was a great rush to buy and to hold as much land as possible in order to benefit from the rise in its value that an increasing population would bring. One afternoon, while all this was going on, the young Henry George went for a ride. This, in his own words, is what happened to him:

> Absorbed in my own thoughts, I had driven the horse into the hills until he panted. Stopping for breath, I asked a passing teamster, for want of something better to say, what land was worth there. He pointed to some cows grazing off so far that they looked like mice and said: 'I don't know exactly, but there is a man over there who will sell some land for a thousand dollars an acre'. Like a flash it came upon me that there was the reason of advancing poverty with advancing wealth. With the growth of population, land grows in value, and the men who work it must pay more for the privilege. I turned back, amidst quiet thought, to the perception that then came to me and has been with me ever since.[5]

The clue to the problem of poverty having surfaced in a moment of inspiration, it remained for George to work his way through to a solution by means of the principles of political economy.

Tolstoy, the imaginative literary artist, had considered the traditional concept of three factors of production, namely land, labour and capital, had added some more of his own invention, and had claimed that there were enough of them to fill a book. As we have seen, he was mistaken. George, on the contrary, recognised the general correctness of the three, but refined their definitions so as to make them individually

comprehensive, and mutually exclusive.

The clear definition of terms is an essential preliminary to any kind of scientific thinking. There is, for example, a proof of the irrationality of the square root of 2; but the first step towards its discovery was a clear mathematical statement of the problem itself. This is that the square root of 2 cannot be expressed by any fraction a/b, where 'a' and 'b' are integers with no common factor; for, if they had one, it could be eliminated. The idea having been clarified, the rest is simple. So it is with the science of political economy. Here are its definitions, when they had been given their final polish by Henry George:

Land: All the material universe outside of man and his products.

Labour: All human exertion, mental or physical, directed towards the production of wealth.

Wealth: Any material thing produced by human labour – using land both as a source of raw materials and as a location for work – so as to fit the raw materials for the satisfaction of human needs and desires.

Capital: Both wealth used in the production of more wealth and wealth in the course of production or exchange.

Rent: The share of wealth that accrues to the owners of land by virtue of their ownership.

Wages: The share of wealth that is the return for labour.

Interest: The share of wealth that is the return for the use of capital in production.

Tolstoy's word 'property', about which he drew such far-reaching conclusions, contains suggestions of both 'land' and 'wealth', and has therefore no part in this scheme of things.

So much for the terminology. The problem itself, why poverty persists in the midst of advancing wealth, needed to be

redefined before it could be treated in a scientific way; and this is how George did it:

> Why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?[6]

In his *Progress and Poverty,* George noted the work of the French Physiocrats, who, failing to recognise the significance of land for industry and commerce, proposed merely a single tax on the value of agricultural and mining land. He denied, however, with some satisfaction at having reached his own more comprehensive conclusion by way of a sounder line of reasoning, that his work owed anything to theirs. In his own words:

> Without knowing anything of Quesnay or his doctrines, I have reached the same practical conclusion by a route which cannot be disputed and have based it on grounds which cannot be questioned by the accepted political economy.[7]

He freely admitted, on the other hand, his debt to David Ricardo and his law of rent. This law, a central one to all honest economic thinking, runs as follows:

> *The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.*[8]

This 'least productive land in use' is often referred to as the 'margin of production'. So expressed, the law of rent can present difficulties even to intelligent and enquiring minds, especially those accustomed to thinking in terms of visual images rather than of abstractions. 'Where', one hears it asked, 'is this marginal land? Could you show me some?' A way round this difficulty, a severe one where urban land is concerned, is to consider primarily, not the land, but the processes of production and exchange, and to put the law in this way:

> Ricardo demonstrated that the rent of land is a specific, not an arbitrary, quantity, and represents a return to ownership over and above the return which is sufficient to induce use.[9]

We can now see the distribution of wealth, as George himself did, in terms of equations:

Wealth = Rent + Wages + Interest

or, to express the law of rent algebraically:

Rent = Wealth – (Wages + Interest)

It is now easy to understand George's comments on the situation in San Francisco at the time of the Frazer River gold rush. So long as the means existed, or even while people *thought* they existed, for earning a living elsewhere on their own account, then the restaurant owners in San Francisco, and the owners of the ships in the harbour, would not get away with offering the cooks and sailors less in wages than they thought they were going to earn for themselves. The principle is of general application. While unoccupied land still exists, the general level of wages will not sink below what those who go to occupy it consider, on the basis of the qualities of similar land, that they are going to earn.

But what happens when all land is occupied? The majority of people are obliged to look for employment in the enterprises of others. In these circumstances, basic wages will sink to the lowest level that seekers for work are willing to accept. This will vary according to the power of trade unions at the particular time and place, and to the level of public provision for the poor. Where there is no such provision and no such trade union power, basic wages will be such as barely to keep the worker alive; for nobody could work for less. If there is a dole, by whatever comforting euphemism it is known, basic wages will not be lower than the dole; for why work for less than what you can get without working? Here is the answer to the question asked by the old printer in Philadelphia: why

wages are low in old countries, but high in new.

It follows naturally from these considerations that any improvements on the productive side, whether resulting from new inventions, more effective education, increasing specialisation, or any other cause whatsoever, will do nothing to improve the bargaining position of those who labour but possess no land; so their wages *will* not increase as a result of such phenomena. What will increase is rent, and in consequence the value of land. To make matters worse, the holders of the land come to take production improvements for granted, and to demand rents in excess of what current methods can stand. Hence the familiar periodic booms and slumps, or business cycles, which defy analysis by methods that take no account of rising and falling land values, but were easily accounted for by Henry George.

More damaging still, in the absence of any charge associated with the ownership of land, is the opportunity offered to the cunning and unscrupulous to hold quantities of it far in excess of their capacity for using it, but merely as an investment for the future. Then, when growing needs increase the demand for it, and therefore its value, it is possible to accumulate vast fortunes merely by staying alive for long enough. Such activity, or lack of it, had been obvious and notorious in the United States from its very beginnings. It still takes place both there and in older countries, such as Britain, but is rather less obvious. A more noticeable phenomenon in Britain is the owning of thousands of acres of both urban and rural land, the enjoyment of unearned income from high urban rents and rural ones inflated by agricultural subsidies, and the use for purposes of 'sport' of parts of the country, such as the highlands of Scotland, that once supported a large population. There is no need to seek further for the cause of unemployment and poverty.

The single tax, or the abolition of existing taxes on production and consumption and the collection for public revenue of something approaching the whole annual rental value of land, which value would after all not exist but for the public presence, and cannot be said to have been earned by anybody in particular, would change all this, argued George.

Alone among taxes, it could not be 'passed on'; for, by definition, rent is already at a maximum. Furthermore, by putting an end to non-productive holding, it would bring on to the market all potentially productive land commensurate with current needs, making it available on equal terms to all those with the will and ability to use it, who would in consequence be seeking employees instead of having employees seeking them. Wages would rise to their natural level of a full equivalent to value added by labour; and involuntary poverty would be at an end. Poverty, it will be remembered, or at any rate the 'unequal distribution of property', which here could include both land and wealth, was, in Tolstoy's well-considered judgment, the primary cause of war.