The *Progress and Poverty* Centenary:

Advocates and Opponents Will Enjoy and Learn from the Papers Given at One Celebration

By WARREN J. SAMUELS*

ABSTRACT. The *Committee on Taxation, Resources and Economic Development,* a group of American *fiscal economists,* commemorated the centenary of the publication of *Henry George's* classic, *Progress and Poverty,* with a conference reported in the book, *Land Value Taxation.* It raises, typically from a variety of perspectives, the major issues engendered by George's analysis and policy recommendations. Economists who are at least open-minded on George recognize him as a true *progressive,* a believer in the distribution of *income* in accordance with *productive contribution* and a convincing advocate of the *social appropriation of economic rent* on scientific and moral grounds. George was fundamentally correct in the idea that some form of *land value taxation* is an especially suitable mode of financing government, though the notion that this could be the *single tax* is and was unrealistic. The case for this as a cure for *poverty* is substantially exaggerated but it would remove one source of *economic inequality.* George, like *Edward Bellamy,* in promoting *equality of opportunity* rallied public support for the long-developing movement for *pluralist economic democracy.*

Land Value Taxation[1] is the product of a 1978 conference by the Committee on Taxation, Resources and Economic Development (TRED) held to commemorate the centenary (in 1979) of the publication of Henry George's *Progress and Poverty.*[2] The book includes both the papers and summaries of the discussions from the conference. This review article will discuss the book and the centennial in that sequence.

I

THE VOLUME is divided into three principal parts. The first contains the reflections of Kenneth Boulding on the Henry George-single tax phenomenon and a survey by Weld S. Carter of George's leading ideas. The second consists of papers on the revenue potential of land taxation and associated problems of measurement, incidence, and administration. The third part is more heterogeneous, comprising papers on land taxation experience, tax reform, a sampling of the reactions to George's ideas in the history of economic thought,

*[Warren J. Samuels, Ph.D. is professor of economics, Michigan State University, Marshall Hall, East Lansing, Mich., 48824.]

American Journal of Economics and Sociology, Vol. 42, No. 2 (April, 1983).

and a comparison of the perspectives of George and Karl Marx. The interspersed discussions center on land speculation, land valuation, and land tax reform, among other topics. Although most if not all participants are generally sympathetic to George, by no means are they all disciples. The major issues engendered by George's analysis and policy recommendations are raised, typically from a variety of perspectives. Although Mason Gaffney shows something of the evolution of some of the lines of discussion since 1879, it is remarkable how unchanged the issues and arguments have remained.

Boulding's reflections may well represent a consensus of mature thought on George by economists who are sympathetic (or at least open-minded) and/or who do not consider his single tax campaign to have been an unfortunate sideshow in the history of economics. George is presented as a believer in progress, that is, human betterment for all persons, but especially in private property once that institution is reformed, through the tax system, to eliminate the unearned incomes arising from the growth of population *vis-a-vis* the inelastic supply of land. George is thus portrayed as a true believer in the principle of distribution in accordance with productivity.

He also is seen as a prophet of peaceful change, an evolutionist, not an advocate of class war. Because land value increments are the product of the community, "George was certainly right in perceiving that economic rent is the ideal subject of taxation,"[3] in part because it will not adversely affect productive activity and also because its substitution for other taxes will relieve or eliminate disincentives to productive activity.

In addition, George "argued that economic rent is not only the ideal subject for taxation; there is a moral principle that it should be taxed and appropriated for the use of society at large rather than individuals."[4] However, overemphasis on the single tax, technical difficulties of administering proposed single tax schemes, and the growth of the cost of government, progressive income taxation and welfare-state programs have prevented the widespread adoption of land taxation distinct from the traditional property tax which places levies on both land and improvements. The implication is that a somewhat different campaign might have led to differentially heavier taxation on land value increments, something which Boulding feels should be taken more seriously than it is and yet be expected to be only a part of a more complex tax system than is contemplated by the idea of a "single" tax. George's reasoning and arguments in favor of singling out land as an object fit for taxation are surveyed in Carter's paper, which is laden with quotations from the master.

The discussion which closes Part I centers on the effectiveness of land taxation for curbing speculation, particularly in the face of tax capitalization.

The conclusions of the papers on land taxation revenue potential and associated problems can readily be summarized. Shawna P. Grosskopf and Marvin B. Johnson examine partial and general equilibrium models of the incidence of land taxation and the question of the sufficiency of a land value tax substituted for current property taxes at the local government level. After a meticulous but complex analysis of a variety of considerations, they reach two conclusions. First, a switch from a general property tax to an equal yield land tax may result, paradoxically, in a rise in land prices (due, as after-tax land values fall, to a rebalancing of porfolios in favor of land), a point also made by George Break,[5] using the work of Martin Feldstein. Second, the substitution of a site value tax for the existing property tax likely but tentatively will provide adequate revenues for local government, although not as the sole revenue source.

Mary Miles Teachout proposes a system of assessments and appeal procedures directed at providing an assurance of equity and thus greater taxpayer acceptance of a separate tax on urban land value.

Along a different line, Richard W. Lindholm and Roger C. Sturtevant simulate the application of land value taxation of Eugene, Oregon, and conclude that such a tax would promote single family housing after it replaced the existing property tax.

Ronald B. Welch's article discusses administrative feasibility and concludes, among other things, that delay of introduction of land value taxation increases administrative difficulties.

Perhaps the most interesting part of the discussion of land valuation which closes Part II deals with the system of New York City tax abatements on future new investment in buildings.[6]

The paper least sympathetic to George's ideas, by George F. Break, questions the conventional incidence assumptions by pointing to the substitution and income effects of a land tax, particularly (as noted above) the portfolio rebalancing consequences of a land tax and a lower rate of interest due to increased capital. Land values are, Break insists, ultimately a matter of very complex and shifting market forces. Break also suggests that a tax on land value increments would be more equitable than a land tax, at least in developed countries.

Alan R. Prest's survey of United Kingdom practices indicates that town planning has supplemented land taxation in such a way as to convert many land development gains into community income. In the process, Prest discusses future possibilities and examples of confused or faulty reasoning in past policy debates.

In the longest paper in the volume Mason Gaffney surveys examples of two centuries of economic thought on the taxation of land rents. He focuses on writers who were mainly negative; who had mixed and/or shifting positions; who were "noncommittal, detached, or supercilious"; who were "positive, but tentative, limited, partial, and remote"; and who were mainly positive. Included are historic controversies about the conceptual relation of land and capital, the role of land speculation, incidence, justice, and aspects of implementation.

Arlo Woolery discusses the experiences of the Fairhope, Alabama, single tax colony. It was established in 1884, covers 350 acres, and currently has 110 members. The experiment is not without controversy between members and nonmembers as to the degree of land taxation. The future of the experiment likely will be influenced by the prospect if not the reality of Fairhope being located atop a significant oil field.

In the concluding paper Matthew Edel addresses the often antagonistic relations between Georgian and Marxian economics. He attempts to identify areas of agreement but also points to fundamental differences apropos the role of social relations, exploitation, and class conflict.

The concluding discussion treats land taxation in Holland and Fairhope, and community development both in general and in developing nations.

Anyone interested in George's ideas, especially those willing to discuss them with an open mind, whether they be advocates or antagonists, will enjoy and learn from this collection. It is a very suitable celebration of the centenary of *Progress and Poverty.*

II

THERE ARE at least four separable respects in which Henry George and his single tax proposal remain significant after the passage of a century: (1) the idea of a tax on land (or land rent) per se as distinguished from improvements; (2) the idea that such a tax could be sufficient to finance government; (3) the idea that the single tax on land rent could be adequate to redress and preclude poverty in the midst of continuing progress; and (4) the Georgian analysis as a contribution to a pluralist economic democracy.

It has seemed to me ever since my undergraduate years that George was fundamentally correct that land value taxation (in some unspecified form) of the unearned income that constitutes economic rent is an especially suitable mode of raising revenue to pay the expenses of government. Certainly, there are reservations: such taxation would have uncertain and likely varying but surely wide-ranging incidence consequences; the idea of a *single* tax was unrealistic; land value taxation would relieve and partly correct the consequences of unequal land ownership but not eliminate poverty; and such a tax was consonant with a conservative but not necessarily thereby diminished effort to promote economic democracy; and so on.

Nevertheless, such ideas, some of them qualifications of sorts, do not affect, adversely or otherwise, the fundamentally correct logic of George's position. Increases in land value due to the growth of society, as distinguished from those consequent to the improvements made by owners, could be taxed, and such a tax would have desirable normative and performance consequences. If ever there was a clear and unequivocal normative lesson to be derived from an essentially abstract analysis—in this case, Ricardo's analysis of land rent—this was it. The normative conclusion does not follow without an additional normative premise, but such a premise was readily forthcoming from the extant economic system, to wit: the general belief in distribution in accordance with earned productivity. The idea of a tax on land value increments remains significant if not compelling.

The notion that there could be such a *single* tax, that the tax on land rent could suffice to finance government expenditures, made more practical sense in George's day than now, but even then it was unrealistic. Considered only within the domain of local government finance, it does not seem sufficient. But local government does rely heavily on property taxation, and it seems not impossible to switch the burden of that tax from land *cum* improvement to land, pretty much as George suggested. He may have exaggerated the revenue potential of the single tax, but the basic idea of a greater tax on land is sound. Some early 20th century advocates of food and drug legislation envisioned that such laws would be a step on the road to socialism. Certainly such laws have both protected consumers and (paradoxically) promoted the wider extent of capitalist markets because of the security accorded by that protection. Similarly, one can sense a utility inherent in George's scheme without making of it more than it can be.

The same point applies to the single tax as a cure for poverty. It seems to me that the case for the institution of land rent comprising the cause of poverty and the case for the single tax as the cure for poverty are both substantially exaggerated, although, as above, to say this does not vitiate the use to which taxation of land value increments may be put without adhering to these exaggerations.

But there is an important lesson provided by George with regard to the relation of the institution of land rent and poverty. Henry George is perhaps only the best known figure in a long and neglected tradition—in which Karl

Rodbertus and Achille Loria, among others, also figure somewhat prominently. That tradition has pointed to the fact and the important political, social, legal, and economic consequences of the narrow concentration of land ownership as European civilization devolved from feudal to post-feudal to modern industrial capitalist forms.

The undissolved continuity of land ownership in upper-class hands, including the arrogation to eventual fee simple absolute owners of use rights hitherto enjoyed by "nonowners," profoundly shaped the respective opportunity sets of varying groups in society. Indeed, it constituted for a long time the premier embodiment of the class structure of Western society. Henry George's relationship to David Ricardo includes, but extends beyond, drawing the implication of a tax on land rent from the latter's theory of rent. Just as Ricardo developed a body of ideas to support the manufacturing class against the Corn Laws, George developed a body of ideas to buttress the case of society based on nonlanded, in contrast to landed, property. At their respective time and with regard to the topics each discussed, both Ricardo and George were advocating expansion of the interests to be represented in and protected by the institutional structure of society and economy. George's land tax would not (as I see it) eliminate poverty, but it would remove one source of economic inequality.

George's premier historical significance lies in the support his ideas and activism provided for pluralist economic democracy. Along with Edward Bellamy's *Looking Backward,*[7] George's writings educated the masses. They served to give intellectual currency and respectability to the ideas that society can be deliberately, albeit cautiously and gradually, reformed; that reform ought properly be directed toward enhancing opportunities for the common man, at least indirectly by removing sources of unequal opportunity; that this should, perhaps must, involve some sort of transformation of the distribution of land ownership and so on, perhaps to the legitimation of the Welfare State as a suitable means to the legal protection of the interests of the common man.

If George was seemingly unrealistic as to the revenue potential and anti-poverty curative capacities of a land tax, his analyses touched on or raised directly fundamental questions and issues: the nature of private property; the relation of land, capital, and the price mechanism; and the meaning of "productivity" as a systemically normative category. These considerations raise the further question of George's radicalism. George was not very radical in his technical economic analysis, in which he generally followed the substantive and methodological tenets of classical economics.[8] Paradoxically perhaps, George was radical in that he, not unlike the classical economists, dealt with fundamental questions, such as those just listed. But George was particularly radical in a most subtle and profound way: his was an effort partly, and I stress partly, to reconstruct a society on the basis of its own premier ideological operating principle, namely, reward in accordance with productivity. He was radical in that doing so constituted a challenge to the existing hierarchical system in which land ownership was very important. Apropos of this, I want to note four points.

First, there being no unequivocally accepted *independent* test of productivity, all income, including the income from land appreciation, is generally seen by members of society as earned. Consequently, the Georgian notion of an "unearned increment" was unfathomable and anathema to many people.

Second, what counts in our society is the opportunity, and especially the actuality, to make money, not abstract productivity. Productivity is but the circular-reasoning gloss given to income. (Productivity is believed to be the source of income; the receipt of income is conclusive evidence of productivity.)

Third, hierarchical position is in a sense more important than income. It is satisfying in its own right, and it is in important respects a precondition of income inasmuch (and insofar) as it places individuals and families in favorable positions to receive income. Land was in George's time an important asset of the well-to-do in both economic and status emulation respects. Any threat to the established integrity of private land ownership thus was a threat to the institution of land ownership and to private property in general.

Fourth, the eventual relatively widespread personal ownership of land—as farms and for private housing—has meant widespread and high sensitivity to any threat to such ownership as a means of capital appreciation. Coupled with this is the reality that property taxes are the only ones on which taxpayers vote directly. The result of all this is that private property being constituted by already established rights and thereby already established claims to income or positions *vis-à-vis* the income stream, with the distribution of income derivative of and unique to the existing pattern of rights, George's proposal to tax land attacked and was seen to attack entrenched opportunities. That these established positions were not consonant with the ideology of productivity as George interpreted and applied it did not keep his land tax scheme from being inconsistent with the popular understanding of productivity.

Finally, I want to consider the point or criticism sometimes made of George's land value taxation argument that it will interfere with the allocative operation of the market through the price of land. The criticism is fallacious. Allocation will take place with or without a tax on land value increments.

There is no unique allocation of resources, only allocations derivative, *inter alia,* of the existing structure of rights. Imposition of a tax on land value increments changes the effective structure of rights and, *pari passu,* allocation.

The post-tax allocation likely will be different from the pre-tax allocation, but one cannot normatively distinguish between them without an antecedent assumption as to preferred rights structure. And that is precisely the point made, for all his rhetorical exposition, by George: We have to determine whether property rights are to include the right to what he considered an unearned increment, or whether that income is a fit source of financing government. I do not know of anything approaching a conclusive negative answer to his proposal except the realist one: His proposal has threatened both the hierarchical structure of society and the pecuniary canons of a rent-seeking society.

Notes

1. Richard W. Lindholm and Arthur D. Lynn, Jr., eds., *Land Value Taxation: The* Progress and Poverty *Centenary* (Madison: Univ. of Wisconsin Press, 1982).
2. Henry George, *Progress and Poverty* (San Franciso: privately printed, 1879; New York: Appleton, 1880); reprinted (New York: Robert Schalkenbach Foundation, 1979, with a preface by Agnes George de Mille).
3. Lindholm and Lynn, *op. cit.*, p. 8.
4. *Ibid.*, p. 9.
5. *Ibid.*, p. 133.
6. *Ibid.*, p. 110.
7. Edward Bellamy, *Looking Backward 2000–1887* (New York: Ticknor and Company, 1887).
8. See, for example, Morris D. Forkosch, "The Theoretical Background of Henry George's Value Theory," *American Journal of Economics and Sociology*, 39 (January 1980), pp. 95–104.

A Guide to World Business Cycles

A CONVENIENCE for researchers is the new volume, *World Business Cycles,* published by *The Economist* of London at $65. It includes the vital statistics and rates of fluctuation for 84 country surveys and surveys of the cycles of 34 key commodities. For each country and each commodity three decades of data are presented covering the period 1950–1980. On some British and American variables for which data are available, cycles over the very long term for 1850 to 1980 are illustrated. The world patterns of finance and commodities are detailed for the 130-year period. The 191-page book of tables and charts, with graphs in two colors, is distributed in North American by Gale Research Co., Detroit, MI 48226.

W.L.