

The Impact of Henry George on British Economists, I

The First Phase of Response, 1879–82; Leslie, Wicksteed and Hobson

By BERNARD NEWTON

I

Introduction

HENRY GEORGE (1839–1897), ECONOMIST, journalist, political activist and social reformer, had a dramatic impact upon the British economists during the last two decades of the 19th century.¹ George's *Progress and Poverty*, published in 1879, crossed the ocean from the United States to the British Isles; and both its explanation of poverty in the midst of steadily increasing wealth, and its land reform message, evoked a strong response during the 1880s. Land reformers, politicians, journalists, socialists and large numbers of the general populace, as well as the professional economists, were all affected. The book had the greatest sale of any on an economic subject to that date; in fact, sales were about 100,000 copies by the end of 1883.² The interest in Henry George and his ideas was enhanced during the 1881–89 period by five widely publicized visits of the author to the British Isles. Land reform organizations were formed to foster the taxation and land "nationalization" scheme proposed by George. The socialistic Fabian Society was formed in 1883 and 1884, and such leading founders as George Bernard Shaw³ and Sidney Webb⁴ have credited Henry George with giving their early leaders the stimulus

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¹ This paper represents one phase of a continuing study of the interaction between the British and American economists during the last thirty years of the 19th century. The two Americans who had the greatest impact on the British during this period were Francis Amasa Walker and Henry George. My work on the former has been published as *The Economics of Francis Amasa Walker: American Economics in Transition* (New York: Augustus Kelley, 1968).

² Elwood P. Lawrence, *Henry George in the British Isles* (East Lansing: Michigan State University Press, 1957), p. 34.

³ *The Intelligent Woman's Guide to Socialism and Capitalism*, (New York: Brentano's, 1928), p. 468.

⁴ "Socialism in England," *Publications of the American Economic Association*, IV (April, 1889), p. 88.

for reform. By the late 1880s, the Radicals of the Liberal Party had allied themselves with Henry George in supporting land taxation.⁵

This paper is primarily concerned with the reactions of the then contemporary economists in Great Britain to Henry George and his economic ideas, particularly as they are presented in *Progress and Poverty*.

II

Pertinent Essentials of *Progress and Poverty*

A REVIEW of the essential economic features of *Progress and Poverty* is helpful in placing the discussions of this work by the economists of Great Britain into a clear perspective. Fundamentally, *Progress and Poverty* attempts to explain "why, in spite of increase in productive power, do wages tend to a minimum which will give but a bare living."⁶ In order both to accomplish this purpose and to present society with a remedy for poverty in the midst of progress, George, in effect, divides his work into three basic conceptual units.⁷ In its first basic division, George attempts to disprove the wages fund theory and the Malthusian population doctrine because they are the two coordinate theories which underlie the English classical school's pessimistic explanation of why wages remain at a minimum despite increases in societal wealth. The former theory, in its starkest form, maintains that the wage level is the quotient between the fixed sum of capital advanced by the capitalists to the workers and the population in the working force. George attacks this theory by endeavoring to demonstrate both that wages are not generally advanced out of capital, and that the wage level is not dependent upon the available amount of this capital. He avers that, in actuality, it is rather that capital assists labor in production, and "that wages, instead of being drawn from capital are in reality drawn from the product of the labor for which they are paid." George next assaults the Malthusian population doctrine with both empirical and logical arguments, maintaining that there is no observable tendency for population to increase faster than subsistence; that man draws his subsistence from the vegetable and animal kingdoms which have a tendency to increase faster than man; and that a rise in population often gives a more than proportional increase to the productive ability of the economy.

⁵ Lawrence, *op. cit.*, p. 73. This work excellently depicts both George's reform activities in the British Isles, and the response of general British opinion to George and his doctrines.

⁶ *Loc. cit.*, 4th ed., (New York: D. Appleton, 1881), p. 15.

⁷ Actually, George divides *Progress and Poverty* into an "Introduction," ten "Books" and a "Conclusion."

Once George has attacked what he deems to be the invalid elements of English classical theory, he is ready for the second conceptual phase of his work, in which he presents his own explanation of poverty in the midst of progress. The analysis centers upon distribution theory. George accepts Ricardo's rent theory in which rent is determined by the difference between what is produced by labor and capital on superior (supra-marginal) land, and what is produced by an equivalent application of labor and capital on no-rent land (which is the poorest land in use). The sum available for both wages and interest combined is the residual after rent payments are made from the total produce. This sum is equivalent to the amount that is earned by labor and capital on the no-rent (marginal) land. George maintains that increases in society's productive ability simultaneously lower the margin of cultivation; thus, increases in production are accompanied by increases in rent. Societal progress is also accompanied by a fall in the separate *relative* shares remaining for labor and capital. Thus, the level of wages and of interest remains depressed.

In the third major conceptual phase of *Progress and Poverty*, George presents both his solution to the problem, and the effects of adopting his solution. He advocates the elimination of private property in land, not by taking away land titles, but by absorbing rents through taxation.⁸ In consequence, equal rights to land will be made available to all, and the evils of landlordism would be abolished. Producers would be stimulated by relief from taxation. Furthermore, land could no longer be withdrawn from use by speculators or by those who wished to use it unproductively. Land would now be available to those competitors who could use it most productively, and who would therefore be capable of paying the highest rent. Thus, land speculation would be eliminated; industrial depressions would disappear, and

we shall abolish poverty; tame the ruthless passions of greed; dry up the springs of vice and misery; light in dark places the lamp of knowledge; give new vigor to invention and a fresh impulse to discovery; substitute political strength for political weakness; and make tyranny and anarchy impossible.⁹

III

The Framework of Response

THE IDEAS OF HENRY GEORGE found the British economists considerably

⁸ George did not adopt the term "single tax" as a term significantly associated with his reform and political activities until 1888. See Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), pp. 508-11.

⁹ *Progress and Poverty* (1881 ed.), *op. cit.*, p. 490.

more responsive than the American economists, who generally either ignored *Progress and Poverty* or gave it short shrift.¹⁰ In the main, the reaction of the British economists was not to George as an established member of their profession, but to the figure who stimulated such immense political agitation and popular interest. However, the roots of their response lay in the British background of land reform and of economic theory that developed during the course of the 19th century.¹¹ The system of land tenure in Great Britain, characterized by primogeniture and entail, prevented the development of an extensive body of independent yeomanry; and this stimulated agitation for reform on the part of such writers as Thomas Spence (1750–1814), William Ogilvie (1736–1813) and Herbert Spencer (1820–1903). Some leading British economists also were part of this tradition; and the Land Tenure Reform Association, founded in 1870, had such eminent economists as John Stuart Mill, Thorold Rogers, Cliffe Leslie and John E. Cairnes among its members.¹² As for economic theory, Henry George's analysis and land tax proposal were a logical extension of the English classical rent theory, and in the tradition of David Ricardo, James Mill, John Stuart Mill and Cairnes.¹³ Interest in Henry George's economics among his economist contemporaries in Great Britain can conveniently be divided into three phases. The first phase was that of a developing interest, and extended approximately from the end of 1879 through 1882. The second phase was a short one of intense interest during 1883 and 1884, and it corresponded to the initial period of extensive popular national publicity for both George and his ideas. The third period extended approximately from 1885 through 1901, and it was characterized by only a moderate concern with George's ideas. The attention of British economists was turning increasingly to the developing marginal analysis and most particularly to the ideas of Alfred Marshall and the Austrian school. After 1900, Henry George went into rather sudden limbo, where he remained until about 1914, when he emerged as a figure whose ideas were largely of historical interest.

¹⁰ Perhaps ironically, until 1890, the only detailed published analysis by an American economist was undertaken by the figure who was then the nation's most prominent economist, Francis Amasa Walker, in *Land and Its Rent* (Boston: Little, Brown, 1883), pp. 6–9, 141–81, 194–96.

¹¹ George Raymond Geiger, *The Philosophy of Henry George* (New York: Macmillan, 1931), p. 232.

¹² *Ibid.*, p. 232n.

¹³ See Arnold Toynbee, "Progress and Poverty, a Criticism of Mr. Henry George," Appendix to *Lectures on the Industrial Revolution in England* (London: Longmans, Green, 1902), p. 291; Hugh Dalton, *Some Aspects of the Inequality of Incomes in Modern Communities* (London: George Routledge, 1920), p. 54; T. W. Hutchison, *A Review of Economic Doctrines, 1870–1929* (Oxford: At the Clarendon Press, 1953), p. 125; and Erich Roll, *A History of Economic Thought*, 3d ed., (New York: Prentice-Hall, 1956), p. 423.

IV

The Gathering Interest (1879 through 1882)

THE FIRST PHASE BEGAN immediately upon publication of *Progress and Poverty* in November, 1879, when Henry George sent T. E. Cliffe Leslie a promised copy of his work. Leslie, a follower of the historical approach to economics, responded to George by informing him that although they were both opposed to the "School of Economics" (the English classical school), he differed from George on some points.¹⁴ In September of the following year, Leslie again wrote to George, announcing that he had written an article on "Political Economy in the United States," in which he discussed *Progress and Poverty* at some length. He hastened to assure George that although he was critical, he "by no means sought to disparage the ability shown" in the work.¹⁵

In his now classic article,¹⁶ Leslie included what is the first review of *Progress and Poverty* by an English academic economist,¹⁷ and he anticipated many of the principal points of later British critics. True to his word, he did not disparage George, and he expressed respect for George's learning, literary powers and "fertile imagination."¹⁸ Although Leslie, like George, rejected the wages fund theory, he couldn't accept George's substitute idea that wages are drawn out of the *current* product of labor. He asserted that regardless of whether the capitalists or the workers advance the capital, the workers must maintain themselves out of the accumulated products of past labor, rather than out of the labor that the workers are currently performing.¹⁹ Leslie next advanced an argument designed to refute George's fundamental conclusions about long-run wages and interest. He claimed that historical evidence shows that long-run wages, interest and rents have all risen in the British Isles. He supported this empirical argument by means of a hypothetical example designed to demonstrate that concomitant increases in population and the level of agricultural productivity can mean increases in wages as well as rent.²⁰ This argument was later to be often used by other economists. It should be noted that although George often spoke and wrote about the

¹⁴ T. E. Cliffe Leslie to Henry George, November 26, 1879. (Henry George Collection, New York Public Library; hereafter cited as HGC).

¹⁵ T. E. Cliffe Leslie to Henry George, September 26, 1880, HGC.

¹⁶ *Essays in Political Economy*, 2nd ed. (London: Longmans, Green, 1888). Originally published in *Fortnightly Review*, 34 (October 1, 1880).

¹⁷ It is noteworthy that popular British interest in George had not yet been stimulated.

¹⁸ *Ibid.*, p. 147.

¹⁹ *Ibid.*, pp. 149–51.

²⁰ *Ibid.*, pp. 151–52.

level of wages remaining depressed, and about the misery and poverty of the workers, the theoretical conclusion imbedded in his analytical framework is that society's progress is accompanied by a fall in the *relative* share, rather than in the *absolute* share of wages.²¹

In his conclusion, Leslie, like many succeeding writers, deemed George's theory to be the product of the limited circumstances of the special economic history of California, rather than a conceptual analysis applicable to the British Isles.²²

Further evidence of a growing interest in *Progress and Poverty* among economists is found in three letters written to George in October, 1882. This approximately coincides with the beginning of what Prof. Elwood P. Lawrence has called a period of discovery of both George and *Progress and Poverty* on the part of British newspapers.²³ The first letter was written by an Oxford professor (the great philologist and orientalist, Max Müller) who informed George that he lent Oxford economist Bonamy Price his copy of *Progress and Poverty*, and the latter was unconvinced by the book's arguments for he deemed the work "entirely Utopian."²⁴ A second letter was from the British clergyman, Philip H. Wicksteed,²⁵ who was still in the formative stage of his economic thinking, shortly before he became a disciple of William Stanley Jevons. Wicksteed was extremely enthusiastic, explaining that *Progress and Poverty* made a "new heaven and a new earth" for him; and he vowed to join the "new crusade." He explained that he had long sensed a fundamental fallacy in classical economics, and that George had crystallized his thinking for him, particularly by pointing out that capital does not put labor to work. However, Wicksteed did disagree somewhat with George's conclusion that since population growth leads to increases in agricultural activity, the Malthusian population threat was non-existent. Wicksteed agreed that both the use of more effective technology and arts in agriculture, and the implementation of George's principles would make the Malthusian pessimistic conclusions "a bugbear" in practice. But he averred that a theoretical treatise could not properly eliminate the entire Malthusian problem.

The third letter was not from a Briton, but from the distinguished Belgian economist, Emile de Laveleye,²⁶ who announced that he had just

²¹ George, *op. cit.*, p. 195.

²² Leslie, "Political Economy in the United States," *Essays, op. cit.*, p. 153.

²³ Lawrence explains that this period begins in September, 1882 and continues approximately through 1883. See Lawrence, *op. cit.*, p. 63.

²⁴ Max Müller to Henry George, October 3, 1882, HGC.

²⁵ Philip H. Wicksteed to Henry George, October 29, 1882, HGC.

²⁶ Laveleye's views were similar to those of the Socialists of the Chair in Germany. He took an historical viewpoint and denied the existence of natural laws. The subjects that he wrote about included land systems, property and socialism. See Lewis H. Haney, *History of Economic Thought* (New York: Macmillan, 1949), p. 851.

completed a review of George's "admirable" book for the *Contemporary Review* in London.²⁷ This review was the first article written by a professional economist for the British public that was entirely devoted to *Progress and Poverty*. Two years before, Laveleye had written a review for *La Revue Scientifique* in Paris; it was favorable, although he did not give the work his full endorsement.²⁸ The English review, however, was less favorable;²⁹ in fact, it did not reflect the admiration expressed in the letter. The tone of the review was fair-minded and respectful, but it was adversely critical to a substantial degree. Laveleye's approach was to present what merit he could discern in the major arguments presented by George, but he then generally assessed the American's view as either deficient or fundamentally erroneous. This approach was developed from Laveleye's view that although George had partly triumphed in his criticisms of classical principles and definitions, his arguments were basically "without foundation."³⁰ Laveleye buttressed this generalization by referring to George's attacks on the wages fund theory and the Malthusian population theory. Like Leslie before him, Laveleye agreed with George in rejecting the wage fund theory, and disagreed with George in refusing to accept his notion that capital is drawn from current wages.³¹ As for George's argument that the Malthusian population theory is inconsistent with the facts, Laveleye concurred with George insofar as the then current facts were concerned, but he strongly asserted the validity of the underlying theoretical principle.³² On the matter of the causes of poverty, Laveleye agreed with George that it was not due to inevitable laws and the niggardliness of nature, but rather to the imperfections of society's institutions. However, he averred that the way in which to eliminate poverty was to eliminate the military, war debts, false wants, and the squandering of luxury.³³ Although he was in accord with George in accepting the Ricardian rent theory, he argued that the American was incorrect in attributing economic inequality exclusively to the rise in rents that is caused both by increasing population and by technological improvements. Following the position of continental socialist thinkers, Laveleye maintained that the proportion of interest and profits taken by the constantly increasing supplies of capital is a more important cause of inequality than the

²⁷ Emile de Laveleye to Henry George, October 23, 1882, HGC.

²⁸ Barker, *op. cit.*, p. 333.

²⁹ *Ibid.*, p. 385.

³⁰ "Progress and Poverty: A Criticism," *Contemporary Review*, 42 (November, 1882), p. 788.

³¹ *Ibid.*, p. 789.

³² *Ibid.*, pp. 791-93.

³³ *Ibid.*, p. 792.

increase in rents.³⁴ As for George's scheme for economic reform, the Belgian economist accepted George's land-tax proposal as only a partial solution to the problem of worker poverty; and he was critical of the American reformer for his inadequate treatment of how the government was to use the tax revenues.³⁵

Several further coincidences of the developing interest in George among economists during this first phase of response are found in a number of other sources. For example, Professor William A. Smart wrote years later of the sensation which *Progress and Poverty* made on its appearance. Smart did not state what his attitude was towards the treatise, but he proclaimed that "very many were for the moment carried off their feet by its earnestness, its plausibility, and its headlong rhetoric, and spoke of it as a new departure—if not a new gospel."³⁶ Then, too, James E. Thorold Rogers, a professor at Oxford, reported that, while in the United States in 1881, he found that the public "was interested and amused."³⁷ Furthermore, Arnold Toynbee, who was also an Oxford professor, wrote in a letter to his sister in 1882 that:

I have known George's book for a very long time. I always thought it, while full of fallacies and crude conceptions, very remarkable for its style and vigor, and while no economist would be likely for a moment to be staggered by its theories, it is very likely to seem convincing to the general reader.³⁸

In addition, John A. Hobson, in reflecting back on his development as an economist during the 1870s and 1880s, has testified to the profound effect that Henry George had upon him.³⁹

(Continued)

Long Island University
Brooklyn, N.Y. 11201

³⁴ *Ibid.*, p. 796.

³⁵ *Ibid.*, p. 800.

³⁶ William Smart, *Taxation of Land Values and the Single Tax* (Glasgow: James Maclehose and Sons, 1900), p. 99.

³⁷ James E. Thorold Rogers, *Six Centuries of Work and Wages* (New York: G. P. Putnam's Sons, 1884), p. 531.

³⁸ The quotation from Toynbee's letter is taken from F. C. Montague, "Arnold Toynbee," *Johns Hopkins University Studies in Historical and Political Science*, VII (1889), p. 51.

³⁹ See excerpt from an address "Confessions of an Economic Heretic" (delivered July 14, 1935), as printed in John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt-Brace, 1936), p. 365. I discuss Hobson in more detail in forthcoming papers.