

The Impact of Henry George on British Economists, III

*The Third Phase of Response, 1885–1901; Rogers, Symes and McDonnell**

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IX

The Continuing Impact After 1885

DURING THE THIRD PHASE of response by the British economists to Henry George and his work, only a rather moderate degree of reaction and interest in the American author was manifested in published writings. In fact, during a few of these years, as for example, 1893 and 1894, there are apparently no new publications by professional economists which refer to the American economist. During most of these years, there are only one, two or three references. Most of these are fairly brief and subsidiary to the central concerns of the writers. It should be noted that this overt decline of interest in George's ideas was roughly parallel to, but more precipitous than, the decrease in popular interest.

The discussion of this phase of response will be divided into three parts. In the first, each of those British economists whose analyses of George came into print during the 1879–84 period will be treated, in order to examine their later observations about him and his works. In the second part, there will be a consideration of the publications of those economists, about whom there is evidence of reaction to George during the first two phases of response, but whose thoughts had not then been published. In the third part, there will be an examination of the thoughts on George in the published writings of the more important economists, upon whom this writer could find no evidence of earlier impact.

Turning first to those economists who had expressed themselves in print during the first two phases of response, we find that, unfortunately, Leslie, Toynbee and Fawcett were now all dead. Francis D. Longe rarely wrote for publication, and he did not refer to George in the one article that he had published during this time.¹³⁴ John Rae's *Contemporary Socialism* had its second edition in 1888, and the elaborate chapter on George was

* For the first and second phases of response, 1879–82 and 1883–84, see my papers under the title, "The Impact of Henry George on British Economists," *Am. J. Econ. Sociol.*, 30 (April, 1971) and (July, 1971).

¹³⁴ "The Coal Strike and a Minimum Wage," *Economic Journal*, 4 (March, 1894), pp. 25–34.

retained. J. Shield Nicholson and Alfred Marshall each made passing references to George.

In all his later publications, Nicholson made only one reference to George; in it he claimed that the American pushed to its logical extreme the idea that rent increases accompanying industrial progress were an evil.¹³⁵

Marshall, in his prestigious *Principles of Economics* (1890) had two references to George in which the highly critical attitude manifested during the 1883 lectures is still maintained. One reference is a by-product of an "Historical Note" on various definitions of capital. Marshall presented what he termed the "arbitrary" Marxian concept of capital, which is essentially defined as an employer's instrument of exploitation over labor. He then noted that the Marxists are led by means of

a different route very nearly to the same result as is reached by those, who neglect all values that do not take a direct money form and limit capital to what has been called Trade-capital.¹³⁶

(By "trade capital" Marshall meant that part of a man's wealth which he allocates to earning a money income.) Marshall then accused George of being in the latter group, and of being unconsciously influenced by the Marxists on that point, even though he was in general disagreement with Marx. Marshall included George in such a group because of his strong attack on Mill's concept of the definition and role of capital, especially as it is captured in Mill's "awkward and unfortunate sentence"¹³⁷ which states that "industry is limited by capital."¹³⁸ What disturbed Marshall about George was that

an astonishing number of readers both in America and England have thought that he has overthrown a fundamental doctrine of economic science, when really he has only misunderstood what, when rightly interpreted, is a truism.¹³⁹

As for Marshall's second reference to George, it was an offshoot of a discussion of the influence of economic progress on new and old economies. In discussing the New World, Marshall hypothesized that if the supply of capital should increase at a much faster rate than the labor supply, the rate of interest would fall, and the rate of wages would rise. In such a

¹³⁵ *Principles of Political Economy*, 3 vols. (London: Adams and Charles Black, 1893–1901), III, p. 101. Nicholson did not consider George elsewhere in this work, although it has extensive discussions of such Georgian topics as the relationship between progress and the distribution of income, and the taxation of rent and land.

¹³⁶ (London: Macmillan, 1890), p. 138.

¹³⁷ *Ibid.*

¹³⁸ *Ibid.*

¹³⁹ *Ibid.*

situation, however, although labor gets a relatively larger share of the joint product of labor and capital, the *aggregate* share of the total of all the capital may rise at a faster rate than the aggregate share of the total labor supply. At this point, *en passant*, Marshall announced that "much of the argument of Mr. Henry George's *Progress and Poverty* is vitiated by his having overlooked this distinction."¹⁴⁰

James E. Thorold Rogers, in his "*The Economic Interpretation of History*" (1888) included two fairly brief references to George, and just as in his earlier book,¹⁴¹ there is no closely considered analysis of George, but rather a somewhat pejorative generalized evaluation.¹⁴² However, his posthumously published series of lectures has a reasonably extensive, but somewhat superficial, consideration of George. Professor Rogers argued against the applicability to England of George's dictum that increasing population leads to an increasing capacity to supply food. However, Rogers' grounds were different from that of other economists, for he somewhat vaguely held that George would be right if England only had the essential preconditions, namely a high standard of living for workers, and the right of workers to determine the terms under which they will accept employment.¹⁴³ In considering the problems of the returns to land and capital, Rogers observed that although George was alarmed about the rapid growth in wealth among landowners, he does not seem to be equally disturbed by the rapid growth in the wealth of certain owners of capital.¹⁴⁴ Furthermore, he objected that George would "appropriate any scrap of value in the soil," over and above that contributed by labor, "without mercy, without compensation."¹⁴⁵ He asserted that George was wrong in accepting Ricardo's theory that rent is the outcome of price; and he insisted that it was the resultant of the level of profits instead.¹⁴⁶ In speaking about George, the man, he now deemed him to be an honest and sincere person¹⁴⁷ whose economics is a creed learned from the experience of harsh New England and life of the miners in California.¹⁴⁸

¹⁴⁰ *Ibid.*, p. 714n.

¹⁴¹ *Work and Wages* (1884).

¹⁴² (New York: G. P. Putnam's Sons, 1888), pp. 7, 162.

¹⁴³ *The Industrial and Commercial History of England* (London and New York: G. P. Putnam's Sons, 1892), pp. 61–62.

¹⁴⁴ *Ibid.*, pp. 159–60.

¹⁴⁵ *Ibid.*, p. 219.

¹⁴⁶ *Ibid.*, p. 221.

¹⁴⁷ Rogers' revised estimate of George's integrity is the result of personal contact between the two men. *Ibid.*, pp. 219–20.

¹⁴⁸ *Ibid.*

From the foregoing material in this section, it can be seen that during this period there was a sharply diminished concern for George's ideas from those British economists who had reacted to them during the 1879–1884 period. Only in the case of one economist, J. E. T. Rogers, was there a heightened degree of response.

We now turn to those British economists who have no published writing relating to George during the first two phases of response, but of whom we have evidence of interest during that time.

X

Symes, Smart, Bonar and Webb

WICKSTEED, WHO HAD EXPRESSED enthusiasm for George during his own formative period as an economist, turned his focus from George to Jevons during this period, and helped to extend the concept of final utility and of the margin to production and distribution theories.¹⁴⁹ However, Wicksteed retained a sympathy for George's idea of the communalization of the land, although he disapproved of not compensating the landlords.¹⁵⁰ J. E. Symes,¹⁵¹ who had written a letter to George in 1883 expressing substantial support, wrote an economics textbook in which he averred that the taxation of the unearned increment of lands on which the towns of England are built would be sufficient to meet all the expenses of government. However, Symes didn't follow George to the limit, for he underscored the point that this did not mean that it would be proper or expedient to place the entire tax burden upon the landlords.¹⁵²

John A. Hobson, whose interest in economics had been further stimulated by George's doctrines during the time referred to in this paper as the first phase of response, wrote a retrospective review of George and his ideas full of pertinent insights shortly after the American reformer's death.¹⁵³ According to Hobson, George's principal significance was that, coming at an appropriate juncture,¹⁵⁴ *Progress and Poverty* was the "first book of serious economic import" which had the capacity to reach "the

¹⁴⁹ Wicksteed's most famous work is *An Essay on the Coordination of the Laws of Distribution* (London: Macmillan, 1894).

¹⁵⁰ "Land Nationalization," *National Liberal Club, Political and Economic Circle, Transactions*, III (1901), pp. 236–37. This was a speech read on February 14, 1900.

¹⁵¹ Symes was Principal, University College, Nottingham, and he was a member of the Council of the English Land Restoration League of London, which tended to follow George.

¹⁵² J. E. Symes, *A Short Text-book of Political Economy*, (3d ed., London: Longmans, Green, 1891), pp. 187–88.

¹⁵³ "The Influence of Henry George in England," *Fortnightly Review*, 68 (December, 1897), pp. 835–44.

¹⁵⁴ *Ibid.*, pp. 838–39, 844.

outer circle of the English reading public."¹⁵⁵ George had a "lucid, simple and consecutive" manner of writing,¹⁵⁶ as well as a capacity for dramatic exaggeration,¹⁵⁷ all of which helped to fuse a loose anti-landlord sentiment into "coherent positive conviction."¹⁵⁸ George's ideas were not original, but in the tradition of English economics from the time of Locke. Even George's idea that all land should bear a "single tax" was but one step removed from the physiocratic doctrine that all taxes are borne by land.¹⁵⁹ George had rather correctly depicted the situation of the New World, where a relatively few rich groups had engulfed large lands,¹⁶⁰ and this could readily be applied to England where there is a great concentration of land ownership.¹⁶¹

Hobson categorized George's theory as a "residual claimant theory," since landlords secure every increase in wealth beyond that necessary to sustain labor and capital. The theory would have "some tolerably close relation to the truth" if England established protective tariffs that sealed off foreign trade and if all land were utilized only for producing food and raw materials. It is easily apparent that the other classes have gained more fully than the landlords from the large growth of wealth during this century, and that the expanding world sources of food and raw materials lessens the power of the English landlords.¹⁶²

William Smart, the British adherent of the economic theory of the Austrian school, adversely reviewed George's interest theory in one book and his single tax scheme in another. In analyzing the interest theory, Smart assailed the "ancient fallacy" that George had revived, namely, that interest is derived from the reproductive powers of nature that is observed in the growth of animals and plants.¹⁶³ Smart believed that George makes an artificial separation between "the work of Nature and the work of man," insofar as man is not given these reproductive powers in the economic activities that he performs.¹⁶⁴ As for George's single tax plan, Smart's attack was provoked by a land value assessment tax law for Scotland which was being considered by the House of Commons. Smart commented that the single tax has a "simplicity about it which

¹⁵⁵ *Ibid.*, p. 837.

¹⁵⁶ *Ibid.*, p. 838.

¹⁵⁷ *Ibid.*, p. 837.

¹⁵⁸ *Ibid.*, p. 839.

¹⁵⁹ *Ibid.*, pp. 835-36.

¹⁶⁰ *Ibid.*, p. 838.

¹⁶¹ *Ibid.*, pp. 839-40.

¹⁶² *Ibid.*, pp. 840-41.

¹⁶³ *The Distribution of Income* (London: Macmillan, 1899) pp. 44-5.

¹⁶⁴ *Ibid.*, p. 45.

compares delightfully" with the present tax system.¹⁶⁵ He alleged that the single tax "is not a system of taxation, but a method of confiscation."¹⁶⁶ Furthermore, he was disturbed that George had placed economists who opposed the single tax in the position of "holding briefs for the oppressors" of the poor.¹⁶⁷ In evaluating the relationship between George's dynamic theory of distribution and the single tax, the University of Glasgow professor observed that George was not directed to the concept of the single tax by a concern for the evils of the existing tax system, but by a deduction from "an untrue theory" of poverty in the midst of progress.¹⁶⁸ Furthermore, in a two-pronged assault against George's concept of the single tax, and the practical program of the "single-taxers," Smart questioned whether the increase in wealth does not lead to an income increase for all the participants.¹⁶⁹ Furthermore, Smart warned—particularly the "single-taxers"—that if the amount of the single tax collected turned out to be less than the current revenue, then the old system would have to be utilized in order to make up the balance.¹⁷⁰ In addition, such a program would impose the tax burden on one set of capitalists, the landowners, in order to relieve other capitalists of the burden.¹⁷¹

There are a number of British economists who wrote about George during this phase of response, but who had not reacted to George during the first two phases of response in any way that is evident to the writer of this paper. One such writer was the Oxford economist, James Bonar. In his famous work on Malthus, he asserted that every complete scheme of reform has had to treat the "Malthusian" population questions; and that this applied to the two "most prominent schemes of our day," that of Marx and George.¹⁷² He observed that George had unconsciously resurrected the old arguments of Malthus's contemporary opponents in all his varied objections to the Malthusian theory.¹⁷³ Another such economist was the Fabian socialist, Sidney Webb, who in a number of his writings had fairly brief passing references to George. Webb credited "the wide circulation of *Progress and Poverty*" as the "one event" which helped most to cause "all the seething influences to crystallize into a pop-

¹⁶⁵ *The Taxation of Land Values and the Single Tax*, p. 106.

¹⁶⁶ *Ibid.*, pp. 109–10.

¹⁶⁷ *Ibid.*, p. 11.

¹⁶⁸ *Ibid.*, p. 107.

¹⁶⁹ *Ibid.*, p. 113.

¹⁷⁰ *Ibid.*, pp. 114–15.

¹⁷¹ *Ibid.*, p. 115.

¹⁷² *Malthus and his Work* (New York: Harper, 1885), p. 220.

¹⁷³ *Ibid.*, pp. 220–21.

ular socialist movement,¹⁷⁴ and to overcome the “complacent quietism” of the English working class, and to fill it with “collectivist ideas.”¹⁷⁵ In addition, Webb acknowledged George’s role in the process of destroying “obsolete errors” in classical distribution theory.¹⁷⁶ However, from an overall perspective, the Englishman deemed *Progress and Poverty* an “eloquent but ill-judged onslaught.”^{177, 178}

XI

McDonnell and Bagot

ANOTHER WRITER WAS the Irish economist, W. D. McDonnell, whose primary attention was centered upon George’s theory of wages and interest. In evaluating George’s wage theory, McDonnell declared that although it “contains a portion of truth, it is still very defective.”¹⁷⁹ He could not accept George’s idea that wages are neither limited by nor advanced out of capital. In arguing that wages are not advanced out of capital because the workers are paid a sum of wages only after they have already produced an *equivalent* value for the employer, George had missed the essential point. George had failed to note that the worker receives his wages in the form of money so that he can “instantly buy dinner, whereas the employer must wait for months or years” to secure his cash.¹⁸⁰ In analyzing George’s interest theory, McDonnell was critical of the American’s idea that the reward of labor and capital must be equal since the latter are two forms of the same phenomenon, namely, human exertion.¹⁸¹ The reason for McDonnell’s criticism was that there is “no common denominator” by which to compare the sacrifice of the worker with that of the capitalist, nor even the sacrifice of any labor with that of

¹⁷⁴ *Socialism in England* (London: Swan Sonnenschein, 1890), p. 21. This work is a revision of the monograph “Socialism in England,” *Publications of the American Economic Association*, IV (April, 1889), p. 88.

¹⁷⁵ Sidney Webb and Beatrice Webb, *The History of Trade Unionism* (London: Longmans, Green, 1920; originally published in 1894, pp. 375–376).

¹⁷⁶ Sidney Webb and Beatrice Webb, *Industrial Democracy* (London, 1898; printed by the authors), p. 619; Sidney Webb and Beatrice Webb, *Problems of Modern Industry* (London: Longmans, Green & Co., 1898), pp. 224–25.

¹⁷⁷ *Ibid.*, p. 225.

¹⁷⁸ It is interesting to observe that for this period, the only letter from a British economist to Henry George that is found in the Henry George Collection at the New York Public Library is that of Sidney Webb. The letter discusses George’s proposed (and what was to be his last) visit to Great Britain, and it appeals to George to forebear when he is attacked by the more radical wing of the Socialists. Sidney Webb to Henry George, March 8, 1889.

¹⁷⁹ *A History and Criticism of the Various Theories of Wages* (Dublin: William McGee, 1888), pp. 65–66.

¹⁸⁰ *Ibid.*, pp. 61–62.

¹⁸¹ *Ibid.*, p. 63.

the labor involved in the production of capital.¹⁸² In examining George's reform scheme, McDonnell substantially summarized his attitude toward both George and his plan for reform by stating:

I need not say that he fails to establish his conclusion; and can only express my astonishment that so able and ingenious a writer should be, apparently, unable to see that in populous countries rent must exist whether the land is held by the State or by private owners, and that a transfer of it can only benefit the person to whom, and injure the person from whom, it is transferred, unless full compensation is given."¹⁸³

There were two prominent economists who bestowed only passing attention on George, namely, Henry Sidgwick and L. L. Price. Sidgwick, in a discussion of Herbert Spencer's *Social Statics*, averred that the latter is opposed to private property in land with an emphasis that "makes George appear a plagiarist."¹⁸⁴ Price alluded to George's role in making the matter of the land rents a practical political issue,¹⁸⁵ and he claimed that Arnold Toynbee had "exposed the fallacies" of George's theories in the last lectures of his life.¹⁸⁶

It is particularly noteworthy that the first journal of the British economics profession, the *Economic Journal*, established in 1891, had very few references to George in the succeeding years.¹⁸⁷ George's historical prominence was recognized in a short obituary article, when John Bagot averred that George had really not "thrown light on any part of economic theory," even though he had performed a service.¹⁸⁸ When George's *The Science of Political Economy* was published posthumously in 1898,¹⁸⁹ it was not reviewed. Towards the end of the century, there was some tendency to think of Henry George's influence in the past tense.¹⁹⁰

XII

George Becomes an Historical Figure

AFTER THE TURN of the century, British economists virtually ignored

¹⁸² *Ibid.*, p. 65.

¹⁸³ *Ibid.*, pp. 63-64.

¹⁸⁴ "Economic Socialism," *Contemporary Review*, 50 (November, 1886), pp. 628-29.

¹⁸⁵ "Some Aspects of the Theory of Rent," *Economic Journal* 1 (March, 1891), p. 123.

¹⁸⁶ *A Short History of Political Economy in England* (London: Methuen, 1891), p. 195.

¹⁸⁷ There appears to have been only three references in the *Economic Journal* to Henry George, viz., L. L. Price, "Some Aspects of the Theory of Rent," *loc. cit.*, pp. 123, 124; John Rae, Review of "Condition of Labour" (Open Letter of Henry George to Pope Leo XIII), II (September, 1892, pp. 355-57; John B(ago)t, "Obituary," VII (December, 1897), pp. 639-40.

¹⁸⁸ *Ibid.*

¹⁸⁹ New York: Doubleday & McClure, 1898.

Henry George, his economic theory and his economic reform program until 1914.¹⁹¹ This is perhaps best evidenced in the fact that George's name does not appear even once in a series of articles in the *Economic Journal*, at the turn of the century, on topics closely connected to his writing and reform activity.¹⁹² This academic silence on Henry George was probably based on two sets of circumstances, one intellectual and the other political. Turning first to the intellectual situation, George's contribution and stimulation to economic thinking was a product of the past. George had mastered English classical economics, but neither *Progress and Poverty* nor his posthumous work was *au courant*, for they did not reflect the "marginal" theory of neoclassicism which had been emerging to the fore since the writing of *Progress and Poverty* in 1879. Speaking of the new theory, George contended that "if it has any principles, I have been utterly unable to find them;" and speaking of Marshall, he deemed *Principles of Economics* "incomprehensible."¹⁹³ To George, the new economics which had replaced the old classical economics was a "pseudo-science."¹⁹⁴ As for the political circumstances, there was no more intense excitement associated with the name of Henry George, and "single tax" agitation had largely been subsumed under more generalized political programs.¹⁹⁵

Beginning in 1914, and continuing to the present day, there have been intermittent, but persistent, references by British economists to Henry George and his economic ideas. In the main, George has been treated as an historical figure. Interest in him and his ideas have largely centered on two aspects. The first aspect has been the historical position and merits

¹⁹⁰ See H. S. Foxwell, "Introduction" to *Right to the Whole Produce of Labour*, by Anton Menger (London: Macmillan, 1899) who wrote: "Of late years, the authority of Marx and George has greatly waned in this country" (p. ciii). See also Devas, *Political Economy* (1901) who preferred to *Progress and Poverty* as "the once famous book" (p. 523).

¹⁹¹ During this period, the only brand new work that was published in Great Britain by a professional economist that contains references to George is a translation from the Dutch, namely, N. G. Pierson, *Principles of Economics*, 2 vols. (London: Macmillan, 1902-1912; originally published in Dutch, 1896-1902), Vol. I, pp. 106-7, 306-7; Vol. II, pp. 4-6, 221, 262-63.

¹⁹² See, for example, Francis Y. Edgeworth, "The Incidence of Urban Rates," 10 (March, September, December, 1900), pp. 172-93, 340-48, 487-517; G. H. Bunden, "The Future of the Income Tax," 11 (June, 1901), pp. 157-68; G. Cassel, "The Theory of Progressive Taxation," 11 (December, 1901), pp. 481-91; Edwin Cannan, "Equity and Economy in Taxation," 11 (December 1901), pp. 469-80; C. P. Sanger, "The Report of the Local Tax Commission," 11 (September, 1901), pp. 321-33; C. F. Bickerdike, "Taxation of Site Values," 12 (December, 1902), pp. 472-84.

¹⁹³ *The Science of Political Economy*, p. 208.

¹⁹⁴ *Ibid.*

¹⁹⁵ Elwood P. Lawrence points out that in the political realm, despite the conspicuous role of the taxation of land values, George's name was ignored by the politicians of the leading parties to a significant degree. *Op. cit.*, pp. 123-24.

of his single tax scheme, particularly as it relates to the Ricardian rent theory.¹⁹⁶ The second aspect has been George's role as an economic reformer whose ideas and activities had a significant impact upon the economic thinking of the reform movements and political currents of British life.¹⁹⁷

XIII

Summary and Conclusions

THIS PAPER HAS TRACED through the reaction of British economists to Henry George, his theory and his reform scheme, and it has focused most particularly upon the response of George's British contemporary economists to the ideas expressed in *Progress and Poverty*. We have seen that most of these economists were not attracted to George's analysis for its own sake, but because George's reform ideas had roused the general public, stimulated radical currents and affected the politics of Great Britain. It is true that a few economists who were critical of the classical tradition, most particularly Leslie, Toynbee, and Wicksteed, had directly responded to George's ideas even before they had attained popular acclaim. Once George became a national figure, the professional response became widespread—so widespread that only a minority of the major contemporary economists did not discuss the Georgian concepts in print—even if briefly.¹⁹⁸

¹⁹⁶ Some writers have discussed the relationship between the Ricardian rent theory and the single tax scheme. Cf. Henry Clay, *Economics* (London: Macmillan, 1918), pp. 351–53; Hugh Dalton, *Some Aspects of the Inequality of Income in Modern Communities* (London: George Routledge, 1920), pp. 97–99; T. W. Hutchison, *A Review of Economic Doctrines, 1870–1929* (Oxford: At the Clarendon Press, 1953), pp. 125, 259; J. A. R. Marriott, *Economics and Ethics* (New York: E. P. Dutton, 1923), p. 121 and *passim*; Erich Roll, *A History of Economic Thought*, 3d ed., (New York: Prentice-Hall, 1956), pp. 422–24. Other writers have merely discussed the single tax. Cf. Robert Jones, *The Nature and First Principles of Taxation* (London: P. S. King, 1914), pp. 128–29; H. A. Silverman, *Taxation* (London: Macmillan, 1931), p. 320.

¹⁹⁷ The British economists who treat this are largely economic historians, and historians of economic thought and of socialist thought. See Max Beer, *A History of British Socialism*, 2 vols. (London: George Allen & Unwin, 1929), Vol. II, pp. 241–45, 250, 258, 275; Milton Briggs and Percy Jordan, *Economic History of England*, 3rd ed. (London: University Tutorial Press, 1934), pp. 213–14; J. H. Clapham, *An Economic History of Modern Britain* (Cambridge at the University Press, 1932), Vol. II, pp. 483–87; G. D. H. Cole, *A History of Socialist Thought, Vol. II: Marxism and Anarchism* (London: Macmillan, 1954), p. 384 and *passim*; W. H. B. Court, *A Concise Economic History of Britain from 1750 to Recent Times* (Cambridge: At the University Press, 1954), p. 273; Edward Cressy, *Outline of Industrial History* (London: Macmillan, 1915), p. 257; C. R. Fay, *Great Britain from Adam Smith to the Present Day*, 4th ed. (London: Longmans, Green, 1937), p. 391; Alexander Gray, *The Socialist Tradition* (London: Longmans, Green, 1946), pp. 384, 389; James Frederick Rees, *A Social and Industrial History of England, 1815–1918* (New York: E. P. Dutton, 1920), pp. 132–33. See also John A. Hobson, *Economics and Ethics* (New York: D. C. Heath, 1929), p. xiii.

¹⁹⁸ Most prominent among the minority of known British contemporary economists who did not appear to have any printed references to George are W. J. Ashley, C. F. Bastable, Edwin Cannan, F. Y. Edgeworth, E. C. K. Gonner, John N. Keynes, and Henry MacLeod.

When these British economists did turn their attention to *Progress and Poverty*, they tended to give many of its ideas their considered analysis, for the work contains within it a skillful formulation built upon the traditional Ricardian rent theory, and is consistent with the land reform tradition of the British economists. It is true that some of these economists evinced a certain amount of scorn for George as an economic thinker,¹⁹⁹ but others treated George with a considerable degree of professional respect.²⁰⁰ Whereas a few were concerned only with the reform program,²⁰¹ most seemed to be interested both in the reform program and in one or more parts of the theoretical economic analysis. A conspicuous number variously indicated that George's theory had a limited applicability to Great Britain because certain aspects of it were derived from the rather limited circumstances of George's experience in America, and particularly in the West.²⁰²

In this paper, George's presentation was considered from the perspective of three fundamental phases: first, his attack upon both the wages fund theory and the Malthusian population theory, and the formulation of his own substitute theories; second, his theory of the laws determining the distributional shares under both static conditions and dynamic conditions of progress; and third, his reform scheme. For each of these phases, various contemporary British economists who responded to George tended to make certain repeated critical evaluations and to hold certain common positions. As for the first phase, there was agreement with George that the wages fund theory was a defective construct, but all who responded to the point believed that George had been too extreme both in his pronouncement that wage levels were completely independent of the quantity of available capital, and that wages were not even initially advanced out of capital.²⁰³ Furthermore, those who responded to George's attack upon the Malthusian population theory tended to agree that the Malthusian formulation was not perfect, but maintained that they could not conse-

¹⁹⁹ See particularly, Marshall, *Wealth and Want*, 1st Lecture, p. 1; Rogers, *Six Centuries of Work and Wages*, p. 532; Smart, *Taxation of Land Values and the Single Tax*, p. 99.

²⁰⁰ See especially, Leslie, "Political Economy in the United States," *Essays in Political Economy*, 2nd ed. (London: Longmans, Green, 1888); Longe, *A Critical Examination of Mr. George's Progress and Poverty* (London: Simpkin and Marshall, 1883).

²⁰¹ See primarily Henry Fawcett, *Manual of Political Economy*, 6th ed.; Nicholson, *Tenant's Gain Not Landlord's Loss*.

²⁰² Cf. Devas, *Political Economy*, 2nd ed., p. 64; Leslie, "Political Economy in the United States," *loc. cit.*, p. 147; Longe, *op. cit.*, pp. 5, 29, 33-5; Rae, *Contemporary Socialism*, pp. 429-30; Rogers, *The Industrial and Commercial History of England*, p. 220; Toynbee, "Progress and Poverty, A Criticism of Mr. Henry George," Appendix to *Lectures on the Industrial Revolution in England* (London: Longmans, Green, 1902), pp. 270, 279, 281.

²⁰³ See particularly Leslie, "Political Economy in the United States," *loc. cit.*, pp. 149-152; Longe, *op. cit.*, pp. 39-41; McDonnell, *op. cit.*, pp. 61-2; Rae, *Contemporary Socialism*, pp. 409-10, 418-20.

quently accept George's conception that increases in population led to continual commensurate increases in the food supply.²⁰⁴

As for the second phase, the general focus of his professional critics was upon his *dynamic* formulation of changes in the absolute and relative shares of the three distributional recipients. A significant criticism was that George confused the relative shares of the distributional total with the absolute shares. It was argued that the mere fact that his theory purportedly demonstrated that the proportionate share of labor should fall with the progress of society did not mean that the absolute amount of wages (and interest) necessarily fell. In fact, the theory was consistent with the premise that wages (and interest) would be rising.²⁰⁵ Some writers challenged George's conclusion about increasing poverty by citing statistical data and making general observations to the effect that real absolute wages had risen during the course of the nineteenth century.²⁰⁶

The phase of *Progress and Poverty* devoted to George's reform scheme received the greatest attention from the contemporary British economists. Because George proposed that land be "nationalized" without any compensation there was some tendency to classify him as a socialist.²⁰⁷ This tendency was strengthened by the fact that during the 1880's, George had a loose alliance with various British socialists,²⁰⁸ and that the British press and the socialists assumed that George favored direct land nationalization rather than the single tax.²⁰⁹ Nevertheless, a large proportion of the

²⁰⁴ See especially Longe, *op. cit.*, pp. 16–8; Rae, *Contemporary Socialism*, pp. 410–15; Shadwell to George, January 5, 1883; Toynbee, *op. cit.*, pp. 108–09; Wicksteed to George, October 29, 1882. See also Devas, *Groundwork of Economics*, pp. 616, 616n–617n, 636–37; and Rogers, *The Industrial and Commercial History of England*, pp. 61–4 for economists who were strongly anti-Malthusian, but who did not accept George's substitute formulation of the law of population.

²⁰⁵ See Leslie, "Political Economy in the United States," *loc. cit.*, pp. 151–52; Longe, *op. cit.*, pp. 10–1; Marshall, *Principles of Economics*, p. 714; Rae, *Contemporary Socialism*, pp. 396–97.

²⁰⁶ See particularly, Leslie, "Political Economy in the United States," *loc. cit.*, p. 151; Marshall, *Wealth and Want*, 1st lecture, pp. 2–3; J. Shield Nicholson, *The Effects of Machinery on Wages*, new and revised ed. (London: Swan Sonnenschein, 1892), p. vi, Rae, *Contemporary Socialism*, pp. 390–91; Toynbee, *op. cit.*, pp. 279–81.

²⁰⁷ Cf. Devas, *Groundwork of Economics*, pp. vi, 546n; Henry Fawcett, *Manual of Political Economy*, 6th ed., pp. 279–80; Marshall, *Wealth and Want*, 1st Lecture, p. 1; MacDonnell, *op. cit.*, pp. 61–6, in a section entitled "Socialist Theories;" Nicholson, *Tenants Gain Not Landlord's Loss*, p. 77; L. L. Price, "Some Aspects of the Theory of Rent," *loc. cit.*, p. 123; Rogers, *The Industrial and Commercial History of England*, p. 160; Toynbee, *op. cit.*, p. 130. Although John Rae does not consider George to be a socialist, he has called George's contribution "The Agrarian Socialism of Henry George." See *Contemporary Socialism*, 2nd ed., rev. and enlarged (New York: Charles Scribner's Sons, 1896), pp. 380–455.

²⁰⁸ See Elwood Lawrence, "Uneasy Alliance, the Reception of Henry George by British Socialists in the Eighties," *American Journal of Economics and Sociology*, 11 (October, 1951), pp. 60–75.

²⁰⁹ See Lawrence, *Henry George in the British Isles*, p. 78.

British economists did not seem to classify George as a socialist.²¹⁰ An appreciable number agreed with the American that the land tenure system of England was defective.²¹¹ A few saw that there was some merit to the nationalization of land, particularly in new nations,²¹² but there was almost universal acceptance of the idea that nationalization in Great Britain without compensation was unjust or distasteful at the very least.²¹³ Furthermore, it was maintained by some that George's single tax plan would not accrue sufficient revenues to meet the then current expenses of government.²¹⁴ Some declared that a tax on land was unfair because business owners and capitalists often secure large gains that would remain untaxed.²¹⁵

The one major topic in George's work that received virtually no attention from these economists was his theory of depression. This theory is based on the idea that unemployment of resources is caused by the displacement of labor and capital occurring under the impact of land speculation. There are apparently two reasons for this neglect. The first is the fact that depression theory was not a prominent part of the study of those British economists operating in the classical and neo-classical tradition. The second is that the idea of large unoccupied land tracts being

²¹⁰ Hobson explicitly states that George is not a socialist. See "The Influence of Henry George in England," *loc. cit.*, p. 841. Others make no mention of the question. See, for example, Leslie, "Political Economy in the United States," *loc. cit.*; Longe, *op. cit.*; Rogers, *The Industrial and Commercial History of England*; Wicksteed, "Land Nationalization," *loc. cit.*

²¹¹ See especially Henry Fawcett, *Manual of Political Economy*, 6th ed., pp. 286–87; Leslie, *op. cit.*, p. 153; Nicholson, *Tenant's Gain Not Landlord's Loss*, p. 166; Rae, *Contemporary Socialism*, pp. 443–44; Rogers, *Six Centuries of Work and Wages*, p. 528; Wicksteed, "Land Nationalization," *loc. cit.*

²¹² See particularly, Henry Fawcett, *Manual of Political Economy*, 6th ed., pp. 280–81; Wicksteed, "Land Nationalization," *loc. cit.*, pp. 236–37. Alfred Marshall believed that it might be best for the State to sell the "usufruct" of the land for 100 years, after which the state might take the land for public purposes or resell the usufruct again. *Wealth and Want*, Lecture 3, pp. 4–5. Henry Sidgwick considered that land nationalization was theoretically defensible in an individualistic system, but he was opposed to it on the grounds that the economic disadvantages would outweigh the economic advantages. See *The Elements of Politics* (London: Macmillan, 1891), p. 141.

²¹³ Cf. Henry Fawcett, *Manual of Political Economy*, 6th ed., p. 280; Leslie to George, September 26, 1881; Rae, *Contemporary Socialism*, p. 444; Rogers, *The Economic Interpretation of History*, p. 162; Sidgwick, *The Elements of Politics*, p. 141n; Smart, *The Taxation of Land Values and the Single Tax*, pp. 109–10; Wicksteed, "Land Nationalization," *loc. cit.*, pp. 236–37.

²¹⁴ See Longe, *op. cit.*, pp. 28–9, 30–1; Marshall, *Wealth and Want*, 3rd lecture, p. 6; Nicholson, *Tenant's Gain Not Landlord's Loss*, pp. 79–82; Rae, *Contemporary Socialism*, p. 443; Smart, *The Taxation of Land Values and the Single Tax*, pp. 114–15.

²¹⁵ Cf. Devas, *Political Economy*, 2nd ed., p. 523; Henry Fawcett, *Manual of Political Economy*, p. 286; Hobson, "The Influence of Henry George in England," *loc. cit.*, p. 842; Rogers, *The Industrial and Commercial History of England*, pp. 159–160; Smart, *The Taxation of Land Values and the Single Tax*, pp. 115; Toynbee, *op. cit.*, p. 293.

bought up for speculative purposes was not applicable to British conditions. It should be noted that George's most dramatic points about poverty in the midst of progress are related to the widespread unemployment experienced during a depression.²¹⁶

In considering the impact of Henry George on his generation of British economists, it is noteworthy that he did not make any direct and positive contribution to the British economic theory that was developing and emergent during the last three decades of the 19th century. During this time, traditional English classical theory was being overthrown and a neo-classicism under the leadership of Alfred Marshall was becoming established. When *Progress and Poverty* was first issued in 1879, the unfolding neo-classicism, characterized by marginalism in production, value and distribution theory, was only dimly limned. By the end of the 19th century, neo-classicism had triumphed. By then, George was somewhat out of the mainstream of this new thinking, for he did not respond to criticism or engage in written debate with the British economists, nor did he give evidence of having read very much of the works of his contemporaries.

Nevertheless, George's ideas did have a stimulating impact upon these British contemporaries. Like other economists, he was causing the profession to re-examine the English classical doctrines. George furnished a unified theory, containing a unique and fresh perspective for British economists to react to. This was achieved in a framework that contained an admixture of theory in opposition to significant aspects of English classical concepts and of theory that upheld an important portion of English classical thinking. Thus, he opposed the gloomy Malthusian population theory, the co-ordinate niggardly law of diminishing returns, and the restrictive wages fund theory; and thus he affirmed the Ricardian rent theory. His rejection of both the Malthusian population doctrine and the law of diminishing returns led him to deny the validity of the pessimistic laws of production, for George maintained that increases in population brought more than commensurate increases in productive returns. His disavowal of the wages fund theory allowed him to tie wages to productivity. However, his acceptance of the Ricardian rent theory led him to retain the dolorous conclusions of the dynamic aspects of the English classical distribution theory, for he accepted that economic growth brought about relatively declining income shares for both labor and capital when

²¹⁶ For Henry George's discussion of his depression theory see *Progress and Poverty*, pp. 237-53. The only economist who considers the relationship between land speculation and poverty in George's theory is Toynbee, *op. cit.*, pp. 277-78. However, Toynbee does not relate this to a theory of depression.

they are compared to land. However, George averred that this dismal distributional relationship could be transformed by the imposition of a single tax on land. Thus, George transmutes an English classical economic world of restricted production, over-population and poverty into a world of plenty for labor and capital both in the sphere of production and of distribution. It should also be observed that while in English classical theory the economic interests of labor and capital are opposed, in George's theory they are harmoniously conjoined.

To a modest degree, *Progress and Poverty* played an unintended role in helping to further the establishment of British neo-classicism. Neo-classicism developed a marginal productivity theory of wages; and historically this required both the prior invalidation of the traditional wages fund theory, and the acceptance of the idea that the worker can receive the fruits of increases in productivity. In this context, it is noteworthy that through his very forceful attack upon the wages fund theory, George is one in a progression of economists in Great Britain and the United States who significantly diminished its acceptance. Furthermore, George also promoted the idea that increases in population led to increases in productivity, the fruits of which could be shared by labor and capital²¹⁷—if only his single tax scheme would be adopted.²¹⁸

George's greatest stimulus to the contemporary professional economic thinking in Great Britain was in the fields of land tenure and of land taxation. This subject matter was not central to British economic thinking, although it had a long history of the discussions of economists and political reformers. It is highly probable that the discussion of land tenure schemes and land taxation would have occurred among some of the British economists even if George and his ideas had not appeared on the scene. However, under the impetus of George's economic thinking and political agitation, a greater number of British economists were induced to consider these topics, and the discussion that ensued was much more intensive and significant.

It is noteworthy that George is second in what was to become a rapidly

²¹⁷ George's American contemporary, Francis Amasa Walker, had a much more significant impact upon British thinking both through his attack upon the wages fund theory and through his thesis that wages are directly dependent upon labor's productivity. For a discussion of Walker's impact, see Bernard Newton, *The Economics of Francis Amasa Walker: American Economics in Transition* (New York: Augustus Kelley, 1968).

²¹⁸ It should perhaps be recalled that George had an influence upon the development of American neo-classicism. John Bates Clark, the American who formulated a marginal productivity theory, has credited George with providing him with an important theoretical insight which helped him to develop that theory. See John Bates Clark, *The Distribution of Wealth* (New York: Macmillan, 1899), p. viii.

growing number of American economists who would have a conspicuous impact upon British economic discussion during the last quarter of the 19th century.²¹⁹ However, unlike the others in this group, George did not do much to further a mutual interaction between American and British economists because he did not engage in professional responses to the ideas and criticisms of British writers.

In conclusion, George's *Progress and Poverty* had a dramatic impact upon contemporary British economists. No economist accepted his total framework, and most rejected much of it. Such economists as Philip H. Wicksteed, John A. Hobson, and J. E. Symes have testified to the significant impact of George's ideas upon them. George's theory did not shape British economic theory, but his ideas were in the minds of those who did shape it. His idea of the single tax on land remained in the minds of some 20th century British economists. From the perspective of the history of economic ideas, it is significant that although the contemporary British economists had initially reacted primarily to George, the economic reformer, they found themselves contemplating George, the economic thinker, for as Joseph A. Schumpeter has stated, "George's scientific achievement . . . was not inconsiderable."²²⁰ George may have been "a self-taught economist, but he *was* an economist."²²¹

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²¹⁹ The first of these economists was Francis A. Walker, who was actually the first American academic economist to ever achieve an international reputation.

²²⁰ *Economic Doctrine and Method* (New York: Oxford University Press, 1967), p. 78.

²²¹ Joseph A. Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), p. 865.

A Strategy for Economic Development in North Carolina

MANY DEVELOPMENT ECONOMISTS stress the need for stepping up the rate of transition from agriculture to manufacturing substantially to increase per capita income and accelerate economic growth.¹ This note presents one method of promoting that transition in North Carolina, one of our less developed states.²

North Carolina ranks mainly as an agricultural state. Tobacco is the chief product. University economists in North Carolina estimate that about half the total farm workers³ could be displaced if known mechanization technology were applied generally in tobacco cultivation. This excess