

IT is very interesting to read accounts of a leading personality - life, work and evaluation - as set down by various authors. A different portrait emerges each time, though recognizable. So it has been with the American economist and philosopher, Henry George. Books have been written about him by two of his children (Henry George, Jr. and Anna George de Mille), Louis F. Post, Albert Jay Nock, and various professors - George R. Geiger, Charles A. Barker, Edward J. Rose, and now Jacob Oser, professor of economics at Utica College (New York).*

In Oser's slim volume a surprising amount of material is packed. It contains a biography of Henry George, a detailed summary of his chief work, *Progress and Poverty*, a critique of that book, outlines of his other books and ideas, and an estimate of his influence.

The biography of George is written sympathetically. Oser pays attention to some human details, such as George's adventures at sea, his wooing of Annie Fox, his relations with his wife, family and friends, as well as his activities on the larger stage of public affairs.

Oser is a little too severe in his criticism of what he calls George's "racial intolerance." As a young man in California, George did pick up some of the prejudices of the time and place and thought that Chinese immigration was reducing wages. He wrote an article on the subject and sent a copy to John Stuart Mill who responded with a long letter. Sociologically, Mill was more nearly right than George at the time in anticipating that the Chinese could be assimilated. But economically, Mill agreed that the Chinese depressed American wages, whereas George did change his mind when his ideas matured and he perceived that Chinese immigration was not the cause of low wages but rather land monopoly.

Prof. Oser gives a good summary in nineteen pages of *Progress and Poverty*, outlining book by book George's main arguments. Regrettably, he omits a summary of Book X, "The Law of Human Progress"



A New Look at Henry George

ROBERT CLANCY

which he simply says "can be foregone in this summary". In some respects this portion is the heart of George's classic, setting forth in historical perspective the philosophy of freedom which underlies the basic reform proposed by George.

Oser adds his own evaluation of *Progress and Poverty* in a separate chapter, giving George credit for refuting the wages-fund theory and for building upon Ricardo's law of rent, extending its application to all forms of production. He also approves George's measure to take the rent of land in taxation and agrees that it would stimulate production.

Then Oser proceeds to his criticisms. One is that the landlord's share of the national product is not rising and that the share of wages is not declining as George contended. But it should be noted that George dealt with *tendencies*, as natural laws do. A tendency may be counteracted by other factors, as George acknowledged, but he said that, short of basic reform, such measures would have other bad consequences. Since George's day, there has been greater recognition of the problem of poverty and low wages, and efforts have been made to give the labourer a greater share of the product. What is interesting is that despite all these efforts - notably the actions of labour unions and government programmes to equalize distribution - the share of labour has not noticeably risen in the U.S.A. as indicated by several studies; and great fortunes are

greater and more entrenched than ever.

Suppose these programmes (to say nothing of their undesirable consequences) were abolished, is Prof. Oser prepared to say that with labour at the complete mercy of the raw market under present monopoly conditions, wages would not fall?

In a country like the U.S.A., Prof. Oser feels that "landowners are not monopolists" because "there are literally millions of them ... and they are subject to competition." But the number of landowners does not change the nature of their monopoly. Each piece of land is unique and cannot be reproduced. There is only one Times Square or Piccadilly Circus. The holding of valuable land for a higher price is precisely the element that forces production out to poorer lands - a situation which Oser rightly deplors.

A good deal of attention is given to the "law of diminishing returns" by Prof. Oser who feels that George did not sufficiently take account of it,* thereby making his erroneous prediction of the continual increase of rent. According to this law, increased inputs do not indefinitely produce proportionally increased outputs. But George, in discussing a stationary population with increasing technology, pointed out that production does not merely extend to the next poorer land, but the search for more raw materials leads to a broad quest that may spread far and wide, thus leading to a further rise of rent. We need only look at the world oil situation today to see a striking example of this.

Other criticisms include George's apparent over-optimism in saying that the earth could support a thousand billion people. But serious scholars in the United Nations and elsewhere are talking in these terms. The inadequacy of the single tax as public revenue is also mentioned; however, Oser admits the force of the argument that as economic conditions improve, the vast public revenues now taken

*While George did not pay much heed to the law of diminishing returns in *Progress and Poverty*, he did so at some considerable length in his *Science of Political Economy*.

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would not so urgently be needed.

Oser also feels that George, in dwelling on the land question, did not sufficiently appreciate the power of capital. But a careful reading of *Progress and Poverty* and his other works will show that George did not close his eyes to what was going on but looked beneath the surface for underlying causes.

The balance of the book deals with the public's reception to *Progress and Poverty*, to the rest

of George's writings and activities, and then to an account of his influence. (It may be noted that Oser acknowledges that in *The Science of Political Economy*, George correctly ascribes a general applicability to the law of diminishing returns, thus being ahead of the economists of his day.)

Whatever his criticisms, Jacob Oser has shown in his book that Henry George is a great thinker that must be taken seriously, and it is hoped that this work will have some influence in that direction.

LETTERS

REDEEMING NOTES

SIR, — I am afraid that I do not think that my friend Henry Meulen (May/June issue) has really answered my argument. May I ask him two short questions?

1) When Scottish banks enjoyed freedom of note issues for 150 years, what did the notes actually say? How were they redeemed?
2) What is the difference between redeeming a pound note "in a pound's worth of gold at the current price in a free bullion market on the day when redemption is demanded" and just buying gold in the free market with pound notes?

Mr. Meulen's proposal makes nonsense of the word "redeemable".

Yours faithfully,

OLIVER SMEDLEY

Saffron Walden,
Essex

CREDIT IS NOT MONEY

SIR, — After the kind remarks made (May/June issue) by Mr. Meulen about my article on inflation, it may seem churlish not to concede the one point on which we disagree, namely, my contention that the banks can and do 'create credit'. However, it is not true to assert that banks are wholly limited to lending the money lent to them by their depositors. They can, in fact, lend much more, provided that they always ensure that the incoming revenue from their credit-loans more than covers their net outgoings from depositors' withdraw-

als. Perhaps in its extreme form this proposition will make the average banker blanch; but some banks nevertheless quite legitimately tend at times to lend more than they have on account. Even so, this should not worry Mr. Meulen unduly, because it is an expansion of credit which results, not an expansion of money; and, as I have shown in my article, the expansion of credit only brings about a redistribution of prices within the market, not an overall increase in those prices. The creation of credit consequently has no permanent disruptive effects and is, indeed, often necessary to stimulate trade. What I had hoped sufficiently to have emphasized in my article was that the creation of credit is not the same as the creation of money and that the two processes must be kept wholly distinct if society is to prosper.

Yours faithfully,

F. J. JONES

University College,
Cardiff

NOR WAS ANYONE ELSE!

AMERICAN banks have been allowed to grow too powerful and have been permitted too much freedom in investment, Mr. Henry Reuss, chairman of the Congress Banking Committee, said in Washington recently.

Some banks had found themselves with "billions of dollars in shaky loans" as a result of investing heavily in property in recent years, he said. "Banks were never intended to engage in real estate speculation."

Inflation

THE COST

A married man with three children who earns £3,000 before tax now, would need to earn £51,610 in 1985 and £513,951 in 1995 to maintain the value of his income, at an annual rate of inflation at 20 per cent.

This was stated in Parliament by Mr. Robert Sheldon, Minister of State at the Treasury.

In the same way a married man who gets £1,500 before tax, and has three children, would need to get £17,663 in 1985 and £294,069 in 1995, and one earning £5,000, £98,957 and £807,110 respectively.

To maintain the value of his income, the married man with three children, who earned £3,000 before tax in 1974 would need to earn £837 more in 1975-76.

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SCANLON AND JACK JONES POWERLESS

INFLATION is caused by a continuing surfeit of money; inflation can therefore be controlled or prevented only by striking at the source of money surfeit. It follows that all prices and incomes policies are irrelevant and futile, whether they are voluntary or compulsory.

If the surfeit of money continues, then all prices and incomes must rise accordingly, and nothing can prevent this, neither earstroking nor birthday honours nor fines nor imprisonment nor firing squad. It is automatic and inevitable: it may be dressed up by wage demands and strikes and all the fairy tales about goodies and badies.

In reality, inflation has no more to do with employers and employees, trade unions or ministries than the coming in of the tide or the rising of the sun. Hugh Scanlon and Jack Jones are alike powerless either to cause inflation or to prevent it. — Enoch Powell, in an address in Littlehampton, June 20.