

# HENRY GEORGE NEWS

VOL. 11—No. 2

DECEMBER, 1947

10¢ A COPY—\$1.00 A YEAR

## America's Only Original Economist

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FIFTY YEARS ago the only distinctively American economist to win world fame died in New York. America has forgotten him, but the world of scholarship abroad gives him a high place in the Hall of Fame. His principal work was translated into all the important languages, and sold millions of copies. Even in this country it received the transient honor of a place in the Congressional Record.

It is strange that even though America has produced eminent business leaders, it has never produced a system of economic thought. Our economics—a blend of science and nineteenth-century ethics—has been almost altogether imported from Europe. The English classicists of the eighteenth and nineteenth century, and the Austrian "marginalists," have been our teachers. Our own leading economists have merely echoed European teachings, or at best have contributed footnote commentaries. For this reason our present economic system, without our intending it, has drifted into the historic dilemma of hectic inflationary progress alternating with paralyzing deflationary employment—in Henry George's phrase, *Progress and Poverty*, the title of his chief work.

Insofar as Henry George is remembered here at all, he is remembered as an exponent of the so-called "single tax." The term implies a tax on land representing normal interest on its capitalized value. It was based on the Jeffersonian theory that "the earth is given as a common stock for man to labor and live on."

This theory of equal rights in the use of land is one of the oldest ethical concepts of history. It was held by the Hebrew prophets, and in somewhat modified form by classic and medieval philosophers. In an expanded form it was woven into Adam Smith's theory of small business. Hence merely in respect to the single tax, Henry George seems to have little pertinence in these days of world markets, high finance, corporations, and other forms of centralized business control. He seems to violate the truth that religious symbolism since the days of St. Augustine has clearly expressed: a man cannot return to the idyllic simplicity of a frontier Eden, but must look forward to a visioned Eternal City; in the poet's language, the "patriot's dream" of "alabaster cities . . . undimmed by human tears."

But Henry George is well worth remembering as a stimulus to American thinking. For nothing is clearer than that action and theory belong together in business and politics just as much as in chemistry and physics. . . .

If we wish to understand the philosophy of Henry George, we must ignore the single tax panacea. His thought went far beyond this, and if his whole philosophy is understood, one can see why he emphasized land rent as the initial form of taxation. What he really attempted was



a philosophy of history from the Christian point of view. His view of history is not unique but he gives it an optimistic coloring where others, such as Brooks Adams, succumbed to a pessimistic view.

As Henry George saw it, civilization began when land passed into private ownership without recognition of the nature of land rent. This, as George thought, was the economic aspect of the "fall of man"—not private ownership, but rather the failure to recognize the potential privilege of absentee ownership. He saw that in the usual operation of markets, land rent and derived capitalized real properties absorbed from a fourth to a half of the product of industry, and constituted a natural form of taxation, which became the perquisites of hereditary wealth. What he did not clearly recognize, however, was that such rent, at least in an accounting sense, is essential in an efficiently organized economy; and that, moreover, it has been the chief source of the savings devoted to new capital. Hence as an economic fact it cannot be treated lightly. . . .

George explained the rise and fall of empires in terms of man's failure to understand the nature of economic law. As trade expanded and centers of coordination arose, capital was consolidated in the hands of monopolistic ruling classes. The complexity of markets created insuperable difficulties which led to booms and depressions, as today. Depressions stimulated revolt, or wars of aggression. Then the wealthy nobility became warlords, or were supplanted by brutal usurpers. The Hitler episode is a typical modern illustration of this trend.

In George's view, as a consequence of distorted markets, the masses fell into slavery or servitude, and toiled chiefly for the benefit of others. Thus the ancient empires generally passed through periods of free enterprise, and

matured into systems of centralized administration by financial and military power. Even benevolent monarchs could do little, since the masses increased beyond the apparent capacity of the country to care for them, as in the Orient today. And when vice and luxury limited reproduction, family life decayed, and the nation with it. The "strait and narrow way" that avoids extremes and maintains a progressive balance has always been hard to find.

So the early empires passed through the free-enterprise stage, only to mature and decline with the misused concentration of wealth. But on favorable frontiers trade again expanded, taking advantage of the culture developed in the old centers. The new nations thus initiated grew to a commanding stature before they in turn decayed. Thus Persia displaced Babylon, Greece displaced Persia, Rome displaced Greece, and England similarly expanded into the wide frontiers of a New World. New America—the latest favorable frontier—has surpassed them all in commerce and war. Here, Henry George hoped, true freedom would at last be organized.

It is clear that George has not made a direct contribution to the solution of the problem of poverty and war, but he has done something toward a statement of the problem. We may object to calling the income of capitalized natural resources, as developed by corporations, a form of taxation. But at least such income has facilitated progress, even though it ultimately may mature privilege because, in the upper levels, it stresses aristocratic cooperation rather than competition. Obviously the real problem lies only indirectly in the details of organization and taxation. It lies chiefly in the subordination of all—rulers and ruler alike—to reason and conscience.

We are in a tragic crisis of history brought on by the expansion of trade far in advance of the financial and political means of its coordination. We have been betrayed by the superstition that the "law of supply and demand" will take care of us if we merely follow our selfish interests in the market. Consequently we have developed the material sciences far beyond the reach of our ethical and spiritual understanding. Our capacity for organizing destruction has outdistanced our mastery of the ways of peace. Let us hope that Henry George was right in his expectation that under the guidance of Truth a new age of peace and goodwill eventually will dawn.

In that case America's only original economist may have suggested the direction of our quest. Perhaps under adequate leadership American corporate finance, with its recognized right of quasi "taxation"—as Henry George implies—may become a potent factor in a unified world civilization.