

Evaluation of Ideas

by DAVID SKLAR

In "Henry George Revisited" (May HGN) Godfrey P. Orleans says, "On the Georgian view, the problems of poverty, inflation, unemployment, urban deterioration and others might be solved by the simple act of removing the control of land from the private sector of the economy."

This is not what George proposed. Before stating what he *did* propose, it is necessary to expose the source of Mr. Orleans' misinterpretation. The use of the terms "private and public sector" have caused much mischief since they came into vogue. By this terminology, if five families owned most of the land of a nation we would say that land was in the hands of the private sector. We would say the land of a nation was held by the public sector if its title was vested in the government. The effect is the same in both cases: control of the land of a nation by a few of its citizens.

George proposed a tax on land values as a means of breaking the monopoly in land. This is the essential point. This would take control of the land out of the hands of the few and make it accessible to all. It would indeed "at once deter speculative trading in land" because a tax on land values would take the profit out of land speculation.

It is true that in many respects "the conclusions reached by Henry George were quite the opposite of those reached by his contemporaries." But Mr. Orleans' example does not illustrate this. George agreed "that since supply was itself an expression of demand there could never be overproduction." George did not as stated, believe "that supply was itself an expression of a demand for less than that which was supplied," and he certainly did not conclude that this caused "a trend towards economic depression." George did say (p. 270-1, *Progress and Poverty*) that "the supply of labor cannot be too great, nor the demand for labor too small, when people suffer for the lack of things that labor produces. The real trouble must be that supply is somehow prevented from satisfying demand, that somewhere is an obstacle which prevents labor from producing the things laborers want . . . and that obstacle, it is clear, is the speculative advance in rent, or the value of land, . . ."

Mr. Orleans says that the reasoning on which George's solution is based "is open to question," but he neither examines George's reasoning nor opens it to question. The fact that many volumes have been written on money does not prove that it is more than a mere medium of exchange and measure of value, "having no value in itself." Further-

more to say there is a fallacy in the argument that the supply of land is fixed," is itself a fallacy.

Mr. Orleans' statement that "any increase in the total rental value of land must be due to an increase in total income, and must therefore correspond to increases in total wages and total interest" is not true. The very reverse is true. The increase in total income increases the total value of land without a corresponding increase in total wages or interest. This fact and this alone explains why the tremendous increase in productive power of the past hundred years has not resulted in the elimination of large-scale poverty—has not even lessened it—has actually given it a more desperate aspect which now threatens the very survival of our society.

That Henry George propounded a theory of the economic cycle when his orthodox contemporaries denied that the economic cycle could even exist!" is a misstatement. George's contemporaries and predecessors had numerous theories of the economic cycle, several of which George comments on in *Progress and Poverty*. It is also a misstatement of fact to say that Keynes offered the first generally accepted explanation of the economic cycle. The overproduction theory was one of a number that was generally accepted before Keynes, is still widely believed, and is to be found in current textbooks.

The term "liquidity preference" is not applicable to land. It may be suitable to monetary theory jargon but not to political economy. Rather than say that George "failed to express the problem clearly . . . because the problem could not be expressed in the economic language of his time. . ." we should say that he *was* able to express the problem clearly because he was *not* hampered by the vague language of the current economists, a jargon designed to confuse rather than clarify.



More is given to us than to any people at any time before; and, therefore, more is required of us. We are making enormous advances on material lines. It is necessary that we commensurately advance on moral lines. Civilization, as it progresses, requires a higher conscience, a keener sense of justice, a warmer brotherhood, a wider, loftier, truer public spirit. Civilization cannot be maintained on the ethics of savagery.

Henry George in Social Problems



In this my last issue of HGN I wish to express my appreciation and gratitude to all our contributors who, in the spirit of Henry George, have helped so graciously by sharing their views and their time and effort through the years.

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