

HENRY GEORGE: THE SACRAMENTO YEARS

The author of *Progress and Poverty* continues to have an impact on economic and social philosophy.

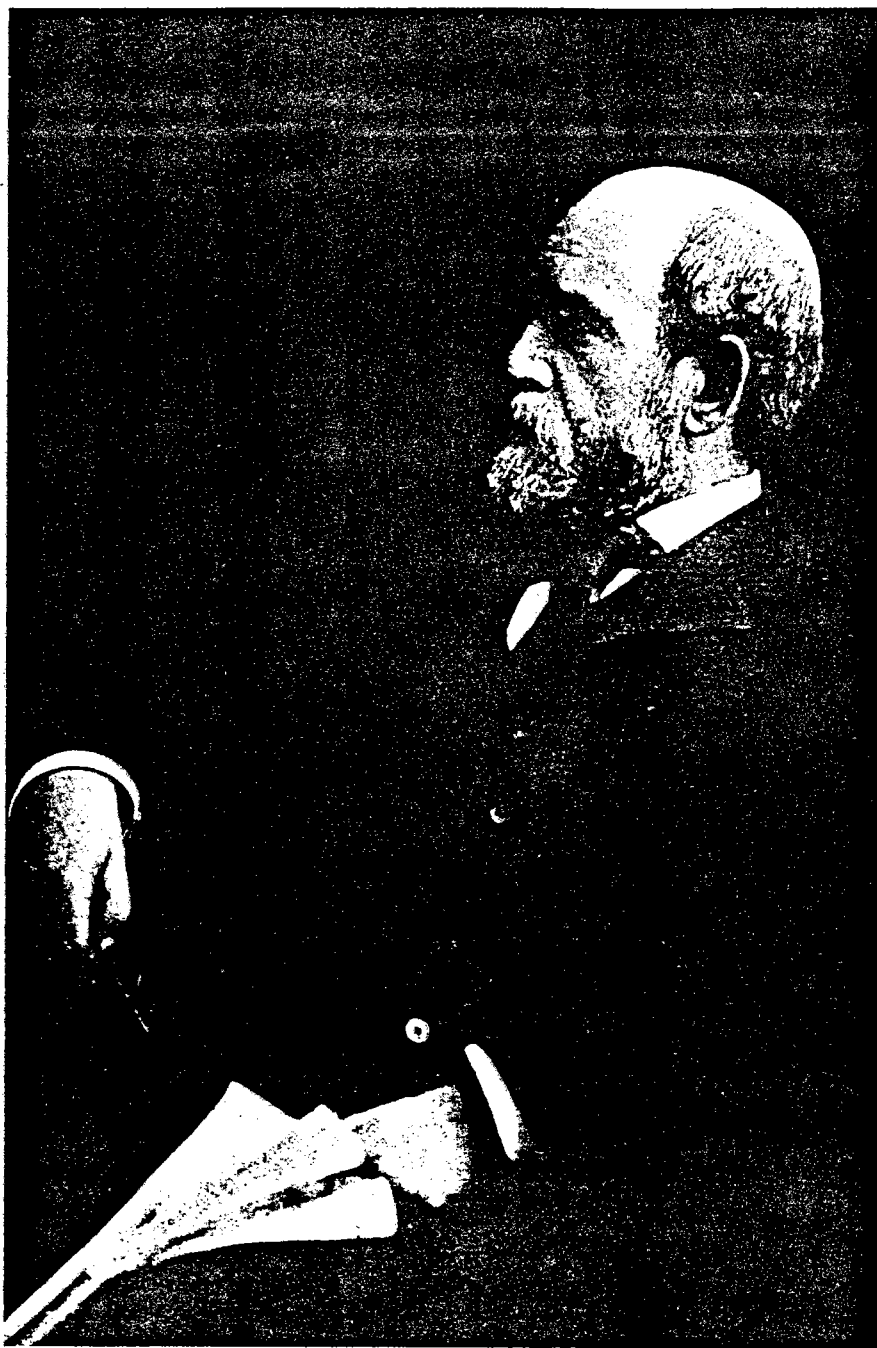
BY WILLARD THOMPSON

THE SACRAMENTO OF EARLY 1862 was a teeming waterfront with impressive buildings and a railroad, hugged by a green belt festooned with camellias and roses. Victor over trial by flood, fire and disease, the new city rested securely as the seat of state government and as the crossroads of California.

Newcomers kept pouring into town bringing marvelous innovations, such as coast-to-coast telegraph service and gas lights. There were plans for a horse-drawn street railway down K Street, which would turn south on 11th to the north door of the new state Capitol. But, perhaps of more lasting importance than things seen, Sacramento gave refuge to a budding, world-class philosopher. His name was Henry George, a 22-year-old journeyman printer from Philadelphia and the future author of the American classic, *Progress and Poverty*.

In a sense, few had less reason for aspiring to fame. Born to a middle-class family that lived a stone's throw from Independence Hall, Henry George ducked out of high school at 14 to work for \$2 a week as a flunky for a china and glass dealer. Then, to the consternation of his parents, he sailed off to Australia and India, where he spent a year as a foremast boy on the sailing ship *Hindoo*. He returned home with a mind full of adventures and a pocketful of nothing and settled down long enough to learn typesetting before taking off for San Francisco. Once there, after a vain try at seeking gold, George found work setting type and became a partner in *The Evening Journal*, which went out of business because of credit problems. Though down to his last coin, he talked the bright and elfin Annie Fox into marriage, and the two of them went to Sacramento, where he would substitute as a typesetter at *The Sacramento Daily Union*.

Historian Willard Thompson last wrote the "Prince of Sacramento" in the September issue.



World-class philosopher Henry George.

But, in another sense, Henry George's seemingly impulsive antics helped to give him a special kind of preparation for what would later become his life's work. By bouncing back and forth as he did between want and plenty, George was no stranger to poverty—something he might

not have experienced had he completed high school and gone on to fine-tune his mind in the classics at the University of Pennsylvania or nearby Rutgers. "Thank goodness," he is quoted as saying some years later after reading Adam Smith, Thomas Malthus, David Ricardo, John

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Stuart Mill and others, "I did a good deal of thinking before doing much reading."

And, while his detractors criticize what they call his "oversimplified solutions to complex problems," his followers rank him with Thomas Paine, Adam Smith, and Plato as one of the world's great thinkers. The Henry George School of Social Science, with its branches in major cities, including Sacramento, teaches his theories of land value tax and encourages lawmakers to apply them. Professors of economics and sociology deal with Henry George in their university and college classes in one way or another.

IN December of 1861, newlyweds Henry and Annie George, with nothing but a promise of some substitute work, stepped off the steamboat at the K Street Landing and found lodging at A. J. Senatz' City Hotel, a kind of boarding house upstairs over some retail stores at 73-75 K, around the corner from the *Union* office, a three-story building on the east side of 3rd, north of K Street.

With weekly wages of \$40, the Georges felt delicious pangs of new-found prosperity. They rented a four-room house with a garden for \$8 per month at 163 N Street (between 4th and 5th), three blocks from the S. C. Fogus home at 8th and N, which Governor and Mrs. Leland Stanford had just purchased and were rebuilding into a 45-room mansion.

The young couple could walk down to 10th Street and watch bricklayers shape the walls of the new state Capitol; and, since Henry enjoyed skating as a boy and Annie loved to dance, it reasons that they probably skated and danced on the huge floor of the Sacramento Pavilion at 6th and M Streets, the exhibit and entertainment building of the California State Fair. They also borrowed a small boat and Henry taught his bride how to sail it on the Sacramento River. Later he spent hours reading poetry to Annie as they awaited the advent of Henry, Jr., a healthy red-headed future congressman who was born on November 2, 1862.

As a newly prosperous man, George puzzled over the question: Why should a journeyman typesetter who earns only \$9.50 per week in Philadelphia be worth \$40 for the same work in Sacramento? The question lingered, but for the moment he put it aside. *The Union*, at the time, was big business with a circulation of over 20,000 (including the weekly edition) in a city of 11,191. A Sacramento newspaper of comparable size today would print around two million copies. As a member of Typographical Union No. 46, he ranked a cut above other workers of like training and experience. And, rather than joining the other restless young men who were scouting the hills for gold, Henry George took a fling at investing in gold-

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mining stocks. He lost at least \$462.50 in the venture. Still, he didn't suffer greatly.

The couple's comforts continued to surpass their expectations for more than a year. Then that old impetuous nature that made him quit school, go off to sea and drift from job to job reasserted itself. Henry George argued with his foreman at *The Union* and quit his job in a huff.

And so the cycle repeated itself. Once again George was jobless and back in San Francisco. But this time he had a family to support. They suffered incredible poverty and hardship, and soon there was the birth of a second child. Desperate, Henry George canvassed door to door selling newspaper subscriptions, clothes wringers, and job printing on commission. Typesetting assignments were few and far between. "Why," he asked himself, "does progress have its twin in poverty?"

The question led him to begin to organize his ideas. He put them down on paper in small, neat handwriting—and was occasionally able to sell an editorial. The precepts that later made him famous were beginning to take shape; but the young family almost starved before fortune smiled again. Then a one-year contract to do typesetting for the State Printing Office allowed the Georges, in 1864, to return to Sacramento. This time they rented a more spacious house at 104 P Street, where a close neighbor was John Timmins, the foreman who had "fired" him from *The Union*. Nearby was the new James McClatchy residence and the B. F. Hastings mansion, which now stands as an annex to the Crocker Art Museum.

Sacramento then, like Sacramento today, was a haven for bright young people with dreams. They came, as they still come, seeking a refuge where they can test their abilities and interests. They find themselves among stimulating neighbors in a place where they can relax, study, refine their strengths and prepare for crowning achievements—inevitably somewhere else. Few noteworthy men and women die and are buried in Sacramento. But many have paused here on the way to other places.

A rest stop on the road to fame, Sacramento is an incubator for budding personalities like Henry George, who eased himself into local societies such as the National Guard and the Independent Order of Odd Fellows. However, it was the Sacramento Lyceum, a debating society much like the Toastmasters Club of today, that had the greatest impact on his life; and his neighbor, James McClatchy, who opened a door of opportunity that led him into the distinguished circle of California newspaper editors.

Prior to one day in 1865 it had never occurred to George that he would stray from the party of Abraham Lincoln and

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the protective tariff. Then one night at the Sacramento Lyceum, in the heat of debate on the tariff, it dawned on him that trade barriers isolate countries from one another, making them adversaries rather than friends. A man who wanted to promote harmony instead of rivalry among nations, he became a free-trader who was against protective tariffs. Thus he moved a giant step closer to the core of his ingenious, new economic philosophy.

Although still merely a typesetter, Henry George showed such promise as a thinker, writer and speaker that, when James McClatchy moved to San Francisco as editor of the newly formed *Times*, he took George along as a reporter. Several weeks later McClatchy clashed with the owners of the newspaper and returned home to *The Sacramento Daily Bee*. George decided to remain in San Francisco with *The Times*, where he became managing editor. Later he became editor of *The Oakland Transcript*.

During his third and last stint in Sacramento in 1868, Henry George became a partner with former Governor John Bigler and edited *The Sacramento Reporter*. George and Bigler hoped to help put Governor Henry H. Haight in the White House. Their plans fell through after they editorialized against the powerful Central Pacific Railroad. In retaliation, the railroad surreptitiously purchased *The Reporter* and closed it. The move also ended the presidential aspirations of Governor Haight. The seed of George's influence, however, still managed to sprout, and the next governor, Newton Booth, was opposed to the railroad monopolies.

Nine months after they arrived, the Georges once again left Sacramento for San Francisco, but this time Henry's career was on track and they had enough money to live comfortably. His incubation completed, the young thinker hatched out and faced the world. At 29, in what proved to be the high noon of his life, Henry George was eloquent in both pen and voice and committed to his cause.

He became not only a leading thinker and economist, but a social reformer. He died in 1897 in New York City. California historian Kevin Starr likened him to Jeremiah, a prophet rebuking Californians for despoiling the land of milk and honey by allowing the railroads and a few old families to gobble up 20 million acres of precious land, thereby preventing pioneers from homesteading as they had in the Midwest. (California settlers had to either make what arrangements they could with absentee landlords or "squat" on land in defiance of the law.)

IN brief, the kernel of Henry George's philosophy as presented in *Progress and Poverty* was:

1. That land, like air and water, is a gift of nature not to be held in hostage by absentee owners—but to be accessible to those who need it.

2. That land value is generated by the population. Whatever "rent" it produces belongs to the community and should be used for the common good.

3. That a tax equal to the rental value of land would yield enough revenue to pay the cost of government and eliminate the need for taxing buildings, personal property, business, income and such.

4. That poverty increases and wages diminish when absentee landowners extract rent and speculators "hold out" land that is needed for the orderly development of the community. That's why, George deduced, printers in Philadelphia earned less than printers in Sacramento.

The contemporary followers of Henry George want higher taxes on land in order to discourage speculation and to funnel the unearned income of rising land values into public, rather than private, coffers. They believe that higher taxes on land could produce more revenues less painfully than the existing property tax system. They look forward to eventually eliminating other property and business taxes. They feel that a city, free from the grip of land speculators, grows in a more orderly fashion out from its center, in-

stead of leapfrogging, and would provide better, lower-cost public services.

But can it work that way in practice? Because George's land value tax concept touches the very roots of our economic system, not even the most revolutionary leaders opt to toss the old out for the new. Still, many communities—particularly in Australia and New Zealand—have successfully eased into a form of land value tax through a two-rate tax system which gradually raises taxes on land and lowers them on buildings. The theory has been gaining strength in many parts of the world.

The most recent evidence in favor of his theory comes from Pennsylvania, where two-rate or incentive taxation is being tried and appears to be gaining momentum. According to Gurney Breckenfeld, writing in *Fortune Magazine*, the city of Pittsburgh, its finances in shambles in 1911, instituted a split-tax law that enabled the shifting of the tax burden to the land, gradually increasing or decreasing the amount over the years. In 1980 the city fathers, confident after 69 years of success with this method, called a three-year tax exemption on all new buildings. The construction rate soared 600 percent in one year. Other cities—like Scranton, Harrisburg, McKeesport, Duquesne and New Castle—have also implemented two-

rate tax systems. They are prospering while surrounding towns are not.

And so the specter of Henry George continues to influence social leaders and lawmakers. During the last 20 years more than 1,000 Sacramentans, including some well-known and respected names, have studied *Progress and Poverty* through the local branch of The Henry George School of Social Science. Many have related these teachings to local social and economic problems. Who knows how much his ideas, the very ideas incubated so long ago in Sacramento, have impacted local social and economic problems? ■




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