

### Chapter 3




Henry George

## The Central Truth - Land and Liberty -

One of the most eloquent descriptions of political economy and social analysis ever produced was written over one hundred years ago by the San Francisco philosopher and economist Henry George. Henry George's world-renowned book was entitled *Progress and Poverty* and was subtitled *An Inquiry Into the Cause of Industrial Depressions and of Increase of Want With Increase off Wealth... The Remedy*. The book was a major comment on the morality and ethics of economic distribution and justice—it touched the roots of world order and spanned all time. "Unless," George said, "its foundations be laid in justice, the social structure cannot stand."

Indeed *Progress and Poverty* has been recognized as one of the great books of world literature. In 1979 New York choreographer Agnes de Mille wrote about her grandfather. She said:<sup>1</sup>

"A hundred years ago a young unknown printer in San Francisco wrote a book called *Progress and Poverty*. He wrote after his daily working hours, in the only leisure open to him for writing. He had no real training in political economy. Indeed he had stopped schooling in the seventh grade in his native Philadelphia, and shipped before the mast as a cabin boy, making a complete voyage around the world. Three years later, he was halfway through a second voyage as able seaman when he left the ship in San Francisco and went to work as a journeyman printer. After that he took whatever honest job came to hand. All he knew of economics were the basic rules of Adam Smith, David Ricardo, and other economists.



George was endowed for his job. He was curious and he was alertly attentive to all that went on around him. He had the rarest of all attributes in the scholar and historian--that gift without which all education is useless. He had mother wit. He read what he needed to read, and he understood what he read. What is more, he saw what was before his eyes, exactly, with the clear vision of an artist and the appraisal of a scientist. And he was fortunate. He lived and worked in a rapidly developing society in which his environment changed daily. George had the unique opportunity of studying the formation of a civilization--the change of an encampment into a thriving metropolis. He saw a city of tents and mud change into a fine town of paved streets and decent housing, with tramways and buses. And as he saw the beginning of wealth, he noted the first appearance of pauperism. He saw the coming of the first beggars the West had ever known in its entire history. He saw degradation forming as he saw the advent of leisure and affluence. It was his personal characteristic that he felt compelled to discover why they arose concurrently.

The result of his inquiry, *Progress and Poverty*, is written simply, but so beautifully that it has been compared to the very greatest works of the English language. Indeed, there are pages that cannot be bettered for eloquence, for sparkling imagery, and for sound--that lovely poetic sound of the English language beautifully spoken. He always had this superb gift. His sea-log at fourteen compares with the style of Joseph Conrad."

The writing of *Progress and Poverty* was begun in August of 1877 and finished after a year and seven months of intense labor. After penning the last page of *Progress And Poverty*, in the dead of night at his home on Second Street in San Francisco, Henry George experienced a profound sense of accomplishment and relief. It is recorded that he wept. He had kept his vow. The rest was

in the Master's hands. And the results came quickly as New York publisher, D. Appleton & Co., agreed to publish the book. Soon *Progress and Poverty* was known internationally. In the eighteen years following the publication of *Progress and Poverty*, Mr. George lectured widely both in the United States and in Europe, generating world-wide attention and receiving broad acclaim. In 1897 Mr. George ran as a candidate for mayor of New York City but died during the campaign. His eulogy was delivered by Dr. Edward McGlynn, former rector of St. Stephen's Catholic Church in lower Manhattan. His funeral was compared to that of Lincoln, with perhaps 100,000 people lining the funeral procession to Greenwood Cemetery in Brooklyn.<sup>2</sup> To date some 5 million copies of *Progress and Poverty* and related materials, in many languages, have been circulated.

Henry George was an advocate of free market capitalism and regarded capitalism as the greatest wealth-creating and socially beneficent economic system ever devised. However, Mr. George was concerned that capitalism could be subverted. His concern was with monopoly capitalism. He maintained that individuals, particularly of the laboring class, could be subverted by the land monopoly.\*\* This conclusion proceeded from his belief in the ethical premise that all men have an equal right to access the earth and its resources. Mr. George saw that the community at large, by industry and thrift and general association, created a nation's land values—but private ownership of these natural resources creates special privileges, which are unwarranted and are socially debilitating. Individuals appropriate the nation's land values and speculate in land which drives down real wages and returns to capital. Yet the burden of taxation, for the maintenance of government functions, is placed on capital and labor sources which further depresses them. And he saw this causal privilege imbalance associated with private land ownership as the root cause of rich versus poor, a fundamental human injustice and primary ethical violation of the rights of man.

Mr. George also observed that demand for land would increase as industrialization matured--the increased demand for land would push land utilization to less desirable and less productive sites.<sup>3</sup>

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\*\* Monopoly capitalism can also be subverted by excesses of fractional banking which exacerbate monopoly capitalism's vulnerabilities. The reaction to evident excesses can be socialism, which is a misguided attempt to correct or moderate these excesses. Ultimately socialism fails. See *Democracy Versus Socialism* by Max Hirsch. ([Schalkenbach.org](http://Schalkenbach.org))



Following the analysis of the English economist David Ricardo's the 'Iron Law of Wages,' he saw that as more land was absorbed in usage and speculation, the general wage level for labor would be negatively impacted--it would decline. This is the effect that follows land utilization moving to less productive sites, as it is this movement that causes a decrease in the return to labor over the entire wage spectrum. This happens because the return to labor on the remaining accessible free sites lessens which reduces the base wage level. The base wage is the return an individual could obtain working for himself on a free good--a free resource. And this is recognized as the economic phenomena which establishes the general range of wages for all labor, even on more productive sites (See illustrative graph on page 13). Thus, as the industrial revolution ages and land utilization is extended to less productive sites, the laborers' percentage share of the increased productivity declines. This labor wage decline occurs even in the midst of advancing industrialization and improvements in the arts of production. It is this adverse condition of labor which presents a major social problem for industrialized countries. (It is also the reason many third-world countries have a low wage rate.)

He also predicted that as land values continued to increase, a point would be reached when economic land rent was so mis-aligned with the other factors that capital and labor could no longer support the inflated price level and would cease further cooperation in production. When this point is reached, the result will be a general decline, a stoppage of the economic process, until primary factor costs can be realistically re-aligned to again allow productive cooperation and a profitable return to all economic factors. In this scenario, a world paroxysm, a paralysis, will grip society until the inflated land values deflate. Mr. George saw this phenomenon as a tendency to an unavoidable industrial depression. This was seen not as a short-term economic cycle, but as a major long-term phenomena. The industrial depression of which he spoke had the potential of changing an era and having significant effects on world society and national cultures--it could be socially debilitating. (A more detailed analysis of land as it relates to economic cycles can be found at the [Schalkenbach library](#).)<sup>4</sup>

Henry George proposed a remedy. He proposed taxing the increasing land values, or the rent of land, while at the same time decreasing the taxes applied to capital and to labor. The tax on land values (LVT-Land Value Tax) would fund necessary (legitimate) government services.<sup>5</sup> The

decrease of taxes on capital and labor would increase demand and drive industrial production. The periodic tendency to industrial depressions would thus be moderated or avoided altogether, and labors' share of productivity gains and employment would be maintained.

The three-factor assumptions of Mr. George's economic analysis in *Progress and Poverty* regarding land, labor and capital and their interrelationships were simple and straightforward. And they still remain cogent over a hundred years after they were written. George's moral arguments had the nature of overriding eternal truths which go to the root of the social order, and they were both profound and eloquent. Today his claims remain valid, forceful, and resound as moral social imperatives. In this George was neither politically right or left but rather articulated an ideology of the radical center. And the assertions Henry George made have never been successfully refuted.<sup>6</sup>

Since the writing of *Progress and Poverty*, the reviews of George's writings have been superlative. Dr. John Dewey of Columbia University wrote regarding Henry George:

"Henry George is one of the great names among the world's social philosophers. It would require less than the fingers of the two hands to enumerate those who, from Plato down, rank with him.... No man, no graduate of a higher educational institution has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great American thinker."

Others also added their tributes to Henry George:

Professor Eric Goldman, Princeton University

"For some years prior to 1952, I was working on a history of American reform and over and over again my research ran into this fact. An enormous number of men and women, strikingly different people, men and women who were to lead twentieth century America in a dozen fields of humane activity, wrote or told someone that their whole thinking had been redirected by reading *Progress and Poverty* in their formative years. In this respect no other book came anywhere near comparable influence, and I would like to add this word of tribute to a volume which magically catalyzed the best yearnings of our grandfathers and fathers."

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