

# *Progress and Poverty's Continuing Challenge*

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## *Progress and Poverty's Continuing Challenge\**

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HENRY GEORGE IS CONSIDERED one of the most influential of American economists. In his book *Progress and Poverty* (1879), he demonstrated that monopoly and privilege are at the roots of the economic and social problems that persist in spite of the advanced technology of our day, as they have been in every society in which they appeared.<sup>1</sup>

During his life he lectured extensively in the United States and Great Britain and wrote numerous articles, pamphlets and books concerning his social and economic principles and their application. George's influence may also be traced to Australia, China, Canada, Denmark and Germany. His first and most important book, *Progress and Poverty*, has been translated and is currently available in at least nine foreign languages. Theodore Roosevelt and Woodrow Wilson were among many who expressed high regard for Henry George and his work. Leo Tolstoy is quoted as saying that

People do not argue with the teaching of George; they simply do not know it. And it is impossible to do otherwise with his teaching, for he who becomes acquainted with it cannot but agree.<sup>2</sup>

Henry George was born in Philadelphia on September 2, 1839, the son of middle-class, first generation Americans of Scottish and English descent. George's informal education ended early in his life and his thought and its logic were developed almost exclusively through his own observations and experiences—on a voyage around the world, in mining camps and print shops, and in such cities as San Francisco, New York and Philadelphia. And it was only after he had formulated his ideas that he turned to the work of others to complete and fortify his argument.<sup>3</sup>

\* I am grateful to Thomas F. Bergin, Calvin Woodard and John H. Moore of the University of Virginia for their helpful discussion on this topic. Needless to say, however, responsibility for the views expressed is my own.

<sup>1</sup> Nicholas Murray Butler has pointed out that this teaching has passed into economic theory everywhere. Commencement address, Columbia University, June 2, 1931 (New York: Columbia University, Office of the Secretary, 1931).

<sup>2</sup> Harry G. Brown, editor, *Significant Paragraphs From Henry George's Progress and Poverty* (New York: Schalkenbach Foundation, 1931), p. 81.

<sup>3</sup> See, V. Webster Johnson and Raleigh Barlowe, *Land Problems and Policies* (New York: McGraw-Hill Publishing Co., 1954), p. 317.

The basic ideas of Henry George were contained in the thought of John Locke in his treatment of the doctrine of natural rights and the idea that the right of property is justified only by personal labor; by the physiocrats of France, who proposed the *impôt unique* to appropriate a substantial part of the net product of land; and by a number of pamphleteers of the 18th and 19th centuries, including Thomas Spence in a 1793 pamphlet,

It might be noted, although there are those who would deny it, that the problem of *individual existence* for the majority has not changed much from the time of George's work. Further, since George drew largely from the circumstances of life as he knew and observed them, *Progress and Poverty* is as relevant today as the day it was written.

The thought of *Progress and Poverty* is of sufficient scope to qualify as an economic philosophy and some instances of ready acceptance of George's philosophy, particularly in the United States can be shown (as in the adoption of the anti-trust laws). However, his work and its most specific proposals stir great resistance and controversy. Even those who consider his proposals must finally reject them on some illogical ground or forfeit their standing as economists. There is nothing so implacable as ideological enmities which breed impatience even with logic. George was himself aware of this and recognized the possibility that the political economics of *Progress and Poverty* would not find ready acceptance and he clearly showed his lack of optimism when he wrote:

The truth that I have tried to make clear will not find easy acceptance. If that could be, it would have been accepted long ago. . . .

Will it at length prevail? Ultimately, yes. But in our own times, or in times of which any memory of us remains, who shall say?<sup>4</sup>

If Henry George exposed to view the truth of political economics in 1879, we should expect that at least ninety years later it would be generally accepted. Particularly we should expect this acceptance by a society supposedly dedicated in all things to truth and justice. Since such is not the case it must be concluded that either Henry George did not discover the truth he thought he had or else the arguments and those forces that are able to keep that truth obscured have been powerful indeed!

## I

### The Philosophy of *Progress and Poverty*

THE MAJOR THESIS of *Progress and Poverty* begins in the introduction with Henry George's paradox which he had already presented in articles, editorials and speeches:

This association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social, and political difficulties that perplex the world, and with which statesmanship and philan-

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*The Real Right of Man*, William Ogilvie in *Essay on the Right of Property in Land* (1782), Thomas Paine in *Agrarian Justice* (1797), Patrick Dove in the *Theory of Human Progression* (1850), and some land reformers in America from 1840 to 1860.

<sup>4</sup> Henry George, *Progress and Poverty* (New York: The Schalkenbach Foundation, 1929), p. 556.

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thropy and education grapple in vain . . . not to answer is to be destroyed. So long as all the increased wealth which modern progress brings goes to build up great fortunes, to increase luxury and make sharper the contrast between the House of Have and the House of Want, progress is not real and cannot be permanent. The reaction must come.<sup>5</sup>

The study of political economics has failed to yield the answer to the problem of man's failure to deal justly with one another. This problem leads to poverty, depressions, and insecurity. And political economics has failed to resolve the problem because it is based on a series of dogmas rather than on scientific findings. George presents his first principles as scientifically deductible and empirically observable truths of the highest sanction (natural law), fundamental and recognizable to all.<sup>6</sup>

The economic structure of the book is largely based on the much-used Benthamite pleasure-pain doctrine; ". . . the law that is to political economy what the law of gravitation is to physics—that men seek to gratify their desires with the least exertion."<sup>7</sup> The reform reasoning has its basis in George's own religious, moral and democratic ideas which, because he is a reformer as well as an economist, creates a serious conflict between his two principles concerning the nature of man.<sup>8</sup> It is here that Henry George meets and, in the final analysis, refuses to accept an either/or position where freedom and equality are concerned, but instead proposes his own resolution of the antithesis. It is also here that George may be placed in juxtaposition with Thomas Jefferson who, in affirming the best government to be that which governs least, proclaimed himself an individualist and accepted the economic theory of *laissez faire*. But George also held that the welfare of the whole is the proper purpose of the State with government authority curtailing the activities of the individual for the common good. Jefferson had no solution to the antithesis, but believed that a people "enlightened" by education could be entrusted with the full powers of democracy.<sup>9</sup>

The arrangement of *Progress and Poverty* accommodates this duality in two separable chains of thought which are interdependent. Charles Albro Barker labels these two sides of George's argument his "economic syllogism" and "moral sequence" each of which is divisible into three parts. The economic syllogism consists of these propositions: (1) that rent—an increment of monopoly not earned by individuals—always and

<sup>5</sup> *Ibid.*, p. 10.

<sup>6</sup> *Ibid.*, p. 11-12.

<sup>7</sup> *Ibid.*, p. 204.

<sup>8</sup> Charles Albro Barker, *Henry George* (New York: Oxford University Press, 1955), p. 268.

<sup>9</sup> Max Beloff, *Thomas Jefferson and American Democracy* (London: Macmillan & Co., Ltd., 1949), p. 255.

everywhere opposes and reduces wages and interest, the returns which the economy makes for labor's toil and for capital's postponement of consumption and investment risks. Labor, with or without the assistance of capital, combines with land—including site and resources, but excluding improvements—to create wealth; and capital is that portion of man-made wealth returned to production to procure more wealth. The benefit of site or natural resources conveys an advantage monopolistic by definition to one producer above another and should be understood as rent rather than as wage. And, as George asserted, "Increase in land values does not represent increase in the common wealth, for what land owners gain by higher prices, the tenants or purchasers who must pay them will lose."<sup>10</sup> (2) The forces of the industrial economy operate observably to enlarge the take of land ownership, and that creates unbalance, poverty, and depression. (3) It is thus necessary to do away with private property in land, but George suggested the preferable alternative of taking by taxation the economic rent of land for the public benefit.

Finally, *Progress and Poverty* depends upon a moral sequence which Henry George put forth as follows: (1) the first premise is the plain fact of social injustice; (2) the second premise is theory and democratic idea (association in equality is the law of progress with equal opportunity for all men being the universal moral law);<sup>11</sup> (3) the antithesis between social fact and social theory is the tragic contradiction. (He is not sure that mankind will solve the question of poverty, progress, equality and individual life, but is sure only that we must try).<sup>12</sup>

George largely rejected prevailing economic theory, but he accepted David Ricardo's law of rent<sup>13</sup> to which he added the theory of marginalism. He also included urban-site values along with natural resources as creating different land values. In his rejection of the theory that wages are paid from capital George quoted Adam Smith to the effect that:

*The produce of labor constitutes the natural recompense or wages of labor.* In that original state of things which precedes both the appropriation of land and the accumulation of stock, the whole produce of labor belongs to the laborer. He has neither landlord nor master to share with him.<sup>14</sup>

Although he approved of interest as a proper return to capital, George's commitment to labor is clearly shown in the above quotation. George may be classed as a capitalist in economic philosophy, but he devoted one chapter of his book to the problem "Of Spurious Capital and of Profits

<sup>10</sup> George, *op. cit.*, p. 40, n. 3.

<sup>11</sup> *Ibid.*, p. 475-526.

<sup>12</sup> *Ibid.*, p. 268-71, n. 7.

<sup>13</sup> *Ibid.*, p. 169, n. 3.

<sup>14</sup> *Ibid.*, p. 51.

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Often Mistaken for Interest."<sup>15</sup> Here he expressed his dislike of private monopoly or monopoly gains of whatever kind. He compared the tactics of the monopolists to those of highwaymen. Monopolies created by technology, such as the telegraph and railroads, George held should be owned and operated by the government.

In the last section of *Progress and Poverty*, George returned to his central problem and the reason as he saw it that civilizations flourish only to decline. The reason is that

. . . as a social development goes on, inequality tends to establish itself. . . . The unequal distribution of the power and wealth gained by the integration of men in society tends to check, and finally to counterbalance, the force by which improvements are made and society advances.<sup>16</sup>

This then completes Henry George's analysis and system of political economics: the problem which his solution attacked was the ever-increasing centralization of wealth which he found was caused by the private ownership of land (and other monopolies) from which flowed an unearned increment destroying the equality and freedom necessary to continued progress. The solution proposed was the expropriation for public benefit of the unearned increment of land (unimproved value) and its natural resources. His proposal became popularly known as the "Single Tax" which meant obtaining tax revenue from a levy on the value of land and other natural resources and abolishing all other taxes.

The so-called single tax movement found many loyal followers in America and England. More copies of *Progress and Poverty* have been circulated—several million—than perhaps of any other economic work, and sales of his many other books and articles on economics have also been substantial.<sup>17</sup> Actually, Henry George's taxing proposal, which he first set forth as editor of a San Francisco newspaper in 1873, was that, "There should be three taxes . . . (1) a tax on the value of land, not counting improvements, above a minimum exemption; (2) a tax on the estates of deceased persons and; (3) license taxes on such businesses as require regulation, liquor and gambling houses for instance."<sup>18</sup>

## II

### The Politics of Economics

HENRY GEORGE ENCOUNTERED RESISTANCE to his economic philosophy on all fronts following the publication of *Progress and Poverty*. The

<sup>15</sup> *Ibid.*, p. 189.

<sup>16</sup> *Ibid.*, p. 517-19.

<sup>17</sup> Edwin R. A. Seligman and Alvin Johnson, eds., *Encyclopedia of the Social Sciences* (London: Macmillan & Co., Ltd., 1937), Vol. VII, p. 65.

<sup>18</sup> Barker, *op. cit.*, p. 184, n. 7.

socialists rejected the philosophy of land value taxation since they believed capital to be the locus of economic privilege. They saw land ownership as being only one form of capital exploitation. George's individualism also reacted strongly against the collectivism of socialism. George insisted that the economy functioned automatically through individual activity in free competition and this worked for the benefit of both the individual and the society. Legitimate *laissez faire* for Henry George would include freedom, equality and real competition which could not be had until private land ownership and other forms of monopolization and privilege grounded in social custom had been eliminated.

*Laissez faire* capitalists have not supported George because like the socialists they view land as merely a form of capital. Private property, including private ownership of land, is fundamental to their philosophy. The proposal to remove the benefit of private ownership of land through taxation is, as they see it, abhorrent. They generally, although mistakenly, classify George as merely "another socialist."

Among university professors, Henry George's economic philosophy has found active support from only a few, principally from John Dewey of Columbia and Harry Gunnison Brown of the University of Missouri. Economics professors have either largely ignored the writing of Henry George or accepted the work of his two principal antagonists, Edwin R. A. Seligman of Columbia and Francis A. Walker of Massachusetts Institute of Technology. The lack of interest in his work by university professors surprised George as his friend Louis F. Post indicates in his biographical work: "To his amazement economics professors ignored his demonstrations. They went on with their economic bubbling and boiling. . . ."<sup>19</sup>

Generally, the arguments against the proposal of land value taxation have been as follows: (1) the Ricardian theory, worked out to its logical conclusion, reveals that there are as many kinds of rents as there are different situations in the economy of a society; (2) land is no longer acquired by mere occupation, but rather by purchase, and thus to deprive these owners of advantages acquired by their labor is unjust; (3) economic rent may not be so accurately measured that only it would be appropriated; (4) land value taxation disregards the principle of ability to pay; (5) the confiscation of the "unearned increment" by appropriation of the economic rent should be reimbursed by a payment of the "unearned decrement" which the land may suffer.<sup>20</sup>

<sup>19</sup> Louis F. Post, *The Prophet of San Francisco* (New York: Vanguard Press, 1930), p. 317.

<sup>20</sup> Charles Gide and Charles Rist, (R. Richards, trans.), *A History of Economic Doctrines* (London: G. G. Harrap & Co., 1915), p. 548-53.

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Most economists regard the critical point in the land value tax, as far as its impact is concerned, as being the nature of rent. The main point of this argument is that rent is a residual accruing to the owner of a scarce good after the *market* rates for his other factors, including wages and interest, are deducted. Land is asserted to be only one example of a scarce good. The residual is determined by the market price for the good being produced with the aid of the scarce factor and may be either positive or negative.<sup>21</sup>

The obvious answer to this objection is that land is the *only* item that is present and necessary to the production of all goods and services. Indeed, the earth is the cradle of man and, although he can not remain in the cradle forever, it is still necessary even to his very existence. Essentially, this is the reply offered by John Stuart Mill in showing that none of the other rents has either the persistence or the generality of the rent of land. Economists Charles Gide and Charles Rist believed that this reply was sufficient to justify at least a partial application of the land value tax program despite the other asserted objections.<sup>22</sup>

Finally, in a free market society economic reward supposedly goes to those who supply some needed good or service to society through their own productive effort. Capital is similarly entitled to an economic return since it represents a saving of one's productive effort to facilitate future production. Land, however, cannot be considered as merely another form of capital since, whatever its advantages may be, they are not due to any effort of the owner. This remains true even though the land is purchased by a second owner at a price determined by capitalization of the anticipated income from the land. Society and those who pay to use the bare land gain nothing from a mere change of ownership. Land, therefore, being the one item necessary to all production, becomes a distortive factor in the market which in a sense, though it may vary as to degree, is never positive, but always negative.

Fundamental to the land value tax is the fact that it cannot be shifted by the landowner to the user. This is not obviously clear without explanation. But it has never been seriously disputed. It was first recognized by the French Physiocrats in the middle of the 18th century; they favored a land value tax for this reason. Professor Paul A. Samuelson illustrates this in the most recent edition of his economics textbook with the comment that this is true where the owners hold a factor such as land

<sup>21</sup> See generally, Alfred Marshall, *Principles of Economics*, 8th ed., (London: Macmillan & Co., Ltd., 1920), Book IV, chaps. 2-3; Book V, chaps. 9-11; George J. Stigler, *The Theory of Price*, 3rd ed., (New York: Macmillan Co., 1966), chap. 15.

<sup>22</sup> Gide and Rist, *op. cit.*, p. 569, n. 19.



which is in inelastic supply.<sup>23</sup>

A particularly clear demonstration of the non-shiftable nature of the land value tax by using it in a comparison with a tax on sugar, a commodity with an elastic supply, was given by Louis F. Post nearly 40 years ago.<sup>24</sup> His reasoning is as follows: With regard to sugar, higher costs of production and delivery tend to reduce the market supply of sugar, and actually will reduce it unless the ultimate buyer pays the added cost. However, a tax on land, whether improved or not and regardless of its improvements, will have no tendency to reduce the supply of land. On the contrary, it will increase the supply! Why will it make land plentiful? In Post's own words:

Because a tax on sugar would increase the cost of producing sugar, but a tax on land could add nothing to the cost of producing land. Land is unproducibile. But it would add to the cost of holding land out of use, which would increase the market supply.<sup>25</sup>

Economics Professor Harry Gunnison Brown of the University of Missouri points out that the taxation of bare land values would eliminate the inequity of the present system which penalizes a man for building or painting a house or for planting a tree. In answer to the complaint that there is a confiscation of a vested right, he asserts that this is no more so than when the government decides to regulate a monopoly in which innocent persons in good faith have purchased stock. The government has given no promise that bare land values will not be subjected to either full or partial taxation.<sup>26</sup>

In answer to the objections relative to the accurate assessment and collection of a land value tax, the experience with such taxation in other countries might be considered. It has been adopted in varying forms in Denmark, South Africa, New Zealand and Australia. Most recently adopted in South Melbourne by vote of the property owners, land value taxation is credited with raising the value of new building permits issued by 2.4 times the previous rate.<sup>27</sup> The tax has also been used in Pittsburgh and Scranton, Pennsylvania, but the results, though seemingly favorable, are not conclusive due to the limited form of the land value tax adopted by those communities. The limited experience does, however, show that the land value tax is at least workable.

<sup>23</sup> Paul A. Samuelson, *Economics*, 7th ed., (New York: McGraw-Hill Book Co., 1967), p. 535-38.

<sup>24</sup> Post, *op. cit.*, p. 34-6, n. 18.

<sup>25</sup> *Ibid.*, p. 36.

<sup>26</sup> Harry Gunnison Brown, "Should Bare-Land Values Be Taxed More Heavily," *Journal of Land Economics*, 4 (1928), pp. 375-90.

<sup>27</sup> Harry G. Brown and Elizabeth R. Brown, "Incentive Taxation in Australia," *American Journal of Economics & Sociology*, 26 (1967), p. 416.

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Henry George based his theory of land value taxation upon the fundamental difference between land and capital. Such a tax would apply the unearned increment of land to the general use of the community while retaining the advantages that are inherent in private ownership of land. Holding land for speculation would become unprofitable, thus making land more available for productive enterprise. Or, as Professor Samuelson asserts in his textbook, the land value tax will lead to a more efficient use of land.<sup>28</sup> Further, income derived from socially beneficial productive effort could be partially relieved of the burdens of taxation which would reinforce the free market system by making a fairer distribution of the economic benefits generated by that system.

Henry George envisaged all of these benefits and more in *Progress and Poverty*. This is an incomplete list and only a partial presentation of the economic philosophy of his book, but even this should have been sufficient to bring a gradual adoption of the system of land value taxation by at least one legislature. As has been shown above, land value taxation is certainly fair and just and in conformity with the free market system of the United States. Why has its reception been so hostile?

As has already been noted, Henry George's political economics has been rarely accepted in any degree by economics professors,<sup>29</sup> has been rejected by socialists, and has been dismissed by nearly every capitalist. However, the insurmountable opposition to George's economic philosophy has not come from these sources alone, but also from Christian religious philosophy and thought on economics.

The direct challenge to Henry George's philosophy by Christian religious thought was led by Pope Leo XIII, who on the 15th of May, 1891, issued his well known *Encyclical Letter on the Condition of Labor* which censured the idea of the common ownership of land.<sup>30</sup> A strong possibility exists, that this encyclical, known as *Rerum Novarum*, although ostensibly a condemnation of socialism, was issued in response to Henry George's political economics. In reply to *Rerum Novarum*, George wrote his *Open Letter to Pope Leo XIII*<sup>31</sup> which he issued on September 11, 1891. In his reply, George wrote as follows:

Failing to see the order and symmetry of natural law, (socialism) fails to recognize God. . . . The whole tendency and spirit of (*Rerum Nova-*

<sup>28</sup> Samuelson, *op. cit.*, p. 538, n. 22.

<sup>29</sup> Elizabeth Read Brown, "How College Textbooks Treat Land Value Taxation," *American Journal of Economics & Sociology*, 20 (1961), pp. 147-67; Harry Gunnison Brown, "Academic Freedom and the Defense of Capitalism," *American Journal of Economics & Sociology*, 15 (1956), pp. 173-82.

<sup>30</sup> Henry George, *The Land Question*, "The Condition of Labor" (New York: Schalkenbach Foundation, 1965).

<sup>31</sup> *Ibid.*, "Encyclical Letter of Pope Leo XIII on The Condition of Labor," p. 109.

rum's) remedial suggestions lean unmistakably to socialism. . . . Your encyclical gives the gospel to labourers and the earth to the landlords.<sup>82</sup>

The opposition of Pope Leo XIII does not seem to have so greatly surprised George as it did his followers. They undoubtedly had in mind the fact that George's political economics were after all based on natural law. However, George was thoroughly familiar with history, and though the encyclical did not mention his name, he at once recognized that it was his economic and social philosophy that had been particularly singled out for attack. His son was later able to obtain an indirect verification that this was true.<sup>83</sup>

In order to understand the church's opposition to Henry George, it is necessary to examine the church's historical and present economic position. Briefly, the medieval church assumed that, (1) economic interests were subordinate to the real business of life, which was salvation, and (2) economic conduct was but one aspect of personal conduct, upon which the rules of morality were fully binding. Generally, economic motives were suspected and there was no place for economic motives not related to a moral end. Interest on a loan of capital was unlawful and private property was permitted only because men worked more and disputed less when property was private. Private property was tolerated as a concession to human frailty, the ideal, if only man could rise to it, being communism.<sup>84</sup>

In the history of the Catholic Church, private property in land has always existed in one form or another with the church itself being a substantial landholder. Although the position of the church has since changed, the passage of *Progress and Poverty* which it is likely most provoked Pope Leo XIII is this:

There is a delusion resulting from the tendency to confound the accidental with the essential—a delusion which the law writers have done their best to extend, and political economists generally have acquiesced in, rather than endeavored to expose—that private property in land is necessary to the proper use of land, and that to make land common property would be to destroy civilization and revert to barbarism.<sup>85</sup>

*Progress and Poverty* affirmed the rightfulness of private ownership of personal property so long as it was not monopolistic in character, but rejected, because of its monopolistic character, the position of the church concerning private land ownership. The Christian churches have retreated from this position, but today, as was first recognizable in the encyclical of

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*, p. 573-75.

<sup>84</sup> R. H. Tawney, *Religion and the Rise of Capitalism* (New York: Harcourt, Brace and Co., 1926), p. 31-2.

<sup>85</sup> George, *op. cit.*, p. 397, n. 3.

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Pope Leo XIII: "For the Christian the problem of property is essentially the problem of effecting a just distribution of the world's goods."<sup>86</sup> George would reach this goal by means of a largely automatic free market system constructed to conform with the principles of natural economics. The distortive forces of monopoly would be controlled by the government through taxation and other means. But such a system as George envisioned did not meet with church approval, and as George to his horror realized, the Catholic Church was embarking upon a system of socialism to achieve the economic goal of "a just distribution of the world's goods."

Some Christian church leaders now advocate land reform and taxation as a possible means to achieve a more equitable distribution of the world's goods.<sup>87</sup> However, this for the Christian churches is only a part of a socialized economic system and actually today the Catholic Church has indicated that it is ready to make peace with the Communists and their State socialist system.

What Christianity seeks is a sort of return to the organic society with "human dignity" once again the basic value<sup>88</sup> and with itself and the wealthy establishment in firm control of government which is able to coerce and regulate the new industrial State.<sup>89</sup> In exchange for its assistance, this establishment group shares power and is allowed to retain its positions of monopoly and special advantage.

The difficulty is that the fundamental weakness of the old economic organization is still present. As the socialized economy is implemented, the ordinary individual is made dependent for his needs upon increasingly

<sup>86</sup> Frank Grace, *The Concept of Property in Modern Christian Thought* (Urbana, Illinois: University of Illinois Press, 1953), p. 93.

<sup>87</sup> See, L. G. Ligutti, "What Can Religious Leaders Do to Advance the Cause of Economic and Social Progress Through Land Reform, Land Tenure, Land Taxation, etc.?" in James R. Brown and Sein Lin, eds., *Land Reform in Developing Countries*, (West Hartford, Conn.: John C. Lincoln Institute, University of Hartford, 1968).

<sup>88</sup> The development of a legal system also based upon the slippery value of "human dignity" to match the socialist political economic system of Christianity may be found in the writings of Professor Myres McDougal. See, McDougal, Lasswell, and Reisman, "Theories About International Law: Prologue to a Configurative Jurisprudence," 8 *Virginia Journal of International Law* 188 (1968); Lasswell and McDougal, "Jurisprudence in Policy-Oriented Perspective," 19 *Florida Law Review* 486 (1967); McDougal, "Jurisprudence for a Free Society," 1 *Georgia Law Review* (1966); Lasswell and McDougal, "Legal Education and Public Policy: Professional Training in the Public Interest," 52 *Yale Law Journal* 203 (1943).

<sup>89</sup> See, John Kenneth Galbraith, *The New Industrial State* (Boston: Houghton Mifflin Company 1967), p. 101. Professor Galbraith has shown that much to the distress of socialists the nationalization of industry is no more effective of public control than government regulation. He notes that "Socialism has come to mean government by socialists who have learned that socialism, as anciently understood, is impractical." Thus, no real change in the workings of the industrial organization are effected and the economic distortions of the old system are only further distorted by the new system of distribution. Henry George would question whether this might not lead to greater inefficiency and ultimately deeper poverty.

centralized authority. Predictably, this again would lead to a hopelessness of life for the great mass similar to the old organic middle ages. The reason for this is that the mass *is* the great mass with no opportunity for individual assertion. In a socialistic economy, respect for the individual is obliterated in the attempt to meet the demands of the mass.<sup>40</sup>

Although the socialist economy is not yet fully operative in the United States, this hopelessness of life is already apparent with its consequent breakdown of law and order and, eventually, as Henry George predicted, it will bring about the destruction of our society. It is now realized that the heart of our perplexing problem is individuality. Henry George recognized this nearly a century ago when, in the final chapter of *Progress and Poverty* he asserted that the great, ultimate problem of human existence was that of the individual identity in society:

The problems we have been considering lead into a problem higher and deeper still. Behind the problems of social life lies the problem of individual life. I have found it impossible to think of one without thinking of the other. . . .<sup>41</sup>

Although the political economic philosophy of socialism has dominated recent political economic thought, Henry George's individualistic economic philosophy has had a great effect in the intangible realm of opinion as expressed in the writings and words of the exponents of ideas. This sort of influence is difficult to trace but that it does exist there is no doubt and shows that *Progress and Poverty* was, and still is, a living inspiration. Contributing to the difficulty of tracing George's influence is also the fact noted by George R. Geiger in his book that: "Henry George must be considered as part of a great liberal tradition, a tradition that extends far in the past and includes in its ranks many great names."<sup>42</sup>

Anna George de Mille<sup>43</sup> and others<sup>44</sup> show that the Progressive movement and the programs of Woodrow Wilson owed much to Henry George's writings. Charles Albro Barker found that, "The presidential election of 1912 had assimilated political Georgism in the larger progressive movement."<sup>45</sup>

<sup>40</sup> Dean M. Larson, *Some Implications of Recent Christian Religious Thought for Business Administration Thought and Practice*, (Laramie, Wyoming: Department of Business Administration, University of Wyoming, 1967), unpublished thesis.

<sup>41</sup> George, *op. cit.*, p. 555, n. 3.

<sup>42</sup> George R. Geiger, *The Philosophy of Henry George* (New York, New York: The Macmillan Company, 1933), p. 384.

<sup>43</sup> Anna George de Mille, *Henry George, Citizen of the World* (Chapel Hill, N.C.: University of North Carolina Press, 1950), p. 3.

<sup>44</sup> Edward M. Hugh Jones, *Woodrow Wilson and American Liberalism* (New York: Macmillan Company, 1949), p. 66-67.

<sup>45</sup> Barker, *op. cit.*, p. 634, n. 7.

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Barker believes that George's influence would have been greater had he proposed multi-form remedies for the problem of *Progress and Poverty* instead of so completely committing himself to land value taxation.<sup>46</sup> It could be that those who have read his work and followed his thought have done just that, making it unnecessary for George to do so himself.

### III

#### Property Taxation Today

BETWEEN 1897 AND 1920, single taxers made repeated efforts in Washington, Oregon and California to get state constitutional amendments adopted which accepted the theory of progressive taxation or provided for local option in the taxation of property. All of these proposed amendments were defeated by the voters. In 1912, a constitutional amendment was proposed in Missouri which provided for the gradual exemption from taxation of personal property and improvements with the proviso that land should never be exempt from taxation. The campaign of 1912 was perhaps the most bitter of all land value tax battles and the amendment was overwhelmingly defeated. The most promising campaign of the American movement has been the 1913 passage of the Stein Bill in Pennsylvania, which created the so-called "Pittsburgh Plan," under which the total of all improvement values bear one-third of city expenses, and the total of all land values two-thirds.<sup>47</sup> One final tax battle was fought in California in November 1938, when the citizens of that state rejected for the seventh time a proposal to revise the state tax system in the direction of a land value tax. Even including sales tax repeal in the initiative measure did not suffice to overcome the well-financed opposition.<sup>48</sup>

Recently there has been renewed interest in the property tax and the publication of several books on the subject<sup>49</sup>—including the already widely noted study by Dick Netzer, *Economics of the Property Tax*<sup>50</sup>—will almost certainly bring new attention to this long neglected area of taxation. The work of Netzer is a limited consideration of property taxation in the United States, its sources, economic effects and alternative forms to those presently used for property taxation.

<sup>46</sup> *Ibid.*, p. 298.

<sup>47</sup> *Ibid.*, pp. 424-46, n. 41.

<sup>48</sup> Robert B. Pettengill, "Reflections on the Single Tax: In Light of the California Plan of 1938," *Land Economics*, 15 (1939), p. 74.

<sup>49</sup> Arthur D. Lynn, Jr., ed., *The Property Tax and Its Administration* (Madison, Milwaukee, and London: University of Wisconsin Press, 1969); Richard W. Lindholm, ed., *Property Taxation USA* (Madison, Milwaukee, and London: University of Wisconsin Press, 1967).

<sup>50</sup> Dick Netzer, *Economics of the Property Tax* (Washington, D.C.: Brookings Institute, 1966).

Netzer finds that the property tax is an important source of state-local revenues and that these revenues are about the same fraction of gross national product as in the early years of the century.<sup>51</sup> The author shows that there is an element of regressivity in property taxes. The most reasonable explanation for this regressivity is that "... expenditures on housing exhibit a relatively low order of income elasticity in the sense that, at any time, richer families spend less proportionately for housing than poorer families."<sup>52</sup>

In his examination of land value taxation, Netzer concludes that such a tax would encourage building and rehabilitation and reduce land prices. Such results would produce positive effects on urban redevelopment.<sup>53</sup> In his conclusion, Netzer says that, "There is a strong economic argument for taxing location rents via the site value tax. . . . There is also a good case for supplemental gains taxation of land value increments."<sup>54</sup>

The fact that the land value tax movement has failed to make much progress is beyond question, but the theory of land value taxation and its use as an instrument for both fiscal and social good make it an attractive replacement for other tax schemes now in effect. Its utilitarian benefits of preventing speculation, encouraging building, decreasing the cost of land and transferring the tax burden to the speculative owner who holds his land vacant make it a policy of important potential use in city planning.<sup>55</sup> Developing areas would be particularly well advised to confine property taxation to land value.

With regard to the land value taxation of mineral resources and forest lands, the taxing proposals of Henry George were criticized because taxation by his method would tend to encourage rapid exploitation contrary to the principles of conservation.<sup>56</sup> However, the proponents of mineral taxation found in the severance tax a plan that promotes conservation and at the same time is in conformity with the economic principles of Henry George. In the case of mineral resources, economic rent is obtained in the removal of the mineral from nature's storehouse. Therefore, a tax on the privilege of removing the mineral has the effect of expropriating the economic rent of the mineral land. Since the tax is only applicable if minerals are in fact removed, this type of taxation has a definite conserving

<sup>51</sup> *Ibid.*, p. 8.

<sup>52</sup> *Ibid.*, p. 57.

<sup>53</sup> *Ibid.*, p. 204-8.

<sup>54</sup> *Ibid.*, p. 217.

<sup>55</sup> Leon Silverman, "Municipal Real Estate Taxation as an Instrument For Community Planning," *57 Yale Law Journal*, 1947, p. 219.

<sup>56</sup> Richard T. Ely, "Land Economics," in Jacob H. Hollander, ed., *Economic Essays*, (New York: Macmillan Company 1927), p. 119-35.

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aspect. Such a tax may either be placed on the quantity of the minerals removed or upon the value of the minerals removed. An exemption is normally given to marginal producing sources. So long as the tax is not excessive, it may be beneficial to consumers by tending to even out the mineral production flow to the market. This is particularly true where the tax is based on the quantity of production rather than the value of production.<sup>57</sup>

In Louisiana, those who first advocated taxing the severance of natural resources, such as oil and gas, used the argument that these resources belonged to the state, and therefore to the people of the state. Adequate taxation covering such severance had to be levied to secure a part of the severed wealth for the benefit of the future of the state.<sup>58</sup> Further, severance taxation of a producing natural resource is undoubtedly the most equitable and practical method of tax assessment.<sup>59</sup> Of course, if the land has a value separate from natural resource production, that too can be assessed for taxation.

State severance taxes have never removed a large percentage of the economic rent from mineral or forest lands, but have provided substantial tax revenues to several states including Louisiana. Such taxing statutes represent one of the victories of Henry George's philosophy.

### IV

#### Conclusion

NEARLY ALL THOSE who have examined the life and work of Henry George have advanced the opinion that his influence would have been greater if he had proposed more remedies for "the problem" than merely land value taxation. If he had joined the conservation movement for instance, it has been suggested that he would have succeeded in greater accomplishments. If he had joined in the "trust busting" movement, then he would certainly have achieved much more than he in fact did. Others try to show what George would propose if he were writing today.<sup>60</sup>

Actually, Henry George did propose more than a single tax, as already noted, and his opposition to monopoly was not limited to that of the land-

<sup>57</sup> Lewis C. Gray, "Rent Under the Assumption of Exhaustibility," *Quarterly Journal of Economics*, 28 (1914), p. 466-89.

<sup>58</sup> Leslie Moses, "The Growth of Severance Taxation in Louisiana and Its Relation to the Oil and Gas Industry," 17 *Tulane Law Review*, 1943, p. 602.

<sup>59</sup> See, Anthony G. Ferraro, "Valuation of Property Interests for Ad Valorem Taxation of Extractive Industry and Agricultural Realty: Problems and Solutions," in *The Property Tax and Its Administration*, Arthur D. Lynn, Jr. ed. (Madison, Milwaukee, and London: University of Wisconsin Press, 1969), p. 125.

<sup>60</sup> Harold S. Buttenheim, "If Henry George Were Writing Today," *Land Economics*, 11 (1935), p. 1.



owner. However, George wanted to focus attention on what was for him just one

. . . simple truth: That as land is necessary to the exertion of labor in the production of wealth, to command the land which is necessary to labor, is to command all the fruits of labor save enough to enable labor to exist. . . .

There are pictures which, though looked at again and again, present only a confused labyrinth of lines or scroll work—a landscape, trees, or something of the kind—until once the attention is called to the fact that these things make up a face or a figure. This relation once recognized, is always afterward clear. It is so in this case.<sup>61</sup>

Henry George wanted to be sure that the reader of *Progress and Poverty* saw the face or figure in the picture. In this he succeeded, but what the critics are saying is that in doing so George lost sight of the landscape in the picture. However, Henry George wrote one of those rare coincidences of language, a book that lives and is as relevant today as the day in which it was written. George was successful in his effort by his own estimation, and it remains for those who go with him in thought to make the multi-form applications of his political economic philosophy. This was, after all, what George intended. We can only hope, however, that the applications of his political economics will not be too few and too late for the preservation of our country.

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<sup>61</sup> George, *op. cit.*, p. 294-95, n. 3.