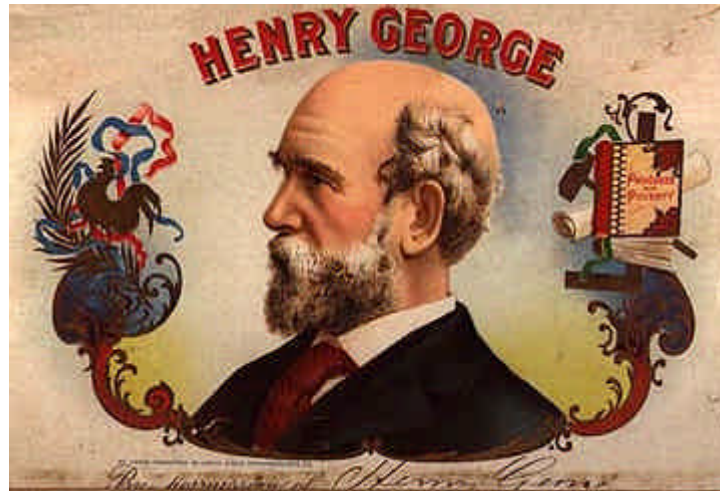


HENRY GEORGE: THE RELEVANCE OF HIS PHILOSOPHY TODAY

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We all know that Fairhope Alabama is a unique and wonderful community, and those of us who have been here for any length of time know that one of the reasons for this is because Fairhope was founded in 1894 as a utopian community by a group from Des Moines Iowa. This group wanted to establish a community or colony that would implement, as best they could, the concept of the single tax that had been proposed by Henry George.

The effort has been successful, and today the Fairhope Single Tax Corporation owns about 4,500 acres of land in and around Fairhope. When you buy a house on this colony land you own the building but have a 99 year renewable lease on the land.

The story of how Fairhope was founded is an interesting one and perhaps should be the topic of a Fellowship program some Sunday. What I want to talk about today, however, is the philosophy of Henry George, and whether it still has relevance today. As you will see, there was much more to Henry George than just the single tax.

Although the name of Henry George is not well known today, after the publication of his book *Progress and Poverty* in 1879, he became one of the three most well known Americans; only Mark Twain and Thomas Edison had greater name recognition.

Progress and Poverty is the most widely sold popular book on economics, and the only book of any kind to sell more copies than *Progress and Poverty* in the 1880's was *The Bible*. When Henry George ran for mayor of New York City he received more votes than Theodore Roosevelt, but just barely lost to the machine candidate.

The reason I asked Ruth Geraci to use this particular picture of Henry George on the Sunday Bulletin is that it is from a cigar box from the 1890's. How many people were popular enough in their own time to be honored with their picture on commercial cigar boxes?

Today there are 30 or 40 organizations around the country that are dedicated to studying the philosophy of Henry George and promoting his ideas. People in these groups call themselves "Georgists", and every year there is a conference of an umbrella organization called the Council of Georgist Organizations where representatives of these groups gather to discuss his philosophy and influence.

Henry George was a journalist, economist, and social reformer who lived 1839 to 1897. He is best known for his 1879 book *Progress and Poverty* in which he raised the question: Why is there so much poverty in the midst of so much economic progress? George's overwhelming concern was the vast and growing disparity in wealth between rich and poor. His goal in writing *Progress and Poverty* was to seek an explanation for this enigma, and to propose a remedy that he felt would bring greater equality and fairness.

Writing just a few years ahead of Henry George was Karl Marx. George and Marx both looked at the three same factors of production: land, labor, and capital. And they both looked at the same problem of poverty and the vast disparity in wealth between rich and poor. But they came to a different conclusion as to the cause of the problem of poverty, and to a different solution on how to remedy the problem.

Marx determined that the problem was that the capitalist was taking too large a share, leaving too little for the worker. His solution was to have government own the means of production, reducing the power of the capitalist.

Henry George, on the other hand, felt that the problem was the private ownership of land. The landowner did not create the land, and he contributed nothing to production, but yet he could force others to pay him for the privilege of working on or living on the land, causing an increase in the disparity in wealth between those with land and those without.

Most of the increases in productivity will go not to the laborer or even to the capitalist, but to the landlords.

One possible solution to this situation would be for government to confiscate land and lease it to those who would use it, with the rents going to the government to be used for the benefit of all citizens, instead of to the individual who claimed "ownership" of the land. But Henry George rejected this approach as being too harsh and traumatic.

Instead he proposed keeping the land in private ownership, but having the government tax 100% of the rental value each year. (Henry George later endorsed taxing just 90% of the rental value each year, leaving the property owner a 10% bonus or commission.)

Taxing all or most of the rental value of the land would be justified, he said, because land is a gift of nature (or God), not a creation of man. The enhancement to land value comes from population growth and public improvements such as railroads, canals, highways, and various public works. The owner of the land did not create the external factors that increased the rental value of the site, so why should he benefit from the increase in value brought about by those factors?

Remember: we are talking only of land here, not the improvements on the land. Factories, stores, and houses are the creation of man, and George believed the owners should receive the economic rent for such improvements upon the land.

Henry George felt that the land tax would be beneficial because it would take away all speculation in land, and it would encourage land owners to use their land in the most efficient manner possible. But his main concern was that such a tax would, in his opinion, eliminate unwarranted privilege, bring about greater economic equality.

Henry George believed that such a land tax would raise enough revenue so that all other taxes could be eliminated, and we would not burden labor and capital with taxation. This would allow people to keep the full fruits of their labor, and allow capital and the returns gained from that capital to be allocated to promoting more economic growth.

It should be noted that Henry George wanted to see the single tax implemented nation-wide, and opposed efforts to implement it within individual communities. He was invited to visit Fairhope to see the colony his philosophy inspired, but declined the opportunity to visit, and never did endorse the Fairhope experiment.

In *Progress and Poverty* Henry George did not call his proposal the “Single Tax”, but he does use the word “single” as an adjective in talking about having a single tax on land rather than many taxes for people to deal with.

It was one of his followers, lawyer Thomas Shearman, who first called the land tax movement “Single Tax”. Shearman was more concerned with tax reform and tax reduction than he was with land reform or the disparity in wealth, but the name single tax stuck, and even Henry George accepted it and used it in speeches and later writings, apparently with some reluctance.

Henry George’s philosophy influenced the Progressive Movement in the early 20th Century, and contributed to the restriction of monopoly, more democratic political machinery, municipal reform, the regulation of public utilities, and the improvement of labor laws and working conditions. World War I broke the momentum of the Progressive Movement, and gave Georgist enemies an opportunity to regroup and work to discredit the Georgist philosophy. They attempted this by attacking Georgism as “socialist” or “communist”, and by redefining economic theory to eliminate land as a significant category, treating it instead as just one element of capital.

In recent years the land tax concept has gone through a major transformation. Georgists, following the introduction of the income tax and an increase in the role of government, began to embrace the concept of “land value taxation” when it became apparent to some Georgists that relying on a land tax as the sole source of revenue for all levels of government might be unfeasible.

Land value taxation is merely a variation of the property tax under which land is assessed at a higher percentage of its market value, and buildings and other improvements are taxed at a lower percentage of their market value.

Today one of the major efforts of the various Georgist organizations is to encourage states to authorize the use of land value taxation, and to encourage cities, counties, and school districts to implement land value taxation in their local property tax procedures. The major success has been in Pennsylvania where 18 units of local government have implemented land value taxation.

At the 2006 annual conference of the Council of Georgist Organizations in Chicago there was a panel on “Georgist Perspectives on City Planning”. I gave a presentation on “What Makes Downtown Special”. After listing nine factors that contribute to making the downtown areas of our cities such interesting, exciting, and vibrant places I explained how land value taxation, if it were applied, would contribute to enhancing these values. It would do this by discouraging surface parking lots and the holding of vacant land (because of high taxes on land), and by encouraging renovation and construction (because of a lower tax on improvements.)

The other person on the panel was Paul Justus, a city planner from Eureka Springs, Arkansas, who talked about how “smart taxes” (i.e. land value taxation) contributes to “smart growth”. He pointed

out that the use of land value taxation would encourage more dense development, reducing suburban sprawl.

In London and elsewhere land value taxation has been used to finance the construction of rapid transit lines. Construction of a transit line increases the value of property near a transit stop, and a portion of this increased value is taxed each year to fund the construction of the transit line.

In my opinion, even if there were nothing else to the Georgist philosophy, land value taxation would make Georgism a worthy and relevant philosophy today. But there is more to the Georgist philosophy than land value taxation.

To understand how much more, we need to understand how Henry George defined “land”. Land includes not only the surface of the solid earth, but the water and minerals below the surface, the air space above the earth, and the lakes, rivers, and oceans.

This opens the Georgist remedy to not only having government tax the rental value of land, but securing royalties on gas, oil, and all minerals extracted from the earth. It also suggests that government should be charging for the use of radio frequencies and satellite orbits. The proceeds from these royalties and fees belong to the entire community, according to Georgist philosophy, not merely to the individual or corporation claiming ownership of the land under which the minerals are found.

The implications of this would be enormous, if only this concept could be implemented. It means that part of the profits now going to the oil companies would be going to the people. The oil companies would receive a fair return on the capital invested in searching for and drilling the oil, but the proceeds of the crude oil beyond the cost of extraction and a reasonable profit would go to the entire community, i.e. the government. The same with coal, copper, water, hydro-electric dam opportunities and all other gifts of nature.

Perhaps even more important than the royalty fees from oil and mineral companies would be the fees that would be charged to those wanting to dispose of carbon dioxide and other pollutants by dumping them into the atmosphere or into the water.

The air and water belongs to us all – it is part of the public commons. Those who want to use it as a dumping ground should pay us, the citizens, for the right to do this. One example is the proposed “carbon tax”, a tax on the burning of fossil fuels.

Charging corporations and individuals for the right to add pollutants to our environment would raise funds for community benefit, and it would also have the impact of encouraging companies to change their production methods so as to reduce the amount of pollution being generated. Furthermore, because of consumer demand from those motorists who want to reduce their carbon tax, auto companies might increase the production of hybrid cars, and start producing electric cars once again.

Taxing the right to pollute is referred to as “green taxes” or “environmental taxes”. When these taxes are increased to the point that revenues permit other taxes, such as the tax on earned income to be reduced, this is referred to as the “green tax shift”. Such a tax shift would bring us closer to what Henry George had in mind when he said the tax on land (broadly defined) could eventually replace other taxes, thus becoming the single tax. Environmentalists who have never heard of Henry George are advocating this, but it is a Georgist concept.

Within the Georgist movement, as well as within the environmental movement, there is discussion on how the proceeds from the green taxes and mineral extraction fees should be distributed. Some say those revenues should go to federal and state governments to be used for governmental services or for reducing other taxes. Others advocate a “citizen’s bonus”, whereby every citizen in the country (or in the world) would receive an equal share of the proceeds derived.

There are several examples where these Georgist principles are actually being implemented. The State of Alaska has the Alaska Permanent Fund, under which all citizens in the state receive a share of the royalties received from the extraction of oil within the state.

The windfall profits tax on oil company revenues in the 1970’s was an indirect way to achieve the Georgist concept of collecting for the public a portion of the bounty of nature that ought to belong to all.

When we look at both land value taxation and the green tax shift we see that the Georgist philosophy is, or could be, very relevant today. But there is still more.

In his second book, *Social Problems* published in 1883, Henry George repeated his concern about the unfair distribution of wealth. But in this book he went further and identified other examples of privilege that he labeled as unfair. He opposed corporate welfare and the granting of special privileges not available to all. Henry George felt that monopolies such as railroads, telegraph systems, electric companies, and other public utilities should not just be regulated by the government, but should in fact be owned by the government. As early as 1871 he was advocating that subsidies for railroad construction be eliminated, and that the railroads be brought under control of the federal government.

Henry George was opposed to patents, which he felt limited free trade, and he opposed the tariff and other impediments to international trade. He also had ideas on monetary policy worth considering today, was strongly opposed to maintaining a large army and navy, and he was a firm supporter of fiscal responsibility and opposed to a large national debt.

In my opinion there are two areas where Henry George fell short of presenting a strong case for this philosophy. The first is that he assumed that a tax on land would be able to pay all the costs of government. He never gave any evidence to prove this; it was just given as an article of faith.

A second problem with the Henry George philosophy was his obsession with viewing all the problems of the world, not just poverty, as the result of the private ownership of land. He was so focused on seeing his single tax implemented that he did not support other progressive ideas of his time, such as limiting the number of hours that women and children could be required to work. He felt that if the single tax were established that these and other problems would take care of themselves.

It is important to keep in mind that the primary concern of Henry George was the vast disparity in wealth between rich and poor. The single tax was not an end in and of itself, but rather a means to the end of securing greater fairness and equity, and allowing people to benefit from the fruits of their own labor.

If Henry George were here today he would see the same great disparity in wealth as he saw in 1879, but his analysis of what causes it and how to address it would undoubtedly be different. Today I believe he would look at stocks and bonds as well as at land, and would have to take into account the expanded responsibilities of government.

I believe he would support taxing a portion of corporate stock dividends, and that he would also favor a tax on capital gains, especially on gains received by buying land, holding it for ten years as population growth and highway construction increased its value, then selling it at a huge profit. This attitude may make me what the late Professor Robert Andelson from Auburn University called a “Neo-Georgist”, rather than a Georgist.

Is the 19th Century philosophy of Henry George relevant today? Although few people outside of Fairhope Alabama or Arden Delaware (the other single tax colony) have ever heard of Henry George the answer is yes, his ideas are still relevant.

Land value taxation can contribute to better, more attractive, and more efficient cities and suburbs, and perhaps to a better transportation system.

Environmental taxes can lead to a cleaner and safer environment and perhaps help us prepare for peak oil and the threat of global warming.

Reducing taxes on the earned income of labor is a worthy goal, when other revenue sources such as a green tax shift permit it.

And his ideas on monetary reform, fair trade, fiscal responsibility, and the proper role of government and the military are still worth studying.

We should promote the ideas of Henry George, even if we do it without giving him the credit he deserves for introducing them.

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