

Bridging the Left and Right Divide with Common Ground

Henry George, Political Economist and Social Philosopher, Your Time Is Now!

Mike Curtis, October 21, 2017

IN 1879, Henry George wrote these prophetic words:

“Given a community with republican institutions, in which one class is too rich to be shorn of its luxuries, no matter how public affairs are administered, and another so poor that a few dollars on election day will seem more than any abstract consideration; in which the few roll in wealth and the many seethe with discontent at a condition of things they know not how to remedy, and power must pass into the hands of jobbers who will buy and sell it as the Praetorians sold the Roman purple, or into the hands of demagogues who will seize and wield it for a time, only to be displaced by worse demagogues...”

“...A corrupt democratic government must finally corrupt the people, and when a people become corrupt there is no resurrection. The life is gone, only the carcass remains; and it is left but for the plowshares of fate to bury it out of sight.”

– Henry George, Progress and Poverty, Chapter IV,
How Modern Civilization May Decline

Well, the American economic system wasn't and isn't totally corrupt, but it is fundamentally corrupt. The foundation of American capitalism is private property in land, which includes unmined minerals, the airwaves, and all other natural opportunities. And that institution is reinforced with every shift from real estate to income and sales taxes. It is principally true that all taxes are paid out of what would otherwise go to the owners of land and other monopolies because there is no longer a free land opportunity. However, income and sales taxes levy no direct penalty for land speculation (non-use and under use of land), which misappropriates the free land and causes unemployment, unaffordable housing, and wages that tend to a minimum below which productivity and the income from land itself would fall. *This is true simply because there is no free land and you can't make anything without it.*

We've intervened with the minimum wage, and, by some estimates, we are redistributing nearly a trillion dollars a year with an array of welfare programs at every level of government simply because there aren't enough jobs and wages are so low—and even that isn't solving the problem.

Why wouldn't the coal miners, assembly line workers, and every other semi-skilled person vote for Trump? He actually promised them something. They heard the Democrats and their concern for poor illegal immigrants and their children who wanted to go to college, and for the refugees who fled from the wars and chaos of the Middle East, and, all the while, they as American citizens were working at dead-end jobs or unemployed while our government did little or nothing to help them.

From the news, you would think that things were getting pretty good right now. The percentage of people looking for work is at a long-time low. The Baby Boomers have reached retirement age and that could make room for jobs for another 3% of the adult population. However, while millions of jobs were given to new legal immigrants in 2016, there were 4.1 million more Americans living in poverty than there were in 2005 before the recession began.

The \$7.25 per hour federal minimum wage buys less of the basics than it did in 1950. Over the last 40 years, the median wage increased by 10% while productivity increased by 100%, and inflation takes more than the banks pay in interest.

With every increase in productivity, wages and interest are becoming a smaller portion of what is produced. There is never enough land sold so that all the people who represent the increase in population and those who were replaced by machines can work and afford a decent living. The rich are getting richer and the poor are in greater need of assistance.

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It would certainly be enough to say that the land on which we stand and from which everything is produced must be a common opportunity: For without access to land, we would all die. However, the observations of Henry George make clear that there is a synergistic connection with community and with the socially created values that attach to land.

With every increase and concentration of population, there is a greater and greater potential to specialize labor, to accumulate special tools and machines for each specific operation, and to produce for exchange in economies of scale.

The roads and bridges, pipes and wires, police, and other public servants enable denser and more efficient populations, and the denser the population, up to a point, the more efficient the cooperations.

In America, as long as there was still a opportunity for free land, any increase in population or infrastructure that increased productivity on the free land also increased wages and the return to buildings and machines on all land from which people were able to move to the free land. That is because no one will work for someone else for less than that person can produce working for oneself. For many decades in the nineteenth century, America offered land that was free or nearly free and, with it, the highest wages in the world.

Where land is free, the population is always relatively sparse. As the population becomes more dense with a village or a city, the increased population enables greater divisions of labor, more accumulations of capital, and more economies of scale. Trade is carried on with a greater efficiency. Each person becomes more productive, and, because all the land with denser populations is already owned and deeded for exclusive possession, the difference between the productivity of any particular parcel of land and that of the land that is still free is taken by the landowners.

The same thing is true for inventions and new technologies in general. Most machines increase productivity more on naturally superior land and land where population is dense. Farm machinery yields a greater result on the more fertile land; mining machinery increases productivity more with the richest deposits of ore; the elevator increases cooperation far more in a city than where the land is free.

Some of the surplus that results from the conscious and subconscious cooperations resulting from denser populations pays for the construction and maintenance of the infrastructure and public services that enable the denser populations. As Henry George points out, some of this synergistic production is the surplus that enriches the landholders but could be used for the enhancement and advancement of community, society, and civilization.

However, the history and reality of the United States shows the prevalence of land speculation—the holding of land in the

expectation that it will increase in value. As local populations increase, as infrastructures are added, as inventions march on, productivity tends to increase in proportion to the density of population and the value of land increases with it.

Most land in its natural state yields relatively little or nothing. However, land with farming equipment, buildings, manufacturing machinery, or stores with inventories yield far more than the land and the capital separately could. That is to say, what the owner of capital (buildings, machinery, inventories) could charge others to borrow it and what the land without capital would yield is a fraction of what they yield together. The synergy from the combination of land and capital results from the mutual support of all the people and all the activities in the surrounding area—that larger and denser population is enabled by the infrastructure and public services. In order to get the highest yields from any parcel of land, it is necessary to combine it with a certain amount of capital (buildings, machinery, inventory).

Wages everywhere are determined by what can be produced where the land is free. The return to the owners of capital (buildings, machinery, and inventory) is whatever is necessary to induce the storing up of capital where the land is free. The rent on any particular land will be the entire amount produced minus what is paid to the workers and the owners of the capital. Taxes and theft simply lower the amount produced.

Although land has no cost of production or reproduction, it does have an income that can be compared to the income of capital. Capital has an income and also a cost of reproduction and that relates to its value in exchange. Therefore, land can be equated to capital.

Whatever portion of the potential land rent is assured to the landowner is equated to capital. If the potential income from a parcel of land is \$100 per year, and the current rate of interest is 5%, someone would likely sell a parcel of land for \$2,000. That is because the seller could then buy \$2,000 worth of capital and continue receiving \$100 (interest) each year from the ownership of the capital. This process is called capitalization.

Now, because the income from many parcels of land has increased faster than the income from capital, people have come to expect that it will continue to do so. Therefore, those who are exchanging capital or money for land expect to pay a premium for the land—a speculative value based on the expectation of higher incomes in the future.

That presents each investor with two choices or a combination of the two choices when it comes to land. A parcel of land can be purchased as well as enough capital (buildings, machinery, inventory), to put the land to its most profitable use. In that way, the landowner receives the return on the capital, the highest possible amount of rent from the land and any increase in the selling value of the land.

Alternately, a parcel of land can be purchased that would be as valuable as the land and the buildings in the previous example. In this case, the landowner would simply wait until the selling value of the land increased. In some cases, land increases in value so fast that speculation (holding the land as an appreciating asset) is more profitable than the same total investment of land and capital where the object is to produce a good or service and receive the return on the capital, the actual land rent, and the increase in the selling price of the land.

As part of this equation, the real estate tax falls on the value of land and buildings and must be paid even when the land yields no income as is the case when it is held idle for speculation. In 25 states, it is calculated to be less than 1% of what the land and buildings are worth. Only six states charge more than 2% of what they are worth. However, the part of real estate taxes that falls on the selling

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value of the land diminishes the gains from the increase in the selling value which then discourages land speculation.

Some land speculators use the land in a way that generates just enough income to pay the taxes (such as surface parking lots and hot dog stands) while the selling value appreciates. In some cases, land was put to its highest and best use many decades ago and now is being grossly under used because its owner is more interested in the increase in the value of the land than the full income that would be possible were the building torn down and the site rebuilt to its highest and best use now.

Much land is unused and much more is significantly underused in every city. Look at the vacant lots and empty worthless buildings, surface parking, and the one, two, or three-story buildings interspersed with high-rise buildings in the most densely populated residential and business sections of every city. It requires far more infrastructure and public service to provide jobs and housing for the same number of people as development sprawls into the countryside.

The practice of land speculation (investing in land as an appreciating asset) goes back to the days before the United States became a nation. But, due to the decimation of so many indigenous peoples, the Louisiana Purchase, and the conquest of northern Mexico, it took until after 1900 before there was absolutely no free land to be had in America. In the 1970s, the last homestead was given away by the government in Alaska.

However, because of the diminishing quality of the land that was still being offered for free or nearly free, American wages were clearly falling by the 1870s. *When there is no free land or the free land is so poor that it cannot yield a living to the vast majority of families that could migrate to it, wages of the least skilled and educated everywhere tend to a bare subsistence.* Workers with greater skill and knowledge get higher wages, depending on the supply and demand for each person's individual skill and knowledge. Without a free land alternative, wages at every level of skill and knowledge tend to an amount below which productivity and the rent of land would fall. That is to say, there is a point below which lower wages would diminish productivity even more than wages are lowered. Therefore, land rents would fall as well.

We have intervened with the minimum wage, the eight-hour day and many other requirements. Wages are higher than they would otherwise be, but the tendency of wages to a minimum remains. And many people who are willing and able to work are unable to participate in the wealth-producing economy.

Liberals want to intervene with higher legal minimum wages and safer working conditions while preserving the environment. They also want to continue the enormous redistributions of income that fund a myriad of welfare programs at every level of government because unemployment is so high. They point out that the increase in the minimum wage would reduce some of the welfare that is now needed because wages are so low. However, none of these measures directly penalize land speculation so they don't prevent unemployment or a shortage of housing which is the root of the problem.

Conservatives, while they are against increasing the minimum wage, want to reduce environmental regulations and lower taxes that fund welfare programs as a means of creating more jobs. These reductions in the cost of production could conceptually create jobs in the short run, but they don't prevent land speculation so they can't prevent unemployment or a shortage of housing in the long run.

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America is in a struggle between two ideologies. One says that we are a national family: We must take care of those who are less fortunate than the majority. We must redistribute wealth to insure that all people have housing, education, and healthcare as well as provide for the normal functions of government.

The other ideology says the economy is paramount: Our government must support the normal functions of government that support the economy with infrastructure, order, and justice, but it has no right to redistribute wealth. The people, as individuals, must be responsible for their own employment and well being. Churches and charities must provide for those who are unable to take care of themselves.

Within these two very different philosophies lie two completely valid and compatible principles. (1) What individuals and corporations produce belong to their producers and (2) There are socially created values and they belong to all of the people who comprise the community and society as a whole.

The Conservatives tend to include along with those values produced by individuals and corporations, natural opportunities which yield advantages, as well as values that are created by the conscious and subconscious cooperations of the community and society as a whole. These include values which indirectly result from investments in infrastructure and public service, education, and recreation. And all of them attach to land.

The Liberals tend to include along with those socially created values, many values that can be attributed to productions of individuals and corporations. We see this in the personal and corporate income taxes, which make no distinction between the income from land and other monopolies and the income from wages and the return to capital (productive products) that are clearly the rightful property of the workers and the producers of capital.

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These are two inherent rights: (1) An equal right to the bounty of nature and (2) An exclusive right to the product of one's labor. They are considered natural rights because all people feel an inherent right to them.

Ever since the adoption of agriculture and the family as the individual unit within society, we have given control of parcels of land—which now include the unmined minerals and the airwaves—to individuals and corporations. Without exclusive assignment of land, there would be no way for people to keep securely what they produced—a crop, a mineshaft, a house, or a factory. However, if we make the title to land conditional upon the payment of its rental value, the payment of rent can satisfy all other people's equal right to the same parcel of land like the owners of a joint stock company.

Not all land should be assigned to private entities as an exclusive

possession. The government should reserve to the people as a whole the waterways, roadways, and much of our recreational lands. However, some land, like farmland, mineral land, and that suited for buildings and other improvements, is much more efficiently used by individuals and corporations with exclusive possession. Again, by collecting the rental value of these lands for public purpose, all other people's equal right to the same parcel of land is satisfied.

It is a modern adaption of the Native American's philosophy that the Earth is a common asset and cannot be private property. It fulfills the philosophy of the Conservatives that what is produced by individuals and corporations belongs to their producers, and it fulfills the philosophy of the Liberals that those values that are socially created belong to all the members of the community and society that created them.

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Henry George proposed that the rental value of privately held land should be collected for public purposes. All confiscatory taxes should be abolished. Those businesses that are in their nature monopolies in which there cannot reasonably be competition (such as roads and bridges and the pipes and wires that run along them) should be socialized — taken over and run by the government. And all government granted monopolies in which there can be competition (such as taxis or bus companies) should be abolished. George's proposal, now known as the Single Tax, falls only on the rental value of land: It is a concept that limits government and the society that it represents to the values that are socially created.

As the landholders would have to pay rent for the possession of land, they could not afford to hold it idle. They would have to use it or give it to someone who would. Land speculation would end, and the more valuable land in and near cities would be developed to its fullest potential within the limits of health, safety, and the environment. The richest deposits of ore would be worked to their fullest potential first. The most fertile farmland would be used in the most longterm sustainable economic way. Labor and capital would migrate from the less potentially productive sites in the rural hinterland to the much more potentially productive land in and near the cities. The lack of demand for the less potentially productive rural land would eliminate the value of much of it and reestablish a free land alternative where labor and capital could employ itself. Whatever labor and capital could produce on the free land would set the general level of wages and interest (return on capital—buildings, machinery, inventory) on all land.

The free land alternative would not be overwhelmed because those who held the valuable sites would be bidding against each other to hire labor and acquire capital in order to put the sites to their highest and best use which is necessary to maximize their income.

As inventions, innovations, and new technologies increase productivity on the land that is free, wages and interest (return on capital—buildings, machinery, inventory) then increase. And because the general tendency of invention is to increase productivity proportionately more where population is dense the increase in productivity increases the rental value of the superior land. The infrastructure enables denser populations to live and function more efficiently, and it increases productivity. While it increases

productivity on the land that is free, it increases productivity far more on the better land so it increases the value of superior land. Because the Single Tax provides the community and society with a fund that increases with population and the need for public investments, many people say it is a natural source of public revenue.

With every shift from taxing buildings, income, or sales to collecting the rental value of land, it discourages non-use and under-use of valuable land—thereby creating jobs and housing. It can even offset the loss of jobs due to an increase in the legal minimum wage and other interventions that are applied in the short run. It is not clear to what extent other taxes would have to be shifted to the value of land before the country gained full employment. But, when the full rental value is collected from all privately held land throughout the country, there will be an opportunity for all who are willing and able to work. Wages will rise and continue to rise with every new technology. The return to savings and productive capital (buildings, machinery, inventories) will rise because there will be a free alternative place for it to engage in production.

While the rental value of all land will fall as wages and interest (return on capital—buildings, machinery, inventory) rise, the cities and surrounding areas will become more densely populated as land that was unused and under-used (held for speculation) is put to its most profitable use. The larger populations and the absence of slums will increase the rental value of urban land. And, because technology increases productivity more where population is dense, the rental value of land in cities and suburbs will continue to rise.

The rental value of land in metropolitan areas far exceeds the cost and maintenance of the infrastructure and public service. This is the fund to use to care for the sick, aged, and helpless. This is the source to fund Social Security, national healthcare, and national defense. This is the fund to pay for medical and environmental research. We may already have enough cooperation and technology that the rental value of land—were it collected—would fund all the aforementioned expenditures and a basic income guarantee for all the people in the country. This is a leveler that compensates for the natural diversity in the intelligence and physical abilities of people without taking from those who have produced or diminishing the incentive to produce.

To recapitulate, the Single Tax, which is the public collection of the rental value of land, creates an equal and common opportunity. It insures that what individuals and corporations produce belongs to their producers. It insures that the synergistic values that are created by the conscious and sub-conscious cooperations of the community and society as a whole belong equally to all members of the community and society of which they are a part. That is because the value that results from the synergistic cooperation of the community attaches firmly and inexorably to land.

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When the value of land is collected for public purpose, it eliminates the unearned income that is kept by landholders. Therefore, it eliminates not only the speculative value, which is based on future expectations but the purchase price of land entirely. This is of large benefit to the homeowner or corporation who will not have to borrow or expend large amounts of savings to buy the land. Since it eliminates the purchase price of mineral land, had it been in play when the coal lands were first acquired and put into production, it would create no great loss if carbon emitting fuels are phased out due to pollution and CO₂ emissions.

Now, whenever anyone has done a good job of explaining the Single Tax or even a shift from taxing buildings to the value of land in

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a single city, the reaction of most people is that little voice that says: "If it sounds too good to be true, it almost certainly is." They often ask: "Do you mean to tell me that in all our universities they couldn't figure it out that what you are telling me is true? How we could raise wages by shifting our taxes sounds like a passage from *Alice in Wonderland*."

They haven't fully grasped the idea that idle land is motivated by its increase in value or that it causes a shortage of housing and jobs because you need some place to work and live and materials because you can't make something out of nothing. They can't imagine a free land opportunity like the Homestead Act of the nineteenth century.

Keep in mind: This ain't no ordinary proposal. We are not only advocating the overthrow of our aristocracy, which includes the people who own the newspapers, the air waves, and our politicians, but we are also saying to the majority of Americans, they must give up the one thing that has gotten them off the treadmill of life.

We are promising that their wages and the return on their savings will increase, that there will be no taxes on income, sales, or their house itself—that they will be far better off with the Single Tax than they are right now. And some people think we just might just be right but few people have any confidence that we are.

What they do know for sure is that because they own a house, no one can ever raise their rent. And the more time that has passed since they got a 30-year fixed rate mortgage, the more they can afford to go out for dinner, take a vacation, send their kids to college, and actually retire when they get to 65 or 70. And, if they can get their real-estate taxes reduced, they see that as a very big plus. While renters are paying 10% and 20% on bank loans and credit cards, the homeowner knows that he can borrow pretty much whatever money he wants for about 3% or 4%.

It is really no wonder the masses don't come right out and join the Single Tax chorus. Even among those who are sure that Henry George was right, few think that the 1% will ever let the Single Tax become a reality.

Most of us agree, if we don't stop polluting the air and water, we will have a Third World country; if we don't stop CO₂ emissions the Earth will become uninhabitable; if we don't prevent nuclear war, there won't be any other problems. However, what are the chances that the hungry will worry about pollution, the unemployed about global warming, the homeless, about nuclear war? And yet, can anyone imagine a person who is assured an opportunity to work, own a house, and enjoy a decent life for themselves and their posterity, who wouldn't be concerned with pollution, global warming, and nuclear war? The Single Tax, creates the incentive to use the land within the legal limits of health, safety, and the environment or give it to someone who will. It insures a just distribution to those who work, and those who save and invest in productive endeavors. Therefore, the Single Tax really is the only thing that can save our planet, while creating a just and prosperous world without exploitation and poverty. ■

Background on Henry George (1839–1879). Author of the world-famous *Progress & Poverty* (1879), *Protection or Free Trade* (1886), and several other books on political economy and social philosophy. He died near the end of his second run for mayor of New York City. Had he lived, his victory was almost certain.

About the author: Mike Curtis is the former director of the Henry George Birthplace, Archive and Historical Research Center (Philadelphia, PA) and the Henry George School (New York City, NY). He taught the principles of political economy based on the works of George for many years.

