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George's Contribution to Political
Economy

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George's contribution to political economy

Born into an impoverished family in Philadelphia in 1839, Henry George was forced to drop out of school at the age of 14 and to work in a series of unskilled jobs for low wages for several years. Eventually he found his way to California and, as a result of self-education, secured a job as a journalist. As a consequence of these personal experiences during an era when the nation was rapidly industrializing, he was struck by the fact that, as the country became wealthier, the number of people living in poverty was increasing.

Seeking to understand this paradox, George concluded that the natural right to private property – which was assumed by most economic writers – was absurd. Property, he felt, is the heritage of all people. The parallel increases of both poverty and economic progress were due to this previously unchallenged assumption about the merits of the private ownership of land. George's attack was an original perception to American writers up until this time.

Publishing a pamphlet, *Our Land and Land Policy* in 1871, and his classic book, *Progress and Poverty* in 1879, he outlined his solution: a single tax on land. In these writings, he put forth the thesis that land rents and other income derived from the use of land and its natural resources only served to enrich a small number of wealthy landowners at the expense

of the welfare of the masses. Hence, the people who own the land could keep it, but all earnings above what they paid for the land could and should be taxed away. Such a tax on unearned profits would make all other taxes unnecessary and the proceeds could, in turn, be used to cure poverty.

The rationale behind George's single tax theory was drawn from principles set forth earlier by David Ricardo and his classic theory of rent. Namely, it is not necessary for any price to exceed the cost it takes to bring an existing supply of a factor of production into the market place. If the price rises above that initial cost level, the entire increase can be taxed away without endangering the availability of the factor. In the case of land, the supply is fixed; so, any increase in the value of the land or the resources found on that land can be taxed away in its entirety, without fear that the land's use or its original price will be affected. Moreover, the owner of the land cannot shift the tax on to consumers and must pay it entirely himself or herself.

Progress and Poverty was read by millions around the world and elevated George to the status of one of the most distinguished political theorists of the late nineteenth century. John Dewey considered him to be one of the most influential political philosophers of all time. He had a significant impact on other major social reformers of his era, such as Leo Tolstoy and Lloyd George. On two occasions, George sought to be elected mayor of New York City. His first effort in 1886 was unsuccessful; during his second campaign, in 1897, he died of apoplexy only a few days before the election.

His views led to the creation of single tax reform movements at the grassroots level in several western states in the United States as well as in Britain, Australia, Canada and continental Europe. Today, several economists and institutes continue to believe in the contemporary relevance of his ideas (see Gaffney and Harrison 1994a; Horner 1993).

See also:

collective social wealth; inequality

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