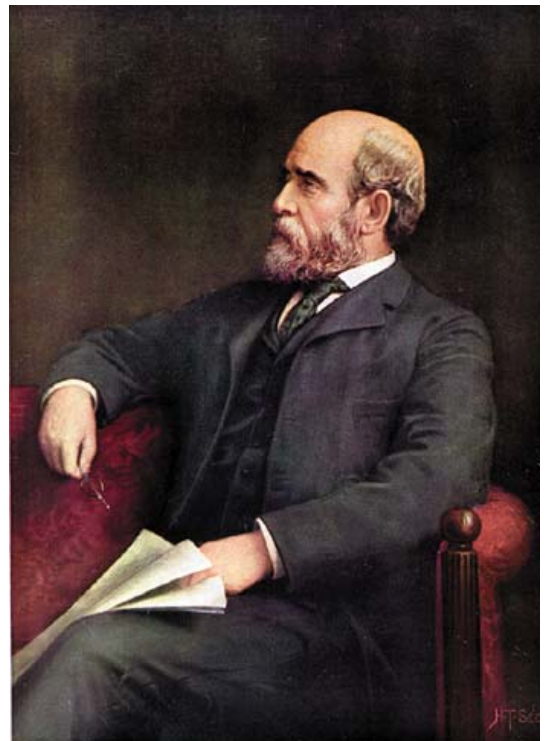


Henry George and the Single Tax

By
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Arden Georgist Guild
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Despite the events of September 11, the conflicts in the Middle East, and the devastation due to recent hurricanes, including Katrina in 2005, citizens continue to focus on economic issues as the causes of these and other major problems. With the collapse of Enron/Anderson and Worldcom and the uncertainty of the stock markets, as well as the chaos in the dot-com arena and the meteoric rise in the price of gasoline, Americans search for security and fairness in their economic life. Economic themes continue to dominate the issues today, as they have in the recent past, especially in elections.

What are some of the facts underlying the widespread feelings about the voters' helplessness in economic matters? Real wages have fallen since 1975. Unemployment has risen to chronically high levels. Homelessness has risen to new heights. Hunger remains a huge problem. Returns on savings are historically low. The domestic savings rate is low. Foreign savings rates are also low. The economy is dependent on foreign trade, and hence is held hostage to foreign governments. Alien ownership is on the rise. Capital is decaying or abandoned. The federal deficit is huge and growing. Wealth and income are concentrated at the highest levels. The wealthy build and live in separate "enclaves". There is a loss of community feeling and value. The environment is degraded in the name of progress. The educational system is failing. There is distrust of anything "public". Crime is rampant.

How did these conditions come about? Are they at all related to each other? Are they a phenomenon of the late 20th century? Are they an inevitable by-product of the capitalist economic system? As history shows, many of these problems are not new, but go back over a century. The issues of economics have been studied and written about extensively in the past. Many economists have developed theories on how to alleviate these conditions, but few have

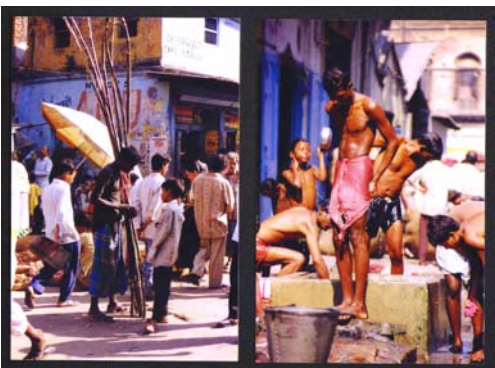
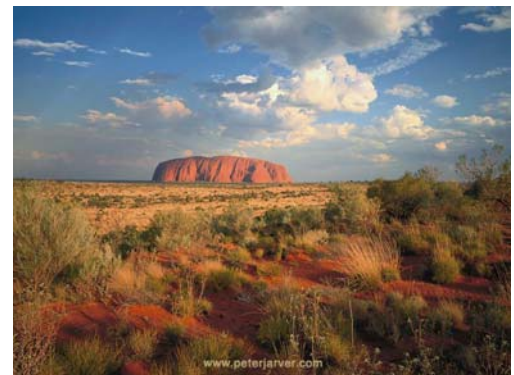
attacked the causes of these problems or offered a solution. Only Henry George, a 19th century economist and philosopher, offered a sound way out of the economic morass.

Early Influences



Born in 1839 to a lower-middle class Philadelphia family, George left school at an early age, to make his way in the world. At age 16, he shipped out on a trading vessel on its way to Australia and India. In Australia, George saw a vibrant nation, with productive cities and prosperous peoples. In contrast,

Calcutta was a decaying, overpopulated, miserably poor city. Although at the time George did not understand the reasons for the differences he saw, the images of both places remained in his memory, and later helped him to formulate his theories.



At 19, George found himself at sea again. This time, while in the port of San Francisco, he jumped ship, lured by the prospect of striking it rich in the California gold rush. Once there, he met and married Annie Fox, and they lived in poverty and misery for several years. George took on many

jobs, just to survive. Among these were gold prospector, compositor, and eventually journalist.

He first became a writer for the *San Francisco Times*, then a reporter for the *San Francisco Post*. During this time, many immigrants were brought in from China to help with the building of the new railroads. Some of George's news articles were written about the treatment of these Chinese, as well as about the usurpation of land by the railroad barons.



California at that time was a new state, isolated on the west coast from the rest of the United States, and a perfect place to study economics. Over the next two decades, George observed and wrote about what he termed the ultimate paradox: that the advent of modern society, and the potential for greater and greater progress, came with a dark side - poverty. The more progress that was made, and the more wealth that was created, in turn seemed to cause more and more poverty. How could this happen? What were the causes? Was there a solution?

For answers to these questions, George sought out experts and came under the following influences:



LEVITICUS XXV: "The land shall not be sold forever; for the land is Mine; for ye are strangers and sojourners with Me."

JOHN LOCKE: "God hath given the world to men in common... Yet every man has a property in his own person. The labor of his body and the work of his hands are properly his." (Civil Government)



WILLIAM BLACKSTONE: "The earth, therefore, and all things therein, are the general property of all mankind... from the immediate gift of the Creator." (Commentaries on the Laws of Engand)

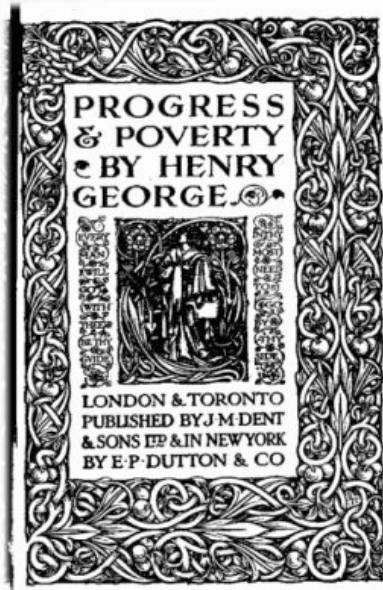


THOMAS JEFFERSON: "The earth belongs in usufruct to the living... The earth is given as a common stock for men to labor and live on." (Letters to James Madison)

ABRAHAM LINCOLN: "The land, the earth God gave to man for his home, sustenance and support should never be the possession of any man, corporation, society or unfriendly government, any more than the air or water, if as much. Any individual, or company, or enterprise requiring land should hold no more than is required for their home and sustenance..." (Lincoln and the Men of His Time by Robert H. Browne)



The Single Tax Primer



After writing many articles and pamphlets on the connection between society's progress and the poverty it simultaneously created, George decided to put all of his theories into one book. He called the book *Progress and Poverty*, and published it in 1879. In it, George defined eight basic economic terms, in the classical manner. They are:

WEALTH: All material things produced by labor for the satisfaction of human desires and having exchange value.



LAND: The entire material universe exclusive of people and their products.



LABOR: All human exertion in the production of wealth.

CAPITAL: Wealth used to produce more wealth,
or wealth in the course of exchange.



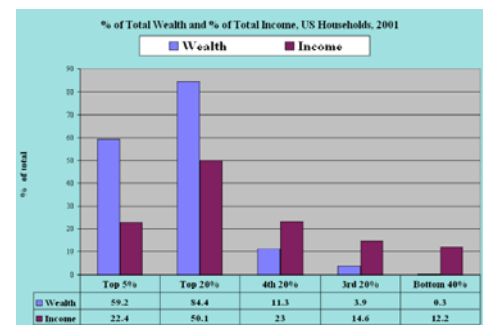
RENT: That part of wealth which is the return
for the use of land.

WAGES: That part of wealth which is the return to
labor.



INTEREST: That part of wealth which is the
return for the use of capital.

DISTRIBUTION: The division of wealth
among the factors that produce it.



Land, labor, and capital are the means of producing wealth. Land yields rent, while labor produces wages, and capital receives interest. The wealth of any society is measured as the total of rent, wages, and interest. Taxation is government collection of a percentage of the accumulated wealth. How much the government collects, and how it is spent, constitutes the economic system under which that government operates.

For example, if a government collects 25% of the wealth in order to operate, it might be a democracy, with a free capitalist economic system. (See Table 1.) A government that collects 50% of the wealth in order to operate, might be a socialist democracy, with a free capitalist economic system. (See Table 2.) Or a government that collects 75% of the wealth might be a communist (Marxist) system with a dictatorship of the working class and a centrally planned economy. (See Table 3.)

	RENT
	WAGES
	INTEREST

To Society
 To The Individual

Table 1

	RENT
	WAGES
	INTEREST

To Society
 To The Individual

Table 2

In *Progress and Poverty*, George stated that the consequences of dire economic policies were moral issues rather than purely economic issues. So he posed moral questions: "Why should a man benefit merely from the act of ownership, when he may render no services to the community in exchange?" and "What gives the wealthy the right to become rich - not for service rendered to the community, but from the good fortune to have advantageously situated land?" He believed that economic problems stemmed from the unavailability of land for those who needed access to it. The injustices of rent robbed the working man of his wages and wild speculation in land led to poverty. He

therefore suggested a single tax on land, to absorb all rents, with no tax whatsoever on wages or interest. (See Table 4.) A single tax would eventually lead to the ownership of land as common property, rather than as individual property. He believed that the single tax would raise wages, increase earnings of capital, abolish poverty, give employment, and relieve the other economic ills, through a massive redistribution of wealth. He also proposed that businesses which were in their nature monopolies, such as transportation (the railroads) and communications (the telegraph), be government owned and regulated, for the benefit of all.

RENT	
WAGES	
INTEREST	

To Society To The Individual

Table 3

RENT	
WAGES	
INTEREST	

To Society To The Individual

Table 4

Progress and Poverty became a best seller. It was "*the* book of this half century", wrote the *San Francisco Chronicle*. It was highly successful and remains the best selling book on economics of all time. After its publication, George promoted his ideas by traveling and speaking around the world. He first went to England to lecture, and found that his ideas were well received. A trip to Ireland was the inspiration for another book, *The Land Question*, which addressed the Irish poverty problem with the same single tax solution.

The Political Route

In 1886, George made his first foray into politics. Convinced that the best way to implement his ideas was by running for office, he allowed himself to be drafted as a candidate for mayor of New York City. He ran against the



Tammany Hall (Democratic) candidate, Abram Hewitt, and against the Republican candidate, Theodore Roosevelt. He placed second to Hewitt in the election results, but many believed that, because of election fraud and corruption, he was denied the mayor's job that in reality he had won.

More travel and books followed this political loss. By 1897, New York City had moved from a two-year to four-year mayor's term in office, and George was asked to run again for mayor. George's health was starting to deteriorate at this time, and he had to choose between finishing his latest book, *The Science of Political Economy*, or entering a rigorous campaign against his doctor's wishes. He chose to run, but the vigors of the campaign overcame him, and he died several days before the election, his victory assured had he lived.

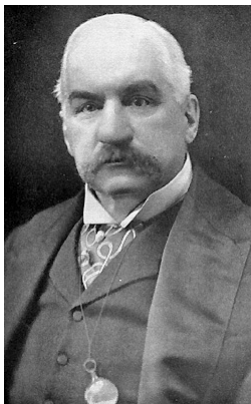
George had many followers who believed in his theories, and they tried to implement them around the country. The most extensive campaign came in 1896, in the state of Delaware. The "Single Taxers," as his followers came to be called, chose Delaware because of its small size and its close proximity to Philadelphia and New York, where the largest Georgist movements flourished. The "Single Taxers" campaigned to take over the governorship



and the state legislature. They were organized by Louis Freeland Post, Thomas Shearman, and Lawson Purdy. They wanted to demonstrate the single tax theory in one state first, before going national. But the results of that election were dismal. They lost, obtaining only 3% of the vote. Georgism on a state level had failed.

Why Georgism Failed To Develop

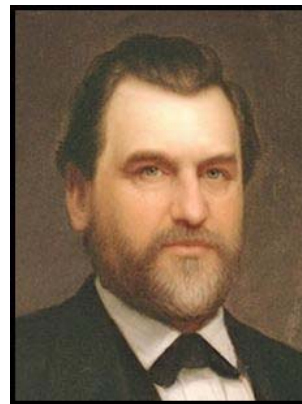
If Henry George was able through his theories to end poverty and economic chaos, why was the idea of the single tax not accepted? At the height of the Industrial Revolution, when George was writing *Progress and Poverty*, many individuals were making vast fortunes, unparalleled in history. They were politically powerful and had the most to lose if a single tax was to be instituted. They owned the land and monopolies that George wanted to confiscate and make common property. They had strong influence in all levels of government, and in higher education. Through their efforts the single tax was hardly ever allowed to be implemented at a local level, and certainly never at the state or federal level.



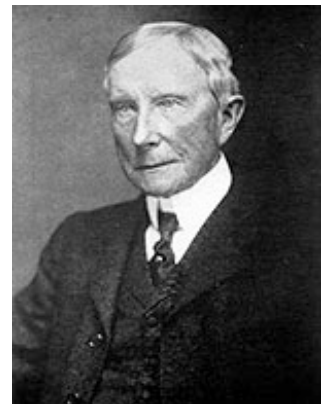
J.P. Morgan



Ezra Cornell



Leland Stanford



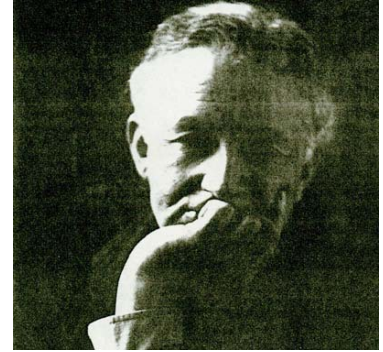
J. D. Rockefeller

Many colleges and universities were also influenced by the wealthy. For example, Columbia University received huge grants from J. P. Morgan

(banking), as did the University of Chicago, from J. D. Rockefeller (oil). In addition, Cornell University was founded by Ezra Cornell (Western Union) and Stanford University was founded by Leland Stanford (Southern Pacific RR), while the B&O RR had great financial influence over Johns Hopkins. Professors of Economics who

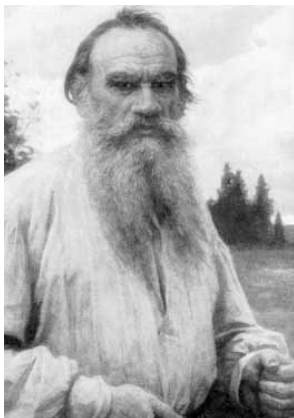


associated themselves with the theories of Henry George, or with other radical forms of economic systems, were summarily fired for their views.



Among these were Allen Eaton from the University of Oregon and Scott Nearing from the University of Pennsylvania. In their place the universities hired those who eventually became known as Neo-Classical Economists. They all treated land as capital, rather than as an independent source of wealth as had George and many economists before him. This change let the wealthy landowners keep possession of their land, and thus avoid a land-valued single tax. Neo-Classicism became the dominant economic theme in academia, and remains that way today. Many of the underlying facts of economic helplessness mentioned above in the second paragraph are directly attributable to this change in economic theory.

Comments on Georgist Philosophy



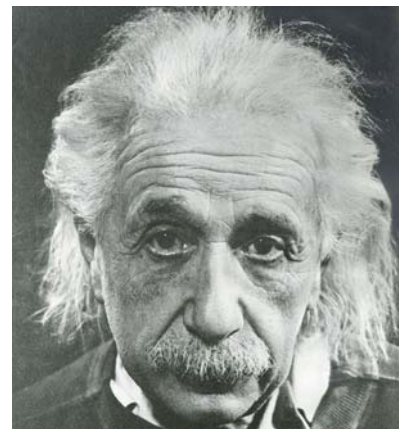
LEO TOLSTOY: "People do not argue with the teaching of George, they simply do not know it. And it is impossible to do otherwise with his teaching, for he who becomes acquainted with it cannot but agree."

HELEN KELLER: "Who reads shall find in Henry George's philosophy a rare beauty and power of inspiration, and a splendid faith in the essential nobility of human nature."

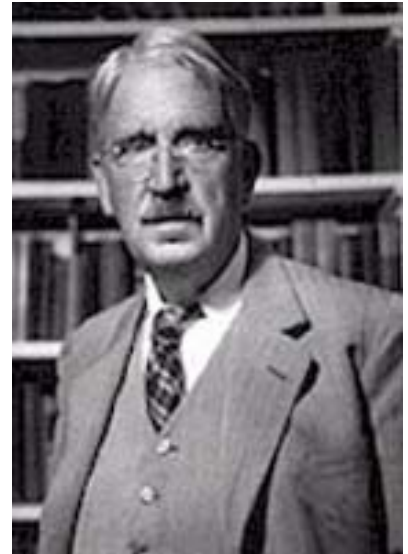


ALDOUS HUXLEY: "If I were to re-write this book (BRAVE NEW WORLD), I would offer a third alternative – the possibility of sanity. Economics would be decentralist and Georgian."

ALBERT EINSTEIN: "Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice."



JOHN DEWEY: "No graduate of a higher educational institution has a right to regard himself as an educated man in social thought unless he has some first-hand acquaintance with the theoretical contribution of this great thinker."



CLARENCE DARROW: "The "single tax" is so simple, so fundamental, and so easy to carry into effect that I have no doubt that it will be about the last land reform the world will ever get. People in this world are not often logical."

BENJAMIN IDE WHEELER: "From the teachings of Henry George there flows a stream of idealism that seldom has been equaled. Whenever you find single taxers you will find men and women who are interested in what is going on in the world for reasons other than personal reward. They are earnestly seeking good for its own sake, and for what they believe to be for the good of the country (and the world)."



The Experimental Village

Following the failure of the 1896 campaign in Delaware, some followers of George wanted to establish a single tax community at the village level. In 1900, Frank Stephens - a sculptor, Will Price - an architect, and Joseph Fels - a soap manufacturer, bought 162 acres of land in north Wilmington, Delaware, and created the Village of Arden. The village was intentionally designed to



demonstrate George's theories in practice. It was named for the "Forest of Arden" in William Shakespeare's *As You Like It*. There was no private ownership of land. More than 50% of the land was held in common for general use, while on the remaining land, leaseholds for private use were set up with 99-year leases, which could be transferred as well as renewed. These land-use conditions in the village are little changed since its founding.

In 1922, a second village, Ardentown, was created. And in 1950, the third, Ardencroft, came into being. All three villages are based on the single tax, but as communities offer much more to their residents. Each village is governed by a Deed of Trust - the original founding document, by the leasehold system, and by the Act of Incorporation, which incorporates each in New Castle County. Three trustees are nominated and confirmed in each village. They are responsible for the administering the Deed of Trust, and collecting the taxes. A town assembly runs the day-to-day affairs of each village. Every resident over the age of 18 has a



vote in the town assembly. There is a town chairman, town secretary, and town treasurer. In addition, many committees are mandated, to help in the operation of the village. They include: Advisory Committee, Archives Committee, Audit Committee, Budget Committee, Civic Committee, Community Planning Committee, Playground Committee, Registration Committee, Safety Committee, and the Assessors, each with a unique role in civic affairs.



The founders of Arden also wanted to include cultural activities in the daily life of Ardenites. Organizations, such as the Arden Community Recreation



Association and the Arden Club were started. The Arden Club is an association of gilds, each involved in some aspect of cultural life. They include Ardensingers, Dinner Gild, Folk Gild, Gardeners Gild, Georgist Gild, Library Gild, Shakespeare Gild, and Swim Gild. In addition, other activities include arts and crafts - a major source of income, a (former) community public school - the Arden School, a monthly newspaper - the *Arden Page*, as well as the

annual Arden Fair. Life in the three villages of this single tax community is one of activity, togetherness, and value.



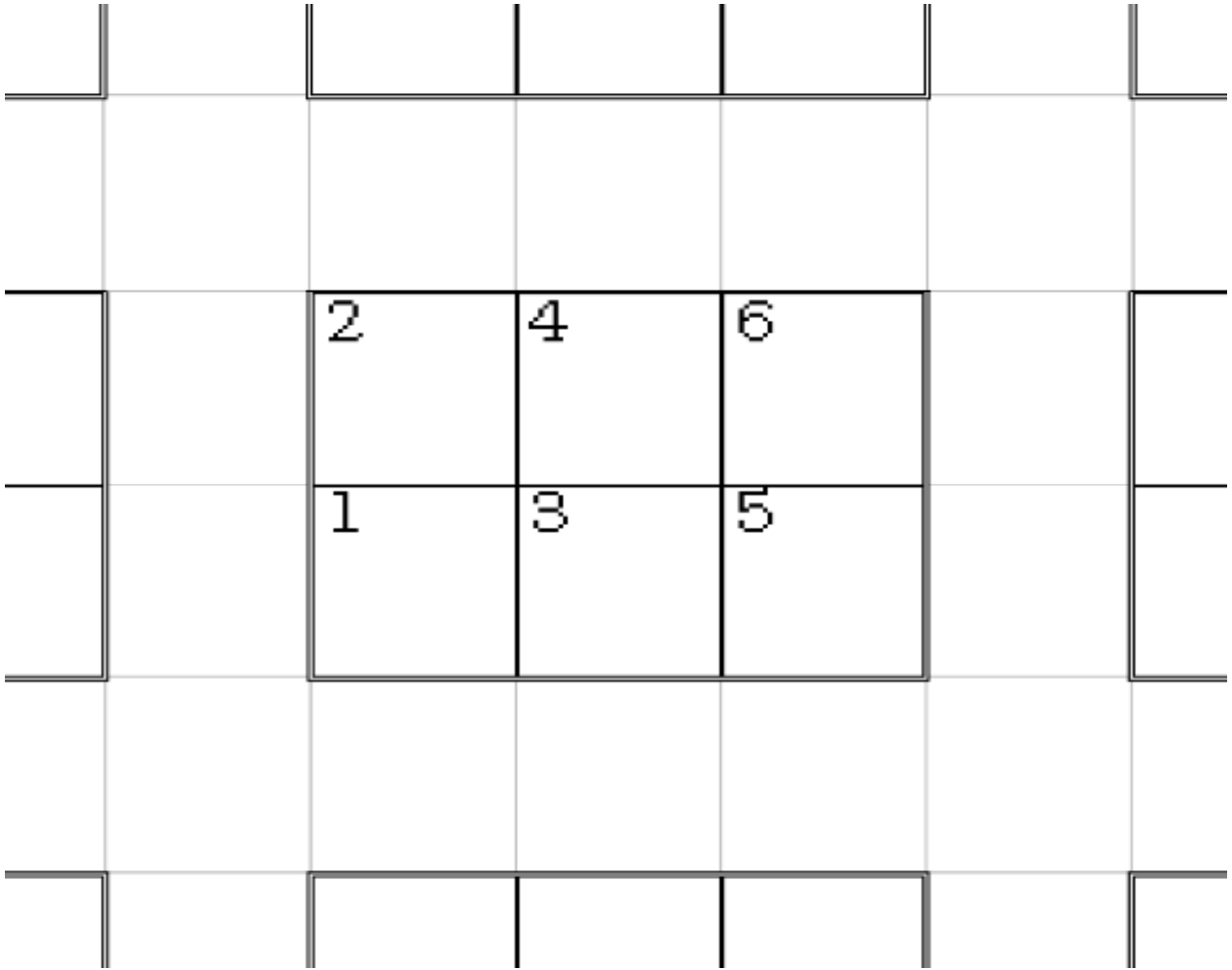


A Model for Reviving Our Cities



The Ardens clearly demonstrate the successful application of Henry George's single tax theory on the local level. How can this theory be applied to rescue America's cities from decline and decay? The following is a simplified model illustrating a partial application of Georgist economics.

Consider a city block that contains only six lots, numbered 1 through 6. Assume it's now 1977, and this city block is very viable. Let's suppose that each lot contains a well-maintained, single-family, two-story dwelling, which is owned by residents, who live on the property. Each property is assessed by the city for \$40,000. The city collects 2.5% of the assessed value as property tax, resulting in a \$1,000 tax on each, for a total of \$6,000 in revenue for the city from this block. (See Table 5.)



Property Taxes - 1977

Lot	Assessed Value	Tax Rate	Tax
1	\$40,000	2.5%	\$1,000
2	\$40,000	2.5%	\$1,000
3	\$40,000	2.5%	\$1,000
4	\$40,000	2.5%	\$1,000
5	\$40,000	2.5%	\$1,000
6	\$40,000	2.5%	\$1,000
Property Tax Total for 1977:			\$6,000

Table 5

Let's jump ahead 30 years to 2007, and assume that all conditions remain the same, except that the assessed value of each property is now \$150,000. At the same tax rate, each tax bill is now \$3,750, with a total of \$22,500 for the city. (See Table 6.)

Property Taxes - 2007

Lot	Assessed Value	Tax Rate	Tax
1	\$150,000	2.5%	\$3,750
2	\$150,000	2.5%	\$3,750
3	\$150,000	2.5%	\$3,750
4	\$150,000	2.5%	\$3,750
5	\$150,000	2.5%	\$3,750
6	\$150,000	2.5%	\$3,750
Property Tax Total for 2007:			\$22,500

Table 6

But is this a realistic scenario? Often urban property values are decreasing, while white flight to the suburbs occurs. Absentee landlords abound, as do land speculators. So let's consider a new, more realistic situation for 2007. Lot 1 still contains a well-maintained, single-family, two-story dwelling, owned by residents. The assessed value is \$150,000. Lots 2 and 3 each contain a run-down, single-family, two-story dwelling, owned by an absentee landlord, and rented out to tenants. The assessed value of each is \$70,000. Lots 4 and 5 are vacant, each having a previously condemned building now torn down. Each is owned by an absentee landlord, and is valued by the city at \$7,000. Lot 6 is a run-down, single-family, two-story dwelling, once owned by an absentee landlord, but now abandoned and taken over by

the city in lieu of unpaid taxes. It has no assessed value, as the city owns it. At the same 2.5%, the city now collects only \$7,600 from this block. (See Table 7.) Clearly, as the block decays, the neighborhood, as well as the city, suffers.

Property Taxes - 2007

Lot	Assessed Value	Tax Rate	Tax
1	\$150,000	2.5%	\$3,750
2	\$70,000	2.5%	\$1,750
3	\$70,000	2.5%	\$1,750
4	\$7,000	2.5%	\$175
5	\$7,000	2.5%	\$175
6	\$0	2.5%	\$0
Property Tax Total for 2007:			\$7,600

Table 7

Now let's consider a single tax on land only, as advocated by Henry George. In most cities, when a building lot is fully developed, approximately 80% of value is due to the dwelling and 20% is due to the land. (This can vary widely from city to city.) On Lot 1, whose assessed value is \$150,000, the land value is \$30,000, according to this formula. If a land-valued tax is to be implemented in the city, then a higher tax rate is needed to generate the same or greater revenue. If the city levies a 10% tax on land values only, the tax on Lot 1 is now \$3,000. This is a savings of \$750 over the property tax method.

If the land value on Lot 1 is \$30,000, how much is the land for Lot 2 worth? Or Lot 3? Or the other lots? Common sense should say they are all equally valuable, or worth \$30,000 each. At this assessed value, with the same

10% tax rate, the city now collects \$18,000 from this city block. Lots 2 through 6 have an increase in their overall taxes. (See Table 8.)

Land Valued Taxes - 2007

Lot	Assessed Value	Tax Rate	Tax
1	\$30,000	10%	\$3,000
2	\$30,000	10%	\$3,000
3	\$30,000	10%	\$3,000
4	\$30,000	10%	\$3,000
5	\$30,000	10%	\$3,000
6	\$30,000	10%	\$3,000
Land Tax Total for 2007:			\$18,000

Table 8

What are the advantages to the land-valued single tax? The first obvious advantage is that the city can collect more revenue. This results in the revitalization of the city, with fewer people moving away to the suburbs, or more moving back into the city. On each lot, individual property improvements are encouraged, since these improvements are not taxed - raising the overall value of the neighborhood. There is a cumulative renewal effect - growth in one neighborhood stimulates growth in others. The flow of credit improves - when money is laid out for improvements, taxes do not increase, leaving the investor in a better financial condition.

Owners of city dwellings tend to become occupiers - there are fewer absentee landlords or land speculators, which helps develop a sense of community in the neighborhoods. To be economically viable, undeveloped or

run-down properties must be improved, or be sold to someone who will improve them. This will lead to more units being available, causing absentee landlords to offer better rentals at more affordable prices. Since work on substandard housing must be completed to offset the higher taxes, job opportunities will increase, and welfare spending will be reduced. As mentioned, the overall amount of revenue available to the city rises, so there will be no more fiscal crises. More money will be available for better schools, police, fire, and other services. And in the long run, land values will only tend to increase, because of the increased economic activity and increased benefits, thus creating a higher base for the increase of revenues needed for the future. Consequently the future for cities can be greatly improved by implementation of the land-valued single tax.

But will this system of land-valued tax really work in an urban setting? It already does. The single tax is used in many parts of the world. Denmark collects 50% of its revenue by land-valued tax. In Australia, all six states and a majority of municipalities tax land values to a certain degree, and some exempt improvements in whole or in part. Both New Zealand and South Africa use a single tax in local communities. In Canada, many western cities tax land value at a higher rate than improvements. And in the United States, Delaware, Alabama, Alaska, California, and Pennsylvania all have some type of land-based tax within their boundaries. Delaware, of course, has the three Ardens. Alabama has Fairhope, the first single tax community in the U. S. (1895). Alaska taxes oil land around Prudhoe Bay. California has over 100 districts of farmland taxed by land value. And in Pennsylvania, 15 cities apply what is termed the "graded tax plan." Pittsburgh and Scranton both have a higher land tax than improvement tax, while the statistics on Harrisburg are most impressive.

Harrisburg adopted the "graded tax plan" in 1982, emphasizing the higher land tax. At that time, there were 4,200 vacant, abandoned dwellings within the city limits. Today there are only 500. Since then, crime has been reduced by 22.5%. The number of fires has been reduced by 51%. In 1982, Harrisburg was listed as the second most distressed city in the country, by federal distressed criterion. Since that time, it has been named an All-American City three times. The city has added over 4,700 jobs since 1982, and estimates that \$1.2 billion has been invested during this period. The total value of real estate in the city in 1982 was calculated at \$212,000,000, while today it is valued at \$884,000,000. Harrisburg is clearly an excellent example of the success of a land-valued tax. How would one work in the town or city in which you live? Or the state? Or the country?

Sources for more information:

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www.ardenclub.com/georgists.htm

The Three Ardens

www.theardens.com

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www.henrygeorge.org

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Robert Schalkenbach Foundation

www.schalkenbach.com

Center for the Study of Economics

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Podcasts created by Bob DeNigris:

http://www.globalpodder.com//blojsom_resources/meta/rdenigris/HenryGeorge1.m4a

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Various pamphlets and lesson guides from The Henry George School of Social Science, 121 East 30th Street, New York, New York 10016

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Rodney Jester, teacher at the Arden campus of the Henry George School of Social Science, 413 South 10th Street, Philadelphia, Pennsylvania 19147

Sadie Somerville, head of the Arden Georgist Guild of the Arden Club, Arden, Delaware 19810

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