

PART I

Progress and Rents

The starting point for Henry George's argument, and what is missing in most mainstream textbooks, is a good account of rents—what they are, what (if anything) justifies them, how they work, and what effects they have on the economy. His answers were clear and straightforward: rents are unjustified and unjustifiable payments for access to the space and fruits and enjoyment of the earth—the inheritance of us all—and they rise with “progress,” ultimately generating increased inequality, and therefore, poverty. Quite a claim, and off-putting to the economists of his day, who were generally well disposed to the emerging capitalist system and did not like what they regarded as wild and extreme criticism. Even if private land ownership is, in the end, unjustifiable, nothing can be done about it, his critics said. Confiscating land would cause chaos, unmanageable uproar, and so on. How much worse, then, that George should have advocated a quite different, and clearly manageable, position: land ownership should be left alone, but rents should be taxed to the full—and used to pay the expenses of government, expenses that, if government is truly democratic, should be beneficial to the general public, to us all.

The first chapter in this section surveys the idea of rent, contrasting George and Ricardo, and showing that George's approach, though it makes use of a notion of the marginal

product, is incompatible with, and superior to, conventional marginal productivity theory. The second chapter examines the connections between growth, rents, and land values, assessing the surprising claim that aggregate land values in an area will tend to equal or be near to the GNP of that area, while the third shows that George's claim that rents, properly understood and fully taxed, can finance the costs of government was good for his time and is not so far-fetched even today.