

what may be profitable for a particular individual or firm may not be good for the whole community. This is particularly the case where such issues as monopoly, oligopoly, taxation, trade, money, banking, credit and governmental restrictions and support of all kinds are concerned.

**Sectional Interests:** The challenge for the board of directors responsible for running a successful firm in competition with other firms where the ultimate consideration is profit is quite different from that of a national treasury seeking prosperity for all. Likewise, it is not the work of local, national, or international institutions who champion special causes or the interests of certain sections of society to promote economic justice and the welfare of all. George was alert to such dangers and encountered both support and resistance to his ideas from both the political left and the right, from conservatives, liberals, socialists, trade unionists and reformers of all complexions as well as those with and without a religious faith. His ideas do not fit any of the stereotypes and he saw, as more and more people are coming to see today, that socio/economic systems that do not take into account the welfare of everybody are bound to fail.

**Back to the Law:** George's special insight however was to appreciate that human society is natural rather than artificial, that it is an inherent aspect of human nature and that the laws of nature as they pertain to people and society are the key to prosperity and justice for all.

## The Henry George Foundation of Great Britain

The Foundation was established in January 1929, to administer a Trust Fund for spreading a wider knowledge of the social and economic teaching of Henry George as set forth in his books – *Progress and Poverty*, *Social Problems*, *Protection or Free Trade*, *The Condition of Labour*, *A Perplexed Philosopher*, *The Science of Political Economy* and other writings.

The motive for establishing and maintaining the Foundation is the conviction that the principles expounded by Henry George offer the only true basis of Economic Freedom and Social Justice, and that their application will remove involuntary poverty, promote industrial and international peace, and make all other reforms easier of accomplishment, and generally contribute to the welfare of humanity.

The Foundation supports **educational courses, meetings, research, and publications** directed at promoting a better understanding of George's ideas and developing them to address the economic issues of the day. Details of our current programme may be found at our web site <http://www.henrygeorgefoundation.org> by leaflets available at 11 Mandeville Place, W1J 3AJ or by telephone: 0800 048 8537.

Our main publication is the journal **Land & Liberty** which has chronicled world events for over 100 years and aims to explore how our common wealth should be used - and to demonstrate that this is the key to building the bridge of sustainability between private life, the public sector and our resources – between the individual, the community and the environment. It aims to put the laws of nature and people at the heart of economics. **Land & Liberty** is made available free of charge to anybody who registers interest with us and this may be done through our web site <http://www.henrygeorgefoundation.org> where you can also read recent articles and the latest edition of **Land & Liberty**.

The Foundation depends upon the voluntary efforts of members, supporters and friends to provide the publications and services we offer and active participation is always welcome.

At its founding The Henry George Foundation was endowed by a terminable annuity for a period of ten years only; but the founder animated by the hope that others would be led to follow his example so framed the trust to facilitate its re-endowment by legacies and donations given for a like purpose.

To meet all our costs we continue to depend entirely upon gifts and donations gratefully received from members, supporters and friends. As a registered educational charity we are able to receive *Gift Aid* from UK taxpayers.

**Donations** (*Gift Aid* or otherwise) may be made through:

- PayPal at our web site - <http://www.henrygeorgefoundation.org> or
- Cheque to - The Henry George Foundation, PO Box 6408, London, W1A 3GY or
- By internet transfer to - HSBC Bank, Rochester Row Branch.
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## The Henry George Foundation of Great Britain

**Dedicated to promoting principles expounded by Henry George in the conviction that they offer the only true basis of Economic Freedom and Social Justice, and that their application will remove involuntary poverty, promote industrial and international peace, and make all other reforms easier of accomplishment, and generally contribute to the welfare of humanity.**

*People do not argue with the teachings of Henry George; they simply do not know it. He who becomes acquainted with it cannot but agree.*

**Count Leo Tolstoy**

*Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form and fervent love of justice. Every line is written as if for our generation.*

**Albert Einstein**

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Meetings and classes are held at 11 Mandeville Place, London, W1U 3AJ.  
(Courtesy The School of Economic Science).

## The Economic Wisdom of Henry George

The economic wisdom of Henry George is rooted in a profound understanding of the relationships that exist between different orders of law that operate within an economic community. He saw how over and above the man-made laws and regulations that societies develop themselves; there are laws of nature that operate by virtue of the individual and social nature of human beings and human societies. He saw that, in the same way that an artisan needs to take into account those laws of nature that operate to limit his artefacts, it is necessary for governments to take certain 'natural laws' into account when devising particular socio/economic arrangements.

His primary contribution was to 'the science of political economy' or what is now generally called economics, that branch of knowledge concerned with the production and distribution of wealth. He saw how everybody experienced the operation of the laws of this science every day and that most people tended to form opinions based on such experience. In this sense the science might be regarded as simple. Such direct experience however, also entails a difficulty due to the subjective (and pecuniary) interest that people frequently have in the outcome of such investigations. A very high order of integrity is thus required of economists if their studies are to remain scientific.

A further difficulty is that many of the terms used in economics are also used in everyday conversation - but their meanings may be quite different. Examples include the use of the terms **value** and **wealth**. Ordinarily it is common to regard anything that has a value as wealth. In political economy however this meaning is too vague.

**Wealth:** In political economy the term wealth is reserved for things that are capable of gratifying human desires, have an exchange value, and that people produce by working with what nature provides. i.e. the product of labour and land. Thus whilst all wealth has an exchange value, all that has an exchange value is not, economically speaking, wealth. Likewise valuable things such as labour, land, money, bonds, share certificates, licences and privileges etc. are not, for the purposes of political economy to be regarded

as wealth. Capital items however (e.g. tools, machines, buildings, stocks of goods for sale etc.) are wealth – man-made production being used to enable the production of more wealth.

The importance of these distinctions becomes clearer when the different sources of economic value are appreciated. Unfortunately modern economic theorists rarely acknowledge this but for George it became central to the development of a just, efficient, and effective scheme of political economy.

**Sources of Value:** George recognised that human needs and desires lie at the root of all that people value, and that whilst money was the common measure of value in a developed economy, the ultimate measure was the extent to which people were prepared to give of themselves (in time, attention and exertion) in order to obtain satisfaction. He went on to identify two distinct sources of economic value or reasons why people are prepared to exert themselves. The first and obvious reason is to produce wealth itself. He saw how the earnings of labour and capital had their origin in this '**value from production**'. The second but less frequently noticed reason why people are prepared to exert themselves is because they are obliged to. When a person needs or desires something that another owns or controls they may be obliged to render much in exchange for it. How much they are prepared to give indicates the '**value from obligation**' that attaches to this thing. This is illustrated in the various forms of monopoly power that has enabled individuals and corporations down the ages to enjoy wealth that they have not worked for – leaving less for those that did.

**Land Value:** George saw that land value was the most important example of value that derives from obligation rather than production. Land is not a product of human exertion and economically speaking it is not wealth. It is however essential to all human life and to the production of all forms of wealth. People are obliged to use it and its value to them varies with location. As the population within a community grows and modes of production develop, the value of land, especially at locations near to the centres of population and economic activity, increases to become an

ever-larger fraction of the economic value produced by the community. The classical economists called this land value the **Economic Rent of Land**.

**Public Revenue and Private Income:** Since land value is created by the whole community rather than any individual or group of individuals George identified it as a natural source of public revenue and an inappropriate source of private income. He noted also that to take from individuals and groups of individuals a portion of the wealth that they produced when they employed their labour and capital in the production of wealth (i.e. their earnings) was, in effect, theft. He saw how it not only deprived them of their rightful property but discouraged production and the overall welfare of the community. Collecting the Economic Rent of Land for the benefit of the whole community he saw deprived no one of the wealth that they had produced but would return to the community a value that they had together and in aggregate created.

**Monopoly and Earnings:** George saw also how failure to collect the rent for the community enables a monopoly income to be enjoyed by some at the expense of many and causes the level of earnings received by the providers of labour and capital to be reduced to a minimum rather than reflecting the value of what they produce.

**Bad Money and Booms and Busts:** He also saw how privatising the rent led to land speculation and the creation of 'bad' money designed to facilitate land purchases rather than true production and trade. He saw how this lay at the root of periodic booms and busts with all the accompanying miseries of unemployment, migrations, poverty and unaffordable housing that are such a feature of the economy today and in the past.

**Economics and Business Studies:** A further difficulty facing those who would seek a rational approach to the subject of political economy or 'economics' is that it has in many minds, and institutions become confused with 'business studies'. These are essentially concerned with the management and fortunes of individual firms rather than the economy of the whole community. The hazard here is that