



<http://www.ucalgary.ca/hic> • ISSN 1492-7810
2014-16 • Vol. 11, No. 1

“Land Monopoly” and Twentieth-Century American Utility Policy

Christopher England

Abstract

This article explores the influence of classical liberalism’s critique of land monopoly on American progressivism. It shows that urban machines, many influenced by Henry George, drew on the liberal canon to argue that railroads, telegraphs, and water power were natural monopolies because they relied upon access to finite and unique plots of land. It demonstrates that these ideas helped shift progressivism toward policies intended to socialize rights-of-way. Ultimately, it concludes that progressivism’s lopsided focus on utilities and land reflect the priorities of classical liberalism and represent continuity in the liberal tradition.¹

Historians have often observed that American progressives were particularly concerned with certain industries identified as natural monopolies.² Accounting for the origins of this interest, however, has been difficult. There has never been a universally agreed-upon definition of “natural monopoly.” Henry Carter Adams, in *The Relation of the State to Industrial Action*, defined natural monopolies as businesses that produce increasing returns as they grow in scale.³ Some progressives associated natural monopolies with industries that were essential to the life of the community. That is why Americans today refer to them as “utilities.”⁴ Modern economists sometimes identify natural monopolies as industries that require heavy fixed entrance costs for which duplication would be impractical or wasteful.⁵

¹ This article has been presented as a paper on two panels and so I am indebted to several scholars who have read it and provided comments. Charles McCann, Elizabeth Sanders, Charles Postel, Patrick Dixon, Richard John, and Stephen Meardon have all made suggestions that have helped advance the progress of the paper into an article. Thanks are due to each of them.

² Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge: The Belknap Press of Harvard University Press, 1998), 107–8. Robert Wiebe, *The Search for Order 1877–1920* (New York: Hill and Wang, 1967), 52–53.

³ Henry Carter Adams, “Relation of the State to Industrial Action,” *Publication of the American Economic Association* 1 (January 1887): 472–549. Hsihui Chang and Raj Mashruwala, “Was the Bell System a Natural Monopoly? An Application of Data Envelopment Analysis,” *Annals of Operations Research* 145 (July 2006): 251–63.

⁴ Richard John, *Network Nation: Inventing American Telecommunications* (Cambridge: Harvard University Press, 2010), 266.

⁵ Holley H. Ulbrich, “Natural Monopoly in Principle Textbooks: A Pedagogical Note,” *Journal of Economic Education* (Spring 1991): 179–81. C.R. McConnell, *Elements of Economic Analysis* (New York: McGraw-Hill, 1960), 373. C.R. McConnell, *Principles of Economic Analysis*, 10th ed. (New York: McGraw-Hill, 1987), 537, 578. Balkisu Saidu, “Regulating the Abuse of the Natural Monopoly of Pipelines in the Gas Industry vis-à-vis the Provision of Third Party Access,” *Journal of Structured Finance* 13 (Winter 2008): 105–12. Klaus-Gunter Becker, “Essays on the Sustainability of Natural Monopoly” (PhD diss., University of Kansas, 1987).

Manuel Mosca has identified the origins of the term “natural monopoly” in classical economics, where it referred to “natural agents supplied in fixed quantity, also including talent and location.” Natural monopolies were generally understood as industries that required access to land with scarce resources or uniquely advantageous locations. However, Mosca argues that this understanding of natural monopoly fell out of favour over the course of the nineteenth century:

We can see here that there has been a gradual shift from the meaning of monopoly derived from fixed-supply natural agents to one deriving from the production process, with a period of overlapping of the two; we can also see that the latter sense crowded out the former in a period in which it was generally thought that natural monopolies due to technology were much more important than the others.⁶

This article argues that, if understandings of natural monopoly rooted in land lost favour in the academy, they remained salient in the political class, particularly among policy professionals. This is due, in large part, to the influence of Henry George, who precipitated a backlash in the academic community, but whose ideas won sway in urban political machines, seeping down to the bureaucratic class thus employed.⁷ Henry George’s understanding of natural monopoly proved to be more than a theoretical issue. It focused public scrutiny on industries that relied upon extensive access to finite space or unique sites of extraction. It promoted policies, such as original cost valuation, that ensured utilities were unable to capitalize land values during rate disputes and made little, if any, sense without the assumption that monopolies derived their profits from the growing value of urban real estate.

This article identifies an unusually coherent strand of liberal thought that stretches from classical liberalism through to the New Deal. Historians have largely abandoned the concept of a unified progressive movement for a consensus that recognizes “varieties” of progressivism.⁸ However, most historians argue that progressives were drawn to ideas about “order” or “efficiency” rather than traditional liberal faiths such as freedom or competition.⁹ Thomas Leonard has gone so far as to brand progressives “illiberal reformers.”¹⁰ With *Atlantic Crossings*, Daniel Rodgers inspired a focus on German universities, where progressive intellectuals were trained in critiques of liberalism and acquired a faith in the efficacy of state power.¹¹ Hence, when Eric Foner wrote *The Story of American Freedom*, the progressive era stood out as an

⁶ Manuela Mosca, “On the Origins of the Concept of Natural Monopoly: Economies of Scale and Competition,” *European Journal of the History of Economic Thought* 15 (June 2008): 323–4.

⁷ These were not the typical machines built on patronage. However, Tom Johnson was happy to acknowledge that he was a “boss” who ran a machine. Johnson rallied public opinion and used dirty tricks to guarantee an exceptional level of control over the party and all the organs of municipal government. Carl Lorenz, *Tom L. Johnson: Mayor of Cleveland* (New York: S.A. Barnes, 1911), 46–47.

⁸ Peter Filene, “An Obituary for the ‘Progressive Movement,’” *American Quarterly* 22 (Spring 1970): 20–34. Daniel T. Rodgers, “In Search of Progressivism,” *Reviews in American History* 10 (December 1982): 113–32.

⁹ Samuel Hays, *Conservation and the Gospel of Efficiency: The Progressive Conservation Movement, 1890–1920* (Cambridge: Harvard University Press, 1959). Samuel Hays, *The Response to Industrialism, 1885–1914* (Chicago: University of Chicago Press, [1957] 1995). Wiebe, *The Search for Order*. Robert H. Wiebe, *Self-Rule: A Cultural History of American Democracy* (Chicago: University of Chicago Press, 1995).

¹⁰ Thomas C. Leonard, *Illiberal Reformers: Race, Eugenics, and American Economics in the Progressive Era* (Princeton: Princeton University Press, 2016).

¹¹ Rodgers, *Atlantic Crossings*, 77. Axel R. Shafer, *American Progressives and German Social Reform, 1875–1920* (Germany: Franz Steiner Verlag Stuttgart, 2000). Leon Fink, *The Long Gilded Age: American Capitalism and the Lessons of a New World Order* (Philadelphia: University of Pennsylvania Press, 2015), 63–89. Frederic C. Howe, for example, has been depicted as a student of German social thought, even though he was a Georgist who identified as a liberal. Although Howe

aberration in which tropes like freedom and liberty had become “tainted” so that “progressive commentators preferred to speak instead of democracy and its discontents.”¹² This strand of historical interpretation, however, seems to understate the continuing appeal of liberalism, considering that Woodrow Wilson won the presidency under the banner of the “New Freedom.”¹³

While liberalism has not been banished from progressive-era historiography, few historians envision it as an intellectually coherent philosophy of reform. Even the consensus school, which argued for the ubiquity of liberalism in American history, believed its persistence was a function of its imprecision.¹⁴ Gary Gerstle tried to account for liberalism’s evolution by describing it as a loose “protean” philosophy.¹⁵ As Jeffery Lustig observed, “for some, imprecision itself is definitive of modern liberalism.”¹⁶ Those who have tried to identify a coherent process of evolution in American liberal thought have generally contended that liberalism moderated itself to forestall radical threats against capitalism.¹⁷ Most recently, Nancy Cohen has argued that classical liberals adopted regulation to control the market and ensure that popular government did assume direct ownership of capital.¹⁸

At the heart of the issue is how we remember classical liberalism. Modern libertarians imagine themselves as the inheritors of classical liberalism, a conceit that scholars often exacerbate when they identify present-day apostles of the market as “neoliberals.”¹⁹ Similarly, progressive era historians have been uncritical in their acceptance of German historicists’ caricatures of liberalism. Ajay Mehrotra, for example, argues that progressive proponents of ability-to-pay taxation ushered in a conceptual revolution by introducing German economics and “discredit[ing] . . . Victorian theories of atomistic individualism and

appreciated German administrative efficiency, he claimed that it represented the “socialism of the ruling caste” and used the trope of the “The Dual Germany” to convey his ambivalence. This contrasts with his unrelentingly positive treatment of Denmark, where a measure of land value taxation had been established. Frederic C. Howe, *Denmark: A Cooperative Commonwealth* (New York: Harcourt, Brace, 1921), iii. Frederic C. Howe, *Socialized Germany* (New York: Charles Scribner’s Sons, 1917), 1. Shafer, *American Progressives*, 113–23.

¹² Eric Foner, *The Story of American Freedom* (New York: W.W. Norton, 1998), 140.

¹³ This overlaps slightly with Robert Johnston’s argument that historians have understated progressivism’s “democratic” elements. Robert D. Johnston, “Re-Democratizing the Progressive Era: The Politics of Progressive Era Political Historiography,” *The Journal of the Gilded Age and Progressive Era* 1, no. 1 (January 2002): 68–92.

¹⁴ Hartz claimed that Americans understood liberalism so poorly as a philosophy that it was “a stranger in the land of its greatest realization and fulfillment.” Louis Hartz, *The Liberal Tradition in America: An Interpretation of American Political Thought Since the Revolution* (New York: Harcourt, Brace & World, 1955), 11.

¹⁵ Gary Gerstle, “The Protean Character of American Liberalism,” *American Historical Review* (October 1994): 1043–73.

¹⁶ R. Jeffery Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory, 1890–1920* (Berkeley: University of California Press, 1982), 4.

¹⁷ Martin Sklar, *The Corporate Reconstruction of American Capitalism, 1890–1916* (Cambridge: Cambridge University Press, 1988), 34. Gabriel Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900–1916* (New York: The Free Press, 1963), 1, 279, 305. James Weinstein, *The Corporate Ideal in the Liberal State, 1900–1918* (Boston: Beacon Press, 1968).

¹⁸ Nancy Cohen, *The Reconstruction of American Liberalism, 1865–1914* (Chapel Hill: University of North Carolina Press, 2002), 137.

¹⁹ “But the turbulent 20th century soon cast a dark cloud on the ‘truths’ of classical liberalism. It wasn’t until the 1980s that ‘neoliberals’ managed to bring back some of the quaint ideas—albeit dressed in new garments.” Manfred B. Steger and Ravi K. Roy, *Neoliberalism: A Very Short Introduction* (Oxford: Oxford University Press, 2010), 5. Other definitions of “neoliberalism,” which figure it as, for example, “a reorganization of capital,” go further in suggesting that liberalism can be understood, in Marxist terms, as a superstructure that reflects the needs of capital. Al Campbell, “The Birth of Neoliberalism in the United States: A Reorganization of Capitalism” in *Neoliberalism: A Critical Reader* (London: Pluto Press, 2005), 187.

laissez-faire political economy.”²⁰ Such a stark contrast appears to be overdrawn since, by Mehrotra’s own accounting, both Adam Smith and John Stuart Mill made the case for “ability to pay” long before German historicism had emerged as a coherent school of economic thought.²¹

British historiography suggests a more generous and progressive understanding of liberalism. Peter Clarke argues that the New Liberalism of the early twentieth century merged liberalism and socialism into a coherent philosophy.²² Many British historians have found the seeds of this change even earlier. Nicholas Capaldi notes that John Stuart Mill was an avid supporter of land reform, an occasional advocate of workers’ co-operatives, and an admirer of the socialist Pierre-Joseph Proudhon.²³ Ideas about land and monopoly, from the classical liberal tradition, served as the blueprint for New Liberalism. Peter Weiler explains that:

Individualist liberals had always recognized that monopolies, the prime example of which was aristocratic land-holding, remained uncontrolled by the market and threatened the public interest. The new liberals extended this classical view of monopolies to other forms of property. At the same time, they continued to mount a campaign to attack problems specifically arising from the private ownership of land. . . . Recognizing that wealth was socially created, a view which could be in part derived from the recognition of the social creation of landed wealth, the new liberals justified differentiating between earned and unearned wealth.²⁴

The Atlantic Ocean was no barrier at all against the spread of New Liberalism. In fact, American radicalism was a catalyst for it. Specifically, Henry George’s demonstration that land values were created by society served as one of the primary inspirations for liberalism’s new attack on unearned wealth.²⁵ George turned liberal rights-based arguments on their head, reasoning that the community had property rights as inviolable as the individual. The idea that factors with a static supply accrued socially created rents would be used by the British Fabians to argue that society had a claim on a vast array of factors in a modern economy, including even unique or rare individual talents.²⁶ But, even in George’s narrower formulation, this New Liberalism meant that several of the most important industries in the modern economy properly belonged to the people.

New Liberals are not easily sorted into modern political categories, but we should be sceptical of the contention that they were more backward looking than progressives who broke ranks with the liberal tradition. New Liberals generally retained a faith that market capitalism was the optimal way to organize many sectors of the economy, but also believed that few substitutes were available to direct public ownership of monopolistic factors. This contrasts with social scientists trained in the German school, many of whom acquiesced to existing property arrangements so long as they were subject to technocratic

²⁰ Ajay Mehrotra, *Making the Modern American Fiscal State: Law, Politics, and the Rise of Progressive Taxation, 1877–1929* (New York: Cambridge University Press, 2013), 10.

²¹ *Ibid.*, 110–11.

²² Peter Clarke, *Lancashire and the New Liberalism* (Cambridge: Cambridge University Press, 1971), 405–7.

²³ Nicholas Capaldi, *John Stuart Mill: A Biography* (Cambridge: Cambridge University Press, 2004), 350–6. Michael Barker, *Gladstone and Radicalism: The Reconstruction of the Liberal Party in Britain, 1885–1894* (Sussex: Harvester Press, 1975), 96.

²⁴ Peter Weiler, *The New Liberalism: Liberal Social Theory in Great Britain 1889–1914* (New York: Garland Publishing, 1982), 6–7. Stefan Collini, *Liberalism and Sociology: L.T. Hobhouse and Political Argument in England, 1880–1915* (Cambridge: Cambridge University Press, 1979).

²⁵ Michael Freeden, *The New Liberalism: An Ideology of Social Reform* (Oxford: Clarendon Press, 1978), 43.

²⁶ Mrs. Townshend, “The Case for School Nurseries,” *Fabian Tract No. 145* (London: The Fabian Society, 1909), 14.

supervision by experts of their own class. German-trained scholars embraced many vestiges of feudalism they observed in Germany, including the disenfranchisement of the poor and the placement of power in the hands of unelected administrators. A generous assessment would regard them as paternalistic, but most observers would conclude that they were at least partially driven by a thinly veiled suspicion that regulatory regimes were the best means to serve the class interests of a nascent clique of university-trained professionals. As Axel Shafer shows, American academics “were greatly impressed by the respect their German mentors enjoyed from the community and desired for themselves the same professional status.” Regulatory commissions were a means to “carve out a sphere of influence for themselves” to the detriment of both capitalists and the immigrants that they derided for their “ignorance and depravity.”²⁷ Historicists’ critiques of liberalism, therefore, should not be construed as unassailably objective scholarship, but as an expression of social interests which were themselves relatively conservative.²⁸

The History of “Land Monopoly”

The idea that land is a monopoly has a long lineage, dating back to Adam Smith. In *The Wealth of Nations*, Smith claimed that “the rent of land . . . is naturally a monopoly price.”²⁹ Land monopoly, for Smith, was not a function of concentrated ownership. Instead, Smith argued that land was a monopoly because it existed in a fixed quantity and scarcity prevented supply from meeting demand. As a corollary, certain industries were also natural monopolies.³⁰ Smith cited fine viniculture as an example. He noted that because fine wines could be grown only in rare types of soil in specific regions, open admission to the market was physically impossible. Smith claimed that the high rates of interest in viniculture were monopolistic land rents, indirectly paid by the consumers in the commodity value of wine.³¹

Smith’s notion that land was a monopoly became an accepted feature of the liberal canon. Thomas Malthus seems to have coined the term “natural monopoly” when he referred to “peculiar products of the earth . . . which may be called natural and necessary monopolies.”³² Similarly, David Ricardo, a famous advocate for the taxation of land, described land as innately a “partial monopoly.”³³ John Stuart Mill provided a more comprehensive treatment of how land restricted competition. Mill defined monopoly as any instance in which “value is determined by a natural or artificial limitation of quantity.”³⁴ Using this definition, Mill noted that identifying land as a monopoly “may not be exact but is suggestive of more of the true than the false.”³⁵ Mill observed that more land could be brought into the market, for example, by building taller buildings or expanding transportation systems. Yet certain plots of land would always have special qualities that made them irreplaceable. Mill, in an example clearly applicable to railroads, referred to “monopoly rents paid for advantageous situations in popular thoroughfares.”³⁶

²⁷ Schafer, *American Progressives*, 40, 56, 62.

²⁸ Leonard, *Illiberal Reformers*, 17–26.

²⁹ Adam Smith, *An Inquiry into the Nature of the Causes of the Wealth of Nations* (London: A. Strahan, T. Cadell, 1799), 1: 225, 2: 131.

³⁰ “Some natural productions require such a singularity of soil and situation, that all the land of a great country . . . may not be sufficient to supply the effectual demand.” Smith, *Wealth of Nations*, 1: 91.

³¹ Smith, *Wealth of Nations*, 1: 241–2.

³² Thomas Malthus, *An Inquiry into the Nature and Progress of Rent, and the Principles by Which It Is Regulated* (1815; repr. New York: Greenwood Press, 1969), 13.

³³ David Ricardo, *Principles of Political Economy and Taxation* (1817; repr. London: G. Bell and Sons, 1911), 268.

³⁴ John Stuart Mill, *Principles of Political Economy* (1848; repr. New York: D. Appleton, 1897), 2: 120.

³⁵ Mill, *Principles of Political Economy*, 3: 107.

³⁶ Mill, *Principles of Political Economy*, 2: 429.

When Henry George published *Progress and Poverty* in 1879, he became the focal point of intersecting concerns about land and utilities. Approximately five million copies of his books, in which he advocated a single tax that would confiscate land rent, were distributed throughout the world. George appealed to urban tenants, arguing that wealth inequality existed because “there are lots for which for every square foot of frontage the owner may draw more than an average mechanic can earn.”³⁷ He asserted that poverty persisted despite social and technological progress because rising population and mass production put growing pressure on a static land base, making it dearer and making those who owned wealth, wealthier.

George made public ownership of utilities a central part of his platform, noting that “businesses which are in their nature monopolies are properly part of the functions of the State, and should be assumed by the State.”³⁸ Government ownership was radical enough for the time that some of his followers were reticent to follow his lead. But, when the Single Tax League removed government ownership from its platform in 1893, George left the organization.³⁹ The league crumbled. Most sectors of the movement subsequently accepted that public ownership of natural monopolies was an integral part of the Georgist platform.

Although George was more radical than earlier liberals, his theory was firmly rooted in their tradition. The idea that land would increase in value with progress was based on David Ricardo’s theory of rent, according to which the landlord would demand in rent the whole advantage provided by his land relative to the least useful land in use.⁴⁰ George’s primary innovation was demonstrating that urban real estate provided an economic advantage exponentially greater than the best farm land, increasing rent far beyond what classical liberals had imagined likely.

George’s demonstration that urban growth increased real estate values furthermore established that the value of land was the product of a community’s development. John Locke had argued that the right to property was derived from one’s ownership of oneself and thus, by extension, to what one made. However, if the community had collectively created the value of land, then it stood to reason that this process of creation entitled it to an equally valid proprietary claim to land.⁴¹ This was a revolutionary syllogism that New Liberals extended to argue that many economic factors could, under classical liberal property theory, be construed as communal property. But it differed only in degrees from the dogma of classical liberalism. John Stuart Mill, for example, had called the rising value of land the “unearned increment” and advocated taxing it out of existence.⁴²

George’s reception in academic circles was ambivalent, but academics eventually distanced themselves from both George and the Ricardian liberalism that he had radicalized. Richard T. Ely, who helped popularize the term “natural monopoly,” initially accepted George’s place in the mainstream of economics. He observed in 1888 that “unfortunate as have been some of the phases of the agitation of Henry George, I cannot but think that the world owes him a debt of gratitude for placing in a clear light before the masses

³⁷ Henry George, *Progress and Poverty* (1879; repr. New York: Appleton, 1886), 217.

³⁸ George, *Progress and Poverty*, 370. The idea that land was a uniquely problematic form of property was so ingrained in classical liberal thought that even Herbert Spencer concluded that “equity . . . does not permit property in land.” Herbert Spencer, *Social Statistics or Conditions Essential to Human Happiness* (London: John Chapman, 1851), 115. Thus, Horace White of the *Nation* wrote Henry George upon reading *Progress and Poverty*: “I agree with you in principle on what is called Land Monopoly and if I disagree as to any part of your argument it relates to the amount of [illegible] desirable to the landless from the carrying out of the proposed reform. The taxing power of the state may eventually, I think, confiscate Rent, but it will be a long time.” Horace White to Henry George, 17 December 1881, Henry George Papers, New York Public Library.

³⁹ Rhoda Hellman, *Henry George Reconsidered* (New York: Carlton Press, 1987), 109.

⁴⁰ Ricardo, *Principles of Political Economy*, 44–56.

⁴¹ John Locke, *Two Treatises on Government* (London: R. Butler, Bruton-Street, 1821), 209.

⁴² Freeden, *The New Liberalism*, 43. David Martin, *John Stuart Mill and the Land Question* (Hull: University of Hull Publications, 1981).

the fact that land is a natural monopoly."⁴³ Relations between single-taxers and academia deteriorated two years later, when George debated economists at the American Association of Social Science and E.R.A. Seligman made a forceful case against accepting amateurs — particularly George — into the discipline.⁴⁴ In 1900, Ely reversed his estimation of George and rejected the idea that land was a monopoly. To reach this conclusion, Ely repudiated Mill's definition of monopoly as the systematic limitation in supply. Ely instead transitioned to a modern definition of monopoly, defining it as firms that exercise "unified control over the entire business."⁴⁵

This repudiation of the classic definition of monopoly was often correlated with support for private ownership of utilities. The German-trained Charles Francis Adams established the Massachusetts Board of Railroad Commissioners that served as "national prototype of the so-called weak regulatory commission." Adams argued that railroad monopoly was about efficiency. "The cheapest possible transport" could be obtained by "directing the largest possible volume of movement through the fewest possible channels."⁴⁶ Because concentration in the railroads was a function of increasing returns to scale, rather than physical impediments to competition, the growth of railroad monopoly was a natural, almost positive function of industrial development that needed to be regulated, but not socialized. Similarly, Henry Carter Adams criticized liberalism, in part, because it "renders it impossible for men to realize the benefits that arise, in certain lines of business, from organization in the form of a monopoly."⁴⁷ According to Adams, some businesses naturally became more efficient as they increased in scale and "businesses which conform to the principle of increasing returns . . . come under the rule of centralized control. Such businesses are by nature monopolies."⁴⁸ While confident that natural monopolies required "public control," Adams was lukewarm about the prospect of public ownership.⁴⁹ Similarly, Ely's drift away from Ricardian theory coincided with his embrace of private ownership of utilities. By the time Ely euphemized rent into "land income," he was widely seen as a shill for utility companies as a result of his work with the Institute for Research in Land and Public Utility Economics.⁵⁰

Urban Radicalism, The New Liberalism, and Utility Reform

Despite pushback from the academy, during the first two decades of the twentieth century Georgism flourished among urban reformers and policymakers. New York City had a Georgist tax assessor through most of the teens, and the city's mayor, William Jay Gaynor, supported legislation that would move the city's tax base gradually toward the single tax.⁵¹ In referendums, residents of San Francisco, Los Angeles, and Everett, Washington voted in favour of land value taxation.⁵² These proposals were typically blocked by rural voters for whom taxes on land were anathema. When Missouri voted on a single-tax referendum,

⁴³ Richard T. Ely, *Problems of Today: A Discussion* (New York: Thomas Y. Crowell, 1888), 113.

⁴⁴ *The Single Tax Discussion Held at Saratoga Sept. 5, 1890* (New York: American Social Science Association, 1890), 84–85.

⁴⁵ Richard T. Ely, *Monopolies and Trusts* (London: MacMillan, 1900), 32–33.

⁴⁶ Charles Francis Adams, "Railway Commissions," *Journal of Social Science* 2 (1870): 234. Thomas McCraw, *Prophets of Regulation* (Cambridge: Belknap Press, 1984), 10, 57.

⁴⁷ Adams, "Relation of the State to Industrial Action," 502.

⁴⁸ *Ibid.*, 528.

⁴⁹ Henry Carter Adams, *The Science of Finance: An Investigation of Public Expenditures and Public Revenues* (New York: Henry Holt, 1899), 5.

⁵⁰ Richard T. Ely, "Land Income," *Political Science Quarterly* 43, no. 3 (Sept. 1928): 408–27. Fink's evidence that Ely remained engaged in progressive causes after the board of regents investigated his political advocacy contradicts the long-standing belief that this investigation was the principal catalyst for his drift toward conservatism. Fink, *The Long Gilded Age*, 75–76.

⁵¹ William Jay Gaynor, *Some of Mayor Gaynor's Letters and Speeches* (New York: Greaves, 1913), 214–21.

⁵² *The Public*, 6 December 1912. *The Public*, 22 November 1912.

42 percent of the residents of St. Louis voted in favour, but outside of the state's four largest cities, it secured only 5 percent of the vote. Speakers in favour of the proposal, including one British MP, were physically assaulted in rural Missouri.⁵³ In Pennsylvania, however, high rents pushed the state legislature to allow Pittsburgh and Scranton to impose steeper taxes on land than on physical structures.⁵⁴

Tom Johnson, congressman and mayor of Cleveland, was pivotal in popularizing Georgist approaches to utility issues. Johnson had been a streetcar magnate before he was goaded into reading George's *Social Problems*. Reading *Social Problems* and *Progress and Poverty* changed Johnson's life, which he now dedicated to realizing George's utopia. Johnson served as George's campaign manager when he ran for mayor of New York City in both 1886 and 1897. When he was elected to Congress in 1890, Johnson read all of George's *Protection or Free Trade* into the *Congressional Record* and then used franking privileges to ship over a million copies on the public dime. Throughout Johnson's tenure in Congress, George served as something like a tutor, mentoring him and even drafting legislation that Johnson presented to Congress.⁵⁵ After George's death in 1897, the movement's centre of gravity shifted to Johnson and his attempts to provide a practical demonstration of George's ideas as mayor of Cleveland.

When Johnson was elected mayor of Cleveland in 1900, he began one of the nation's most publicized utility reform campaigns. Johnson declared himself in favour of municipal ownership of utilities but, barred by the state constitution from realizing that policy, he began with a campaign to cap streetcar fares at 3 cents. *The Public*, a Georgist periodical that Johnson subsidized, explained that with cheaper fares, consumers would want to live near the transit system and that "the consequent rise in land values, giving to landlords the money value of these municipal benefits, will popularize Henry George's single tax reform."⁵⁶

More quietly, Johnson also began a technocratic battle to introduce Georgist ideas about land values into utility valuation. Johnson tasked two members of his administration, Edward Bemis and Peter Witt, with an extensive study of property taxes in Ohio. This study purported to show that while homes were assessed at 60 percent of their actual value, railroads were assessed at only 10 to 20 percent.⁵⁷ Bemis and Witt argued that assessors were not accounting for how railroad construction augmented the value of the real estate under the tracks. Newton D. Baker, Johnson's city solicitor, argued to the State Board of Equalization that the monopoly value of railroads was inherent in their rights-of-way, which were subject to the property tax: "the value which property derives from its use, from being in a certain place at a certain time, from its relation to other property, is in reality its entire value."⁵⁸ Baker claimed that taxing railroads without assessing premiums for space in high traffic areas was like taxing a house without considering its location. Land values, as George had argued, were created by the surrounding community.

Although Tom Johnson is best remembered for his war on the streetcar system, he identified other important industries as monopolies, particularly electricity generation. As early as 1903, Tom Johnson asked all the municipal candidates to sign a pledge vowing to support public ownership of electricity. Twenty-three out of thirty-two members of the City Council signed the pledge.⁵⁹ In 1905, Cleveland annexed two nearby suburbs to acquire power plants that could deliver cheap electricity to municipal services. When Johnson's protégé, Newton Baker, was elected mayor in 1912, he campaigned for a public

⁵³ Arthur Young, *The Single Tax Movement in the United States* (Princeton: Princeton University Press, 1916), 197. G.H. Moser to Frank Walsh, 7 February 1913, box 1, Frank Walsh Papers, New York Public Library.

⁵⁴ Young, *The Single Tax Movement in the United States*, 210–13.

⁵⁵ Tom Johnson, *My Story* (New York: B.W. Huebsch, 1911), 63.

⁵⁶ *The Public*, 13 April 1901.

⁵⁷ *The Public*, 15 June 1901.

⁵⁸ *The Public*, 14 September 1901. Edward Bemis, "Report of Prof. Edward Bemis on the True Value of Ohio Railroads for the Purpose of Taxation. Prepared at the Request of Hon. Tom L. Johnson, Mayor of Cleveland" (Cleveland, n.d.).

⁵⁹ *The Public*, 28 March 1903.

electric company large enough to serve the whole city. After a bruising fight, Baker managed to build a public power plant in Cleveland that provided the city with electricity at less than half the rate that the private company had charged.

This connection between land and utilities was conveyed to a mass audience by Johnson's propagandists. Frederic C. Howe, Johnson's representative in the state legislature, was one of the nation's leading figures in municipal reform; he would eventually serve in the administrations of both Woodrow Wilson and Franklin Roosevelt. In his iconic book *The City: The Hope of Democracy* (1905), Howe argued that "rights of way upon the streets are but site values. Their value is created, as are those of the corner lot, by the growth of society."⁶⁰ He explained further in *Privilege and Democracy in America* (1910) that:

The railway question is at bottom a land question. The railway is a monopoly because of its identity with the land. It is this that differentiates the transportation industry from other businesses. The right of way of a railway site is a site of land long drawn out. It is of much greater value than that of adjacent farms because of this fact. The particular site which it occupies cannot be duplicated. Terminals in the cities can only be obtained at a prohibitive cost. In many instances the only available routes through the mountains are already occupied. No new corporation could raise sufficient capital to force an entrance into New York, Philadelphia, Chicago, or any of the other large cities in the face of the opposition of the existing lines.⁶¹

Johnson's argument was amplified by progressives across the nation who followed his administration intently. Three years after Howe published *The City: The Hope of Democracy*, Delos Wilcox published the similarly named *The American City: A Problem in Democracy* (1909). In that book, he made an analogous case for the origin of streetcar monopoly, explaining:

the streets being limited in width and tending to become crowded . . . a street franchise naturally gravitates toward monopoly. . . . One double line of tracks occupies so large a share of the street surface that in ordinary cases competing lines in the same street are not to be permitted to the public.⁶²

Wilcox's influence expanded well outside of the boundaries of any single city. He served as the chairman of the Committee on Franchises of the National Municipal League, in which capacity he was the first recourse for municipalities across the country seeking guidance in valuation disputes.⁶³ He was employed directly to advise and conduct valuations for franchise disputes in Grand Rapids, Detroit, San Francisco, New York, Los Angeles, Newark, St. Louis, and Denver.⁶⁴

Land monopoly was a concern in the highest levels of government, in part because Georgism experienced a revival in the 1910s. In 1909, David Lloyd George, then Chancellor of the Exchequer, began a campaign for a People's Budget that would fund British social programmes with a land tax similar to George's single tax. A titanic struggle that precipitated a constitutional crisis, it gave the land issue transnational salience, as leaders like Winston Churchill chastised the institution of landed property as "the

⁶⁰ Frederic C. Howe, *The City: The Hope of Democracy* (New York: Charles Scribner's Sons, 1906), 265.

⁶¹ Frederic C. Howe, *Privilege and Democracy in America* (1910; repr. New York: Arno Press, 1975), 138.

⁶² Delos Wilcox, *The American City: A Problem of Democracy* (New York: Macmillan, 1909), 49–50.

⁶³ David Nord, "Experts versus Experts: Conflicting Philosophies of Municipal Utility Regulation in the Progressive Era," *The Wisconsin Magazine of History* 58 (Spring 1975): 224.

⁶⁴ "The Passing of Delos Wilcox," *Public Ownership* (May 1928), 84–87.

mother of all other forms of monopoly.”⁶⁵ A year later, manufacturer and philanthropist Joseph Fels donated a fortune to found the Joseph Fels Fund Commission, devoted to propagating the single tax globally. The election of Woodrow Wilson as US president two years later brought a wave of officials from democratic, urban single-tax machines into federal office. These included officials formerly employed in Johnson’s administration, like Frederic C. Howe and Newton Baker. Thus, correspondence between Wilson’s secretary of war, Newton Baker, and George Peabody — one of the board of directors of the Federal Reserve Bank of New York — was characterized by a brand of radical discourse that rarely percolates up to the highest military official in the land. These included exchanges about monopoly in transportation being based on the “right of eminent domain” and that therefore the federal government must “recover . . . ownership” of the transportation system.⁶⁶

The persistence of land monopoly as a trope in public policy was also predicated on economic realities that made it true enough to be persuasive. The historian Richard John has highlighted the role of networks — built on extensive, contiguous land rights — in the formation of monopolies. Western Union, for example, monopolized telegraphy, despite owning inferior patents, because it negotiated right-of-way contracts with railroads that gave the firm exclusive access to networks of land. These rights-of-way allowed it to connect the entire nation and provide a utility other companies could not compete with.⁶⁷ Similarly, in dense urban areas the only space typically available for streetcars was the public roads, so entrance into that market was generally controlled by the municipalities that owned the land. Municipalities were limited in how much of the public roads they could lease because streetcars would produce congestion and could hit pedestrians. More broadly, most of the horror stories of monopoly seemed to be concentrated in extractive industries like oil and in network industries like telegraphy. Concentration in retail, in contrast, seemed relatively benign, if not progressive, as the example of the benevolent, price-cutting entrepreneur Edward Filene would suggest.⁶⁸ Thus, Tom Johnson argued that neither the size of firms nor their corporate legal form had anything to do with the problems of his age: “We have no right to say that competition, or combination and aggregation are in themselves evil or that they necessarily produce evils” only that “special privilege . . . produces the evil of excessive or discriminating rates.”⁶⁹

Georgism tended to promote answers to the utility issue that were radical but nuanced in their focus on land. If natural monopolies were constituted by land, logic dictated that nationalization of land was the answer to natural monopoly. The country’s leading single-tax periodical, *The Public*, frequently argued that regulation was only a useful palliative to the extent that it would point toward public ownership:

government ownership of public utilities would eradicate the evils of private ownership of government, whereas government regulation will intensify them. But regulation has the merit of being a necessary step toward ownership. The people, already aroused to the inequity of private ownership of government functions, will probably have to see for themselves the futility of regulation before they go the length of applying the only effective remedy.⁷⁰

⁶⁵ *The Public*, 6 August 1909.

⁶⁶ George Peabody to Newton Baker, 26 September 1922, box 185, Newton Baker Papers, Library of Congress.

⁶⁷ John, *Network Nation*, 65–114, 238–68.

⁶⁸ Meg Jacobs, *Pocketbook Politics: Economic Citizenship in Twentieth-Century America* (Princeton, NJ: Princeton University Press, 2005).

⁶⁹ Tom L. Johnson at National Anti-Trust Conference, Chicago, 13 February 1900. Republished in *The Public*, 31 April 1911.

⁷⁰ *The Public*, 3 April 1908.

Although *The Public* had never blinked at the prospect of “government ownership” of railroads, it moved only hesitantly toward “government operation.” Its editorial staff ideally preferred government ownership of rights-of-way, which would be leased out, in a system akin to access pricing, to multiple private providers. Geogists progressively abandoned this solution as impractical, but that they entertained the idea indicates how they tried to disaggregate competitive capital from monopolistic land, leaving the one free and socializing the other.⁷¹

After Tom Johnson died in 1909, his associates remained at the forefront of utility reform. In 1915, the Conference of American Mayors met for a special session on utilities. Newton Baker, Johnson’s hand-picked successor as mayor of Cleveland, presided over the day devoted to public ownership. This was a symbolic statement of Cleveland’s centrality to that cause, but it only scratched the surface of the human and intellectual capital Cleveland provided. Frederic C. Howe gave the presentation that immediately followed Baker’s opening address. Other associates of Johnson, including Edward Bemis and Robert Crosser, spoke.⁷² The Conference of American Mayors concluded with the formation of the Utilities Bureau. A year later the bureau held a conference on valuation at which Johnson’s associates A. B. du Pont, Newton Baker, and Edward Bemis spoke.⁷³

The first meeting of the Utilities Bureau dealt with the seemingly esoteric topic of railroad valuation. Most participants spoke in favour of assessing utilities at their original cost, instead of the standard of reproduction cost endorsed by the Supreme Court in *Smyth v. Ames* (1898). Because the Supreme Court affirmed that railroads had a right to “reasonable” returns of the “fair market value” of their property, determining the value of utility property was essential for regulation, taxation, and public purchase of railroads. The court’s decision to value property at the price that it would cost to reproduce it (reproduction cost) was meant to favour the public. Valuing property at what the company spent (original cost valuation) would encourage railroads to inflate costs by overspending and inventing imaginary expenses.⁷⁴ Halbert Gillette, the chief engineer of New York, was, however, one of the few participants at the conference who made the case for reproduction cost valuation. He noted: “Marconi should be and is rewarded for doing away with the necessity of trans-oceanic cables. . . . [F]air return on investment . . . would positively penalize genius, and, in practice, it does penalize both genius and normal ability.”⁷⁵

Even though the principle of original cost valuation seemed to leave the public open to chicanery, the reformers at the first conference of the Utilities Bureau favoured it because of its impact on the assessment of land. Edward Bemis, an erstwhile economics professor who had joined Johnson’s administration, gave one of the conferences’ headlining speeches in favour of original cost valuation. Bemis argued that reproduction cost was a way of claiming land values that had exploded since and — in part because — track had been laid. He argued that under reproduction cost “the price . . . cannot be reduced, lest 6 per cent to 8 per cent be not earned on this unearned increase in the value of land.”⁷⁶ The valuation system mandated by the courts forced the public to set utility rates that did not reflect actual investment so much as the rising value of land. Like George, Bemis understood land value to be a function of urbanization: “A few sky-scrapers go up between the Grand Central and the Pennsylvania stations, in New York, enhancing

⁷¹ *The Public*, 5 May 1906.

⁷² *Proceedings of the Conference of American Mayors on Public Policies as to Municipal Utilities* (Philadelphia: American Academy of Political and Social Science, 1915).

⁷³ “Proceedings of the Conference on Valuation Held in Philadelphia, November 10th to 13th,” *The Utilities Magazine* (January 1916), 85–87.

⁷⁴ Richard White, *Railroaded: The Transcontinentals and the Making of Modern America* (New York: W.W. Norton, 2011). McCraw, *Prophets of Regulation*, 59–60.

⁷⁵ “Proceedings of the Conference on Valuation Held in Philadelphia November 10th to 13th,” *The Utilities Magazine* (January 1916), 24.

⁷⁶ *Ibid.*, 36.

the site values at those depots. In consequence, the freight and passenger rates from New York to San Francisco must be raised."⁷⁷

Bemis's views evidently predominated at the conference: most participants were opposed to reproduction cost valuation because it permitted the capitalization of land values. H. Findlay French, an attorney from Baltimore, admitted that original cost valuation allowed companies to claim the value of inefficient spending but still argued for it because:

If . . . the utility is to be allowed full value for every item in the plan in disregard of the fact that a more economic and efficient one could be constructed at the present time, then there are also equities in favor of the public, such as actual costs of rights of way, land, etc. which should be taken into consideration.⁷⁸

John Eshelman, former President of the California Railroad Commission, spoke on a panel devoted to the topic of land in utility valuation. He observed that railroad land was obtained through eminent domain and was thus under a "servitude" that should legally bar utilities from claiming the "unearned increment."⁷⁹ Hammond Hayes, a consulting engineer from Boston, argued for evaluating fair market value with a combination of reproduction and original cost, but suggested that rising land values made reproduction cost valuations overly generous: "Unquestionably the normal market price of land has been increased by the growth of the community due largely in most places to the presence of the railroad."⁸⁰ Hayes mirrored George's logic by arguing that the value of land was proportional to the growth of the community and hence belonged to the community.

By the 1920s, the Interstate Commerce Commission (ICC) relied increasingly on original cost valuation, and the rising professional consensus about the impact of land values on assessment seems to have been foundational to that decision.⁸¹ Joseph Eastman, Commissioner of the Interstate Commerce Commission, argued against reproduction cost valuation because it allowed for inflated valuations based "largely on estimates of land values which have increased since the land was originally purchased or leased."⁸² In fact, when Bemis gave his speech to the Utilities Bureau in 1916, he was already helping to shift the ICC's stance. At the time, he was serving as a member of the Advisory Board of the Valuation Division of the ICC.⁸³ By popularizing original cost valuation, Bemis simplified a complicated debate with murky implications for the public into a question about a single factor: land. This decision was grounded in a belief system that portrayed the uncompetitive features of railroads as predicated exclusively on their ownership of rights-of-way.

Water Power, Conservationism, and the Legacy of New Liberalism

The idea that land was at the heart of monopoly would have even deeper implications as it meshed with the rising conservationist movement. As Roosevelt's Chief Forester, Gifford Pinchot had been instrumental in developing the conservationist agenda. However, he recalled obtaining a sense for the economic importance of land only after President William Howard Taft took office in 1909. Then it was revealed that

⁷⁷ *Ibid.*, 36.

⁷⁸ *Ibid.*, 14.

⁷⁹ *Ibid.*, 91–92.

⁸⁰ *Ibid.*, 83.

⁸¹ Germain Boer, "Replacement Cost: A Historical Look," *Accounting Review* 41 (January 1966): 92–97.

⁸² Judson King, "The Ethics of Public Utility Valuation, for release to the morning papers Monday January 7, 1929," box 69, Gifford Pinchot Papers, Library of Congress.

⁸³ "Proceedings of the Conference on Valuation," 77–100.

a group led by Clarence Cunningham had flouted homesteading laws by filling thirty-three claims for coal land in Alaska and then selling these claims to a syndicate associated with J.P. Morgan. According to Pinchot, the “Pinchot-Ballinger Controversy” revolutionized his thinking. He realized that “the saving of natural resources for the benefit of the people through the conservationist movement involved the whole monopoly question. At first the idea seemed to me fantastic,” but then he concluded “that the concentration of natural wealth in the hands of monopolists is one of the great problems of conservation.”⁸⁴

After the controversy, Pinchot’s speeches called with increasing stridency not just for conserving resources, but for conserving them “for the people.” This turn of phrase meant that conservationism was not just about protecting resources, but about who owned them. Pinchot observed “the American people have evidently made up their minds that our natural resources must be conserved. That is good. But it settles only half the question. For whose benefit shall they be conserved — for the benefit of the many, or for the use and profit of the few?” Pinchot argued that resources should never be alienated from the commonwealth, but that they should remain the property of the nation, leased for public revenue. The alternative was “excessive profits from the control of natural resources, monopolized by a few.”⁸⁵

New Liberalism remade Ricardo’s critique of landed property into a wedge that split open *laissez-faire*, justifying progressively larger encroachments on private property. This doctrine also made conservationism more relevant to the broader progressive agenda. Although Pinchot echoed some Georgist tropes about “unearned” profits and communal property rights, he was probably never a devout single-taxer. However, beginning with the Pinchot-Ballinger Controversy, Gifford’s younger brother — the avowed single-taxer Amos Pinchot — became an important ally, co-writing much of Gifford’s material, often pushing it in a decidedly Georgist direction.⁸⁶ Moreover, Gifford’s National Conservation Association (NCA) reached out with increasing frequency to single-taxers for research, publicity, and lobbying. Internal memos show that the NCA believed that the trope of “land nationalization” would expand interest in its agenda.⁸⁷ As a Republican, Pinchot lost much of his influence in Washington during Wilson’s presidency. But single-taxers were predominately Democrats, and even those who had stuck with the party of free land despite its embrace of protectionism and imperialism had generally switched parties in 1912 because of Wilson’s promise to eradicate, rather than regulate, monopoly. Some Georgist Republicans, like William Kent, were perceived as essential for the president’s outreach to new constituents and had clout that Pinchot now lacked.⁸⁸

Water power was one of the clearest and most salient applications of Georgist thought to the conservationist agenda. In a public statement released in 1914, the NCA made the case that water power was a natural monopoly because it required access to unique sites of extraction:

We should not forget that land value or monopoly profit is the heart of the water power question. All human experience teaches that this value will increase

⁸⁴ “Ballinger Controversy Notes,” box 437, Gifford Pinchot Papers.

⁸⁵ “Address of Mr. Gifford Pinchot, Chief of the United States Forest Service Before the People’s Forum for Release Dec. 27, 1909,” box 437, Gifford Pinchot Papers; Gifford Pinchot, *The Fight for Conservation* (Seattle: University of Washington Press, [1910] 1967), 113.

⁸⁶ Untitled campaign speech, 22 January 1914 by Amos Pinchot, box 1071, Gifford Pinchot Papers.

⁸⁷ “A Plan for Publicity: A Brief Discussion of a Systematic Plan to Secure Publicity,” box 492; “Publicity Plans and Dates of Releases, Gifford Pinchots’ Memorandums,” box 492; Harry Slattery to Herbert Quick, 26 September 1913, box 476; William Kent to “Dear Congressman” (form letter), 9 June 1914, box 477; Gifford Pinchot to Col. House 19 November 1915, box 485, all Gifford Pinchot Papers, Library of Congress, Washington, DC.

⁸⁸ Harry Slattery to W. Tomlinson, 17 October 1913, box 475; James Barry to Gifford Pinchot, 17 March 1913, Pinchot Papers, box 475; Harry Slattery to Herbert Quick, 26 September 1913, box 476; Gifford Pinchot to Ben Lindsey, 8 March 1917, box 492; Gifford Pinchot to Ben Lindsey, 21 December 1916, box 485; all Gifford Pinchot Papers.

enormously as population grows. Any legislation which prevents the public from retaining, so far as practicable this unearned increment is wrong in principle.

The statement continued by indicating that regulation alone would not eliminate “undue profits” from “the monopoly value of water power sites.” The memo concluded that “this undue profit can be transferred to the public only as rental paid into the public treasury.”⁸⁹

The water power issue resembled the debate over replacement cost valuation in its emphasis on the capitalization of land values. Most of the water power bills drafted during Wilson’s presidency allowed for the private development of hydroelectric sites with federal regulation of the price of power. They furthermore, allowed for public recapture of sites after fifty years. The debate hinged on what price the federal government would pay to purchase privately developed dams, specifically whether developers would be able to claim the inflation of land values over their fifty-year tenure.

Conservationists worked closely with Georgists to pass legislation that would keep the land value of water power sites in the hands of the public. In 1916, Gifford Pinchot and Harry Slattery of the National Conservation Association drafted a series of letters signed by the influential Georgist Congressman William Kent. One letter to Kent’s peers in Congress suggested that Congress should support a bill that “provides that actual cost should be paid for land, water rights, or rights of way, thus guaranteeing the future against having to pay rates based on community created values.”⁹⁰ The NCA also employed Kent to lobby the president. Kent’s letter to Wilson asked the president to delegate the drafting of a water power bill to Secretary of War Newton Baker. Then, Kent wrote Baker encouraging him to support a bill that “provides that there shall be no unearned increment on lands or rights of way or water rights, but that they shall be turned over at cost.”⁹¹

It might seem odd that conservationists would push for the secretary of war to draft the water power bill. But Kent noted that he believed Newton Baker “stands with us on the great question of public rights, as found in policies that represent control and use of our natural resources in the public interest.”⁹² This conclusion was transparently based on the fact that Baker was a former official in Johnson’s administration who expressed a level of devotion rare in American politics; when asked to define his philosophy, Baker simply observed “I am a follower of Tom Johnson.”⁹³ Woodrow Wilson, did, in fact, allow Baker to draft the water power bill in coordination with Secretary of Interior Franklin K. Lane and Secretary of the Navy Josephus Daniels.⁹⁴ The Water Power Act allowed the federal government to confiscate “excess profits” from private hydroelectric projects and to purchase dams for the price of land and capital at their original value.

Baker’s most important contribution to the question of public water power was the National Defense Act of 1916, which he wrote in conjunction with Secretary Daniels. That act allowed the War Department to purchase land and facilities to produce nitrates for explosives and fertilizer.⁹⁵ Under these provisions, Baker found sites in the Muscle Shoals region of the southeast to construct hydroelectric dams. Property owners, calculating that the Secretary would prioritize military expediency, agreed to sell the land for a proprietary stake in the project. They miscalculated his priorities; Baker refused to develop the land under

⁸⁹ Harry Slattery to W.H. Cowles, 28 April 1914, box 476, Gifford Pinchot Papers.

⁹⁰ William Kent to “Dear Congressman,” 9 June 1914, box 477, Gifford Pinchot Papers.

⁹¹ Harry Slattery to William Kent, 28 July 1916, box 485, Gifford Pinchot Papers. William Kent to Newton Baker, 21 July 1916, box 485, Gifford Pinchot Papers.

⁹² Ibid.

⁹³ Hoyt Landon Warner, *Progressivism in Ohio* (Columbus: Ohio State University Press, 1964), 64.

⁹⁴ Woodrow Wilson to William Kent, 9 March 1916, box 485, Gifford Pinchot Papers.

⁹⁵ *The National Defense Act Approved June 3, as Amended by Act Approved August 29th 1916* (Washington: Government Printing Office, 1921), 45.

anything other than the strictest policy of public ownership.⁹⁶ Baker won out in negotiations and the first plant was completed on 11 January 1919; the second, which he named Wilson Dam, would not be completed until 1927. The existence of two federally owned hydroelectric plants sparked a decade-long debate about public water power.

In the fight that raged through the 1920s over the ownership of these dams, theories about land monopoly retained their centrality. The fight was principally led by Senator George Norris, and behind him was Judson King of the Popular Government League. The Popular Government League had, with the help of William Kent, been essential in securing Norris' re-election after his opposition to the First World War nearly ended his career.⁹⁷ Afterward, Norris allowed the Popular Government League to draft most of the legislation he proposed, including his bills for public ownership of water power in Muscle Shoals. The Popular Government League echoed long-standing concerns about land monopoly during the campaign. The organization's pamphlets argued that reproduction cost valuation was flawed because it allowed "the unjust capitalization of land values." Reproduction cost valuation, King argued, allowed monopolies to keep "the increase of land values — due almost wholly to social growth and the labor of an entire community."⁹⁸

Tom Johnson's administration remained surprisingly relevant in the fight over water power in the 1920s. During the debate over the dams at Muscle Shoals, Norris reached out to Baker to testify about that project, and Baker helped campaign against Henry Ford's bid to purchase the dams. However, when Norris solicited Baker's support, he was as concerned about Baker's utility policy in Cleveland as he was about Baker's role in developing the two dams at Muscle Shoals.⁹⁹ Baker's account of the Cleveland plant's development was cited by Norris at length in congressional debates on Muscle Shoals.¹⁰⁰ Because power had essentially been a local question, municipal projects naturally would be an important reference point for federal debates about public power. But the Cleveland example was cited with especial regularity, so that by the end of the 1920s some senators cited the local rate structure in extemporaneous debates, suggesting that they had committed to memory many of the financial details of the Cleveland operation.¹⁰¹

The Cleveland plant was so often discussed because it was a peculiarly good example of a "public yardstick." Public power was not uncommon, but it had typically been developed in small towns that private providers believed lacked the proper scale to justify investments in infrastructure. Thus, few examples of direct competition between public and private providers existed, and critics often claimed that cheap public plants in small towns were unrepresentative of the cost of operating a big-city plant.¹⁰²

The circumstances under which public power had been developed in Cleveland made it a uniquely powerful example of the superiority of a public yardstick to regulation. Before Cleveland developed its public plant, the private Cleveland Illuminating Company had convinced a state regulatory commission

⁹⁶ Newton Baker to Woodrow Wilson, 3 November 1917, Newton Baker Papers, Library of Congress, Washington, DC.

⁹⁷ Alfred Lief, *Democracy's Norris: The Biography of a Lonely Crusade* (New York: Octagon Books, 1977).

⁹⁸ "The Hydroelectric War Goes On: Battle of the Underwood Bill" (Washington, DC: The Popular Government League, 1924), 1, box 262, Gifford Pinchot Papers. William Kent provided the bulk of the funding for Judson King's research into the question of hydroelectricity. Harry Slattery to Gifford Pinchot, 7 October 1926, box 264, Gifford Pinchot Papers.

⁹⁹ Preston J. Hubbard, *Origins of the TVA: The Muscle Shoals Controversy* (Tuscaloosa: University of Alabama Press, 2005), 145.

¹⁰⁰ Newton Baker to George Norris, 27 February 1925 and George Norris to Newton Baker 21 February 1925, all box 177, Newton Baker Papers.

¹⁰¹ US Congress, *Congressional Record*, 68th Cong., 2nd sess. (18 December 1924): 767–9. US Congress, *Congressional Record*, 70th Cong., 1st sess. (9 March 1928): 4407. US Congress, *Congressional Record*, 68th Cong., 2nd sess. (9 January 1925): 1506. US Congress, *Congressional Record*, 68th Cong., 2nd sess. (17 December 1924): 704. US Congress, *Congressional Record*, 70th Cong. 1st sess. (15 February 1928): 3011–18. US Congress, *Congressional Record*, 68th Cong., 1st sess. (29 February 1928): 3759.

¹⁰² US Congress, *Congressional Record*, 68th Cong., 1st sess. (9 January 1925): 1506.

that it could not possibly distribute electricity for less than 10 cents per kWh. Six months later, the public plant opened, inaugurating a rate of 3 cents per kWh. To remain competitive, Cleveland Illuminating Company halved its rate to 5 cents per kWh. Norris emphasized in Senate debates that Cleveland Illuminating Company had successfully misled regulators about operating costs, but that public competition had forced them to reduce rates. According to Norris, the example “goes quite a distance toward demonstrating that regulation, while perhaps bringing much benefit, is far from being an efficient and complete remedy.”¹⁰³

Norris fended off Henry Ford’s bid to purchase the water power plants in Muscle Shoals, but the debate about what to do with the plants only grew over the course of the 1920s. In New York, Governor Franklin Roosevelt appointed Frank Walsh, a long-time advocate of the single tax, to a state commission on utility regulation. Walsh wrote Judson King for data on the Cleveland plant, which he used to argue that utility regulation was ineffectual and that public ownership was the only realistic option.¹⁰⁴ Roosevelt endorsed Walsh’s minority report, which he then used as justification for his struggle to establish a public yardstick with hydroelectric power from the St. Lawrence River. In his first presidential campaign, Roosevelt built on this experience to argue for public ownership of the two plants in Muscle Shoals. Upon his election as president, he expanded them into the larger network of power plants known as the Tennessee Valley Authority (TVA). The TVA, which was responsible for developing public housing, agricultural programmes, and an extensive network of public water power, became one of the nation’s preeminent examples of activist land and utility policy.¹⁰⁵

As David Ekbladh has shown,¹⁰⁶ New Deal Liberals advocated for the TVA as an international model for liberal modernization. At the heart of this equation was a paradox; regional planning, while involving a considerable expansion of public power, was perceived as an alternative to the state regimentation of fascism and communism. This paradox was resolved, as Ekbladh notes, by evoking the rhetoric of value-neutral modernization and emphasizing the TVA’s democratic decision-making procedures. But the National Recovery Administration arguably exhibited both features and yet was subject to trenchant criticism from progressives who assailed it as illiberal. The difference rest, in large part, on the fact that the TVA drew on established beliefs that land and utilities were particularly fit for state management. Stuart Chase, whom Ekbladh highlights as a prominent advocate of the TVA, was a conservative business student when he encountered *Progress and Poverty* in the Harvard University Library. In the ensuing “nine hours a sword had flashed and cut” that leading New Dealer “off from the cumulative ideology of twenty-three years.”¹⁰⁷ Eugene Staley, who was at the forefront of internationalizing the TVA model, began his academic career with a book on the history of the Illinois State Federation of Labor that highlighted the influence of that “great book *Progress and Poverty*” on the development of the labour movement.¹⁰⁸ In justifying the TVA,

¹⁰³ Newton Baker to George Norris, 27 February 1925 and George Norris to Newton Baker, 21 February 1925, all box 1777 Newton Baker Papers. Judson King to Frank Walsh, 20 July 1929, box 16, Frank Walsh Papers. US Congress, *Congressional Record*, 68th Cong., 1st sess. (17 December 1924): 704.

¹⁰⁴ Frank Walsh to Judson King, 12 July 1929, box 16, Frank Walsh Papers, New York Public Library. Daniel R. Fusfeld, *The Economic Thought of Franklin D. Roosevelt and the Origins of the New Deal* (New York: AMS Press, 1956), 148.

¹⁰⁵ Edward K. Spann, *Designing Modern America* (Columbus: Ohio State University Press, 1996). Paul Kenith Conkin, *Tomorrow a New World: The New Deal Community Program* (Ithaca, NY: Cornell University Press), 1959.

¹⁰⁶ David Ekbladh, “Meeting the Challenge from Totalitarianism: The Tennessee Valley Authority as a Global Model for Liberal Development, 1933–1945,” *The International History Review* 32, no. 1 (March 2010): 47–67.

¹⁰⁷ Stuart Chase, “Portrait of a Radical,” *The Century Magazine*, July 1924, 295–304.

¹⁰⁸ Eugene Stanley, *History of the Illinois State Federation of Labor* (Chicago: University of Chicago Press, 1930), 23.

Stanley argued that it was different than state ownership of capital, noting “we can have a TVA . . . without nationalizing all the enterprises along Main Street.”¹⁰⁹

By the 1930s, only a handful of old-time reformers were still doctrinaire Georgists. But, the New Liberalism continued to push the New Deal toward an emphasis on land and utilities. Raymond Moley, who organized F.D.R.’s brains trust, spent his boyhood pretending that he was a radical orator by reciting *Progress and Poverty* in the woods.¹¹⁰ Tom Johnson was always Moley’s lodestar, and Moley argued that George’s concept of social value was a revolution in the philosophy of property rights.¹¹¹ One of Moley’s most consequential recruits to the brains trust was Rexford Tugwell. Tugwell often cited that quintessential economist of the New Liberalism, J.A. Hobson, when arguing that the government should increase consumer spending by nationalizing rent-seeking factors like land and utilities.¹¹² He quoted Hobson to the effect that “as regards mineral rights, industrial power, future site, and other land values” what was required was “not merely control but ownership i.e. the conservation to the people of specific property rights.”¹¹³ Tugwell wrote extensively on the history of Tom Johnson’s administration, ultimately concluding that “of all the possible choices between private and public activity — not excepting the utilities — the ownership and management of land and the manipulation of its values had perhaps the most disastrous consequences.”¹¹⁴ Tugwell advocated comprehensive, national, industrial regulation, but in regards to land he fought to establish “not merely control but ownership.” He served as the head of the Resettlement Administration, which managed approximately 100 government-owned towns during the 1930s.

The Agrarian Myth

The traditional explanation for America’s obsession with land was Richard Hofstadter’s “agrarian myth.” This “primitivist” myth had “almost universal appeal” among Americans in the eighteenth century and fostered a faith that “the property of working landholders has a special claim.” Americans, infatuated with their agricultural self-identification, focused on land reform even when farming had ceased to be the focal point of the national economy. This agricultural myth was, Hofstadter believed, irrational. Policies stemming from this myth were part of an inchoate belief system, lacking in consistency. Its exponents tossed around terms like “monopoly” without any analytical precision to denote forces that imperilled the well-being of the small farmer.¹¹⁵

The work of Elizabeth Sanders, Michael Kazin, and Charles Postel has reimagined the radical farmer into a heroic and astute figure, making Hofstadter’s condescension ostensibly anathema to most modern

¹⁰⁹ Eugene Staley, *World Economic Development: Effects on Advanced Industrial Countries* (Montreal: International Labor Office, 1944), 5.

¹¹⁰ Raymond Moley, *Realities and Illusions* (New York: Garland, 1980), 17.

¹¹¹ “In my judgment George brought home, with perhaps the most easily understood illustration, the concept of social value which inspired the whole Progressive movement in the United States in the generation which began near the dawn of the twentieth century.” Raymond Moley, *The American Century of John C. Lincoln* (New York: Duell, Sloan and Pearce, 1962), 160.

¹¹² Rexford Tugwell, *The Democratic Roosevelt: A Biography of Franklin D. Roosevelt* (Garden City: Doubleday, 1957, 234). Rexford Tugwell, Thomas Murno, and Roy Stryker, *American Economic Life and the Means of Its Improvement* (New York: Harcourt, Brace [1925] 1930), 294, 706.

¹¹³ Tugwell, Murno, and Stryker, *American Economic Life*, 706.

¹¹⁴ Rexford G. Tugwell, *In Search of Roosevelt* (Cambridge, MA: Harvard University Press, 1972), 69.

¹¹⁵ Richard Hofstadter, *The Age of Reform: From Bryan to F.D.R.* (New York: Vintage Books, 1955), 27.

scholars.¹¹⁶ But, historians still have a poor understanding of the class of progressives who wanted to eliminate rather than regulate monopoly. These progressives have often appeared to have an imprecise understanding of monopoly, in part because historians have retroactively established a modern definition, predicated on concentrated or even exclusive ownership. The historiography has evolved from the overt condescension of Robert Wiebe, who proclaimed that the single tax was a “magical formula to reduce the complex dilemmas of an industrial society to the simple moral equations of small town America.”¹¹⁷ But historians still lump together anti-monopolists as “populists” — a term that evokes downtrodden agrarians — and figure them as opponents of an inevitable, even progressive process of corporate accumulation.¹¹⁸ John Thomas’ *Alternative America*, arguably the standard text on Henry George, follows bluntly in Hofstadter’s steps by declaring that “in preceding from rent and monopoly to the theme of land and the fecundity of nature, George was evoking an agrarian mystique that the great majority of Americans understood.”¹¹⁹ Backward-looking and agrarian, anti-monopolists are still scarcely more rational than they were when *The Age of Reform* was published. For Martin Sklar, monopoly was so incoherent a subject that “for a public figure to declare against ‘monopoly’ was really besides the point, if not a deliberate method of evading or obscuring the issue.”¹²⁰

In fact, some of the forces that helped to define the American focus on land and utilities were urban, transnational, elite, and intellectually consistent to the point of rigidity. Americans inherited from British classical liberalism the notion that land was monopolistic. While liberals used the term “monopoly” in ways incongruous to the modern reader, they employed a traditional definition, denoting any market imperfections created by limited supply. Urban policy professionals ensured that these ideas reached fruition through complex, technocratic policy manoeuvres.

It seems incongruous that, with factories across the nation shuttered during the Great Depression, the New Deal sought only to regulate industrial agents even as it took huge strides toward direct public ownership of land and utilities. However, if Americans neglected the most vital factors in a rapidly

¹¹⁶ Charles Postel, *The Populist Vision* (New York: Oxford University Press, 2007). Michael Kazin, *A Godly Hero: The Life of William Jennings Bryan* (New York: Knopf, 2006). Elizabeth Sanders, *Roots of Reform: Farmers, Workers, and the American State, 1877–1917* (Chicago: University of Chicago Press, 1999).

¹¹⁷ Wiebe, *The Search for Order*, viii.

¹¹⁸ James Livingston, *Pragmatism and the Political Economy of Cultural Revolution 1850–1940* (Chapel Hill: University of North Carolina Press), 96. McCraw, *Prophets of Regulation*, 80; Sklar, *Corporate Reconstruction*, 54–55. Maureen A. Flanagan, *America Reformed: Progressives and Progressivism, 1890–1920s* (Oxford: Oxford University Press, 2007), 148.

¹¹⁹ John Thomas, *Alternative America: Henry George, Edward Bellamy, Henry Demarest Lloyd and the Adversary Tradition* (Cambridge: Belknap Press, 1983), 114.

¹²⁰ Sklar, *Corporate Reconstruction*, 67, 183. Retroactively imposing a modern definition of monopoly has often presented historians from understanding their subjects on their own terms. McCraw, for example, claimed that Wilson was “ambivalent” when he declared “I, for one, don’t care how big a business gets by efficiency, but I am jealous of any bigness that comes by monopoly,” although this distinction between bigness and monopoly was foundational to the whole liberal tradition. McCraw, *Prophets of Regulation*, 112. Other modern impositions on the period, like “accumulation” and to a lesser extent “incorporation” can similarly foster confusion because they map imperfectly onto historical concepts. James Livingston, for example, figures John Dewey as a forward-looking proponent of corporate accumulation and in the process concludes “Dewey had embraced, and would not act on, Ford’s optimistic yet political-economic periodization of modern life. . . . So he left Henry George behind . . .” In fact, Dewey in 1928 wrote of George that “It would require less than the fingers of the two hands to enumerate those who from Plato down rank with him.” That Dewey supported corporate accumulation is not proof that he was opposed to “populist” ideas, but that corporate accumulation was peripheral to the question of monopoly as then understood. Livingston, *Pragmatism and the Political Economy*, 189. Henry George and John Dewey, *Significant Paragraphs from Henry George’s Progress and Poverty*, ed. Harry Gunnison Brown (Garden City: Doubleday, Doran, 1928), 1. Christopher England, “John Dewey and Henry George: The Socialization of Land as a Prerequisite for a Democratic Public,” *The American Journal of Economics and Sociology* 77, no 1. (January 2018): 169–200.

industrializing economy, it was not out of irrational sentiment. Instead, they did so, at least in part, out of ideological consistency — a faith dating back hundreds of years that certain sectors of the economy could never be competitive. Ultimately, these sectors were socialized not despite but rather because of a faith in competitive capitalism.