NEO-GEORGEISM

A PANEL DISCUSSION LED BY PROFESSOR R.V. ANDELSON

The purpose of this panel is to discuss what I call "Neo-Georgism." This is a position that attempts to retain the essentials of Henry George's teaching while making certain accommodations to changed circumstances and to technical advances in economic theory - accommodations that involve no sacrifice of principle. It is a position that I expounded at the Centenary Conference in San Francisco, and that I develop in the closing chapter of the book, Critics of Henry George. Before my colleagues comment on Neo-Georgism, I shall try to summarize it briefly. To do so necessarily demands repetition of statements that I made at San Francisco or in the book, so I crave the indulgence of any among you who have already heard or read them. The constraints of time do not, of course, permit the inclusion of extended argument within this summary. Therefore, kindly bear in mind that I am mainly just expressing conclusions here without going into the reasoning behind them. Perhaps I'll have the opportunity to do that later in the session.

Those of us who acknowledge George as our primary source of inspiration need not necessarily be wedded to what Professor Steve Cord so aptly terms his "all-devouring rent thesis", to his notion that wages and interest rise and fall in unison, to his assumption that land held for speculation is characteristically kept absolutely idle, to his theory of the reproductive modes of interest, or to his fancy that "the earth could
maintain a thousand billions of people as easily as a thousand millions". I'm not saying categorically that George was wrong in all these cases. For instance, Fred Harrison tells me that in the light of all the published analyses I was justified in being skeptical of the "all-devouring rent thesis," but that he has now gathered statistical evidence that supports it. I'll be most interested to hear in detail what Fred has to say. Again, I think that probably the natural tendency is for wages and interest to rise and fall in unison, and that this tendency has been simply overcome, for the most part, by countervailing influences. But this is merely speculation; I have no hard data with which to defend it. The point is that these ideas, whether defensible or not, are widely held to be discredited. We should not feel obliged to embrace them merely because George did. They are not essential to what I conceive to be his basic thrust.

Well, what is the fundamental core of George's thoughts to which the Neo-Georgist is committed, and what are the modifications as to policy proposals that Neo-Georgism would entail?

Let us begin with George's moral presuppositions: the labor theory of ownership, and the belief in natural rights that underlies it. Any system tied even by a prefix to the name of George would be unthinkable apart from these decisive moral insights. His economic methodology may have been, as he claimed, value-free. But he was more than an economist. Above all else he was a teacher of righteousness.
I cannot here set forth the logical (or better, axiological) rationale for the concept of natural rights. But if we abandon this concept, the remaining views of George which we endorse may contain keen economic analysis, valuable sociological theory, and timely policy prescription, but they will never add up to a comprehensive system because an indispensable philosophical dimension will be lacking. As for the labor theory of ownership, although it has been the subject of attack ever since its enunciation by John Locke, I have never found any of the attacks convincing, and I know of no other satisfactory moral argument for the distinction between mine and thine.

If we affirm the labor theory of ownership, as I think we must, two deductions follow ineluctably. First, that there can be no legitimate human title to property in nature, since nature was not created by human labor. Second, that since production is impossible without access to nature, the authority to require private tribute for such access violates the only kind of ownership that has a moral basis. Henry George put the matter plainly: "When nonproducers can claim as rent a portion of the wealth created by producers, the right of the producers to the fruits of their labor is to that extent denied."

Whence arises rent? What gives nature a market value? What other than the growth of the community? Not growth in population merely, although that is certainly a factor, but also growth in technological and commercial development, in cultural amenities, and in public services. Pure rent is a social product, therefore it belongs to society by right.
If I were to try to put the crux of Henry George's message in a nutshell, it would be this: In the distribution of wealth, the just satisfaction of individual claims ordains that society's claim be also justly met, that the recognition of legitimate personal property rights necessitates the recognition of legitimate social property rights. For the value of raw land is the result of labor -- the labor of the community around it, while the land itself constitutes the natural material of opportunity, apart from which labor cannot function or indeed exist. Hence, natural opportunity should be open on the same terms to all, and socially created values socially appropriated, while the rewards of non-predatory private effort should be left inviolate to their producers or to the designees thereof.

The application of this idea, as conceived by George, envisages a system of public revenue that is more than a system of public revenue. It envisages the exercise of the taxing power to ensure "a fair field and no favor" by collecting, not a true tax, but rather a public fee from those whose enjoyment of public benefits limits the availability of those benefits to others.

Since the exclusive use and disposition of a site is a benefit received by the owner at the expense of the rest of society, the Neo-Georgist will follow George in insisting that, apart from a modest "brokerage commission," this benefit be paid for in full, as measured by the market value of the site. Quite aside from its commanding equity, this levy recommends itself on fiscal grounds because of its nonshiftability and its benign effect upon production.
But the Neo-Georgist will not be a single-taxer, for four reasons: First, because, even conceding the savings in domestic expenditure to be anticipated from this reform, and conceding also that the potential land rent fund is far greater than is commonly appreciated, it is doubtful that legitimate public functions could today be wholly met from rent in view of the enormous costs of national defense. Second, because the exclusive use and disposition of a site, while undoubtedly the greatest, is not the only special benefit afforded by society. Third, because if fees for special benefits prove insufficient to meet the expense of genuinely necessary public services, general levies to make up the difference may be justified. Finally, because in times of desperate national emergency when, in the words of the late Harry Gunnison Brown, "millions of men might be required to risk their lives at the fighting front," considerations of actual national survival might temporarily warrant whatever measures were capable of raising the needed revenue most quickly and efficiently.

Let me hasten to emphasize, however, that to say that all these levies can be justified is not to say that they can all be justified under the same conditions or to the same degree. Neo-Georgism stands for a definite order of priorities, governed by the benefit principle.

In contrast to the "single-tax limited" of Thomas Shearman and Charles B. Fillebrown, it calls for the public capture of the full land rent, less a percentage just large enough to induce
owners to retain private title. Only after this has been applied to the cost of essential public services will it recognize the suitability of other special benefit fees such as use taxes, of which the gasoline tax (assuming that it be spent on highways and related functions) is a prime example. For if these other special benefits could be funded out of rent without diminishing necessary services of a general nature, to provide them free would involve no social sacrifice comparable to that sustained when natural opportunity is monopolized. If there were a surplus in the rent fund, I would personally prefer to see it allocated as a per capita dividend to be invested or consumed according to individual choice, rather than spent, in part, on public dancing halls and shooting galleries, as George suggested in what I can only interpret as a flight of whimsey. Still, in this hypothetical eventuality, even frivolous expenditure would not impose a burden.

Unfortunately, we live in the real world, and in the real world today, I fear, use taxes could be charged to the limit and something approaching the whole of economic rent applied to those general public services which a libertarian like Hayek or Nozick could consider proper, yet those services might still require additional support. This being the case, Neo-Georgism would advocate some sort of general levy approximating objective equality (possibly a nongraduated percentage of incomes) to take up the slack. Levies apportioned to criteria other than special and then general benefit would be acceded to only as a temporary last resort in extraordinary crises.
You will have noted that the foregoing assumes the necessity of heavy defense expenditure. Of course, I am not unaware that George believed that the adoption of his reform would usher in an age of peace, and virtually eliminate the need for military spending. But he could not have foreseen the worldwide threat of Soviet imperialism. Domestic prosperity without military preparedness is an open invitation to aggression. The causes of war can never be extirpated by the unilateral adoption of just social and economic institutions -- the reform would have to be universal to have any significant impact in that direction. Yet I question whether even then the impact would be definitive. For wars are not always waged for economic reasons. To cite but one current instance, Ethiopia and Somalia are today engaged in bitter struggle over the Ogaden Desert, one of the most worthless tracts of real estate on earth. Unless we have the capability to repel armed menace from abroad, the most idyllic social system is a fool's paradise. Neo-Georgism recognizes this melancholy truth, and structures itself accordingly.

Such, in capsule form, is the doctrine to which this panel is addressed. Now, let us see what my two colleagues have to say about it.