

Academic Freedom and the Defense of Capitalism

by

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But what periodical, professional or other, purporting to be interested in academic freedom, has ever publicized or will now publicize such facts as those presented in this paper?

Members of American Association of University Professors, see back of this page.

NOTE TO A. A. U. P. MEMBERS

The author of this paper feels that there must be some members of the American Association of University Professors who would be interested in - and deeply concerned about - the aspects of ACADEMIC FREEDOM discussed in it. Unfortunately, the cost of circularizing individually all of the (approximately) 40,000 members of the Association - indeed, HOW ELSE CAN HE HOPE TO CONTACT THEM? - would run well into the thousands of dollars. But the author wishes to have reprints available for any A. A. U. P. members who would be disturbed, as he is, by the situation he describes. He has made arrangements, therefore, for the publishing Journal to send a reprint, so long as the considerable supply lasts, to every college and university teacher who cares enough to ask for one.

Surely not all A. A. U. P. members can be complacent about the existing facts. Surely some members will want to call these disturbing facts, all the more disturbing because hitherto unpublicized, to the attention of colleagues. One way to do this - not the only way or, necessarily, the most effective way - is to give to them, or have sent to them, or get them to ask for, copies of this reprint. Write to

THE AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY
50 East 69th Street, New York 21, N. Y.

Academic Freedom and the Defense of Capitalism

IN THE ACADEMIC ECONOMISTS' WORLD—as with many others among the professoriate—there is widespread objection to and resentment of, interferences with teaching. Anti-communist oaths as a condition of employment are resented. Many doubtless feel that the current antipathy to communism will lead to—and has already led to—"witch hunts" and the dismissal of teachers who are not communists but are regarded as merely too "liberal."

But why do teachers of economics *almost never* use such freedom as they do have—and they have a great deal—to explain to their students the demonstrable advantages of a kind of tax that is more favorable to free private enterprise than is any other form of tax whatsoever? Why do they seemingly prefer to support taxation that goes unnecessarily far in the direction of certain Marxist tenets that, in their extreme form, are utterly irreconcilable with free private enterprise? Are they actually more afraid of being rated as too consistently anti-Marxist and anti-socialist than of being suspected of a leaning towards socialism?

Yet if these teachers have a clear understanding of fundamental economic relationships—which, unfortunately, many of them do not have—they should not too greatly fear persecutors, either inside or outside of academic walls, whose advocated policies must tend to weaken capitalism. Why not put these persecutors—if and when there are any—publicly and dramatically "on the spot," as being manifestly aiders and abettors of the Marxists?

I

THERE ARE TWO TENETS of Marxism which are utterly irreconcilable with free private enterprise. The first is that private income from capital is "surplus value" and is "exploitation of the proletariat by the bourgeoisie." The second is that the ideal distribution of the product of industry is "from each according to his capacity, to each according to his need."

What are the implications of the first of these tenets? Capital—as distinguished from land—can come into existence in a free enterprise system, only as there is private saving and investment. Capital which depreciates or which becomes obsolete can be replaced only as there is private saving (which may be, of course, the saving of privately owned corporations).

But communists, since they insist, with Marx, that the enjoyment of

income from capital by the owner of it, is "exploitation of the proletariat," cannot tolerate such enjoyment. They cannot, therefore, confidently rely on private saving and investment to provide the capital without which industry is unable to function effectively, and they certainly do not rely on such saving or contemplate relying on it. By their very philosophy of exploitation they must—and they certainly do—rely only or almost only on the State to see to it that capital is accumulated and that capital which wears out or which is obsolescent is replaced.

Thus the doctrine that private income from capital is unjust leads inevitably to State ownership of capital, compulsory saving via a five-year plan or a four-year plan, State construction of capital, State repair of capital, State—and, therefore, compulsory—provision for replacement of capital. The State becomes the manager of industry and the universal or almost universal employer. No place is left for individual initiative or spontaneity. Economic life in general is regimented. All the influence of communist ideology tends towards regimentation, centralization and dictatorship.

Those who would use the tax machinery to accomplish the purpose of preventing—or mostly preventing—private enjoyment of the income from the capital that private saving has made possible and that adds immeasurably to the annual output of industry, are going in the same general direction. If they should attain this end or, even, come close to it, how much individual saving and investment in capital construction would we have? Might it not soon be widely contended that "private saving is inadequate for the requirements of industry," that "the profit motive doesn't function as its defenders say it does," that "the system of capitalism has failed," and that "government must undertake what private initiative and thrift are failing to accomplish"?

For a long time now, some of us have been urging the abolition or, at worst, the substantial reduction of taxes on capital, and the heavier taxation of the geologically-produced and community-produced rental value of land. There is no form of taxation more consistent with the principles on which private enterprise is defended or which can be more truly referred to as strengthening the incentives of capitalism. Yet those who most loudly proclaim their opposition to communism, both conservatives and "liberals," persistently oppose it, despite mounting evidence of its beneficial effects. Or, at best, they studiously ignore it. Do they definitely prefer continuing heavy taxes on capital and its income rather than have any increase in the taxation of land values? Or do they hope to relieve capital by increasing the burdens of the comparatively poor?

II

THE SECOND MARXIST TENET is the doctrine that the State should take "from each according to his capacity" and give "to each according to his need." This tenet, too, ignores completely the significance, for incentive, of letting reward have some relation to contribution.¹

But those professed defenders of income from efficiency and thrift who are unwilling to suggest any substitute for taxes that heavily penalize incentive, except increased burdens on the comparatively poor, are adopting a strategy that is certain to appear, in the minds of many of those they seek to persuade, the reverse of disinterested. On the other hand, there is an alternative strategy which would be obviously disinterested, sincere and logically defensible. It is to point out that, within the limits of the revenue either could be made to yield, a tax appropriating practically all of the annual rental value of land would be more advantageous, even to the worker without property, than the most drastically graduated tax on incomes in general; and that this would be true even if such worker were completely exempt from the income tax.

For the land-value tax has two advantages—even for the propertyless worker—over the income tax. The first is that it makes unprofitable the speculative holding of good land out of use, and thus enables the worker to be better supplied with land and thereby to produce more and, therefore, be worth more.

The second advantage is that the land-value tax leaves to those who save, the full natural reward of this saving, in the added productiveness of industry made possible by the additional capital. They truly own their capital instead of having it, as now, largely owned, in practical effect, by the taxing government which takes a large part of the annual income it yields. Therefore, capital would—and some highly significant but as yet little publicized Australian data show that it does—flow into and increase in such a community or state or nation, and its workers would be better provided with capital as well as better provided with land. Thus, again, the workers would be able to produce more and could command higher wages.

The Australian studies² to which allusion has just been made, compare the increase of crops on farms, the degree of improvement of land, the increase of machinery in factories, the construction of dwellings in propor-

¹ This does *not* necessarily mean that the motive of gain is entirely selfish. One may prefer more to less because he loves wife or children or because he wants to contribute to charity or to a great cause.

² These have been summarized in my article, now a pamphlet, on *The Challenge of Australian Tax Policy*, obtainable from the Robert Schalkenbach Foundation, 50 East 69th Street, New York 21, N. Y.

tion to marriages, the construction of dwellings and of buildings in general in proportion to available acreage in cities, the amount of land held out of use, the sale value of land in proportion to population, incomes from work, immigration into and emigration out of various areas, in those parts of Australia where land values are taxed rather than other property and in those parts where the tax system is like our own. If most American teachers of economics have never run across or even heard of these studies, this is probably because they have such an inhibition against betraying any support for or interest in a land-value tax policy that they have never bothered to look. Yet here is a way to work for the strengthening of the incentives of the private enterprise system and so to work for its perpetuation.

Both the theory of the land-value tax and the data from Australia point in the same direction as regards effects on housing, on ease of transition from tenancy to ownership, on amount of investment in capital, on incomes from labor. Both the theory and the data indicate that such taxation, within the limits of what it would yield, would be better even for propertyless workers of moderate and small incomes, than the most drastically progressive taxation of incomes in general, even if these workers were completely exempt from the latter. Then why, unless they are either *indoctrinated against* land-value taxation or are *afraid* to discuss it adequately, should teachers of economics persistently refuse—or just neglect?—to present carefully and fully to their students the demonstrable advantages of and the impressive arguments for such taxation? Can they possibly think that hard work, efficiency and thrift so deserve being penalized that we should tax them *in preference to* using a kind of taxation that is better even for average and below average unpropertied workers? Do they feel that it is *safer* academically and less *communistic* thus to go part way *with Marx* than to emphasize land-value taxation which is of the very essence of a truly self-consistent system of free private enterprise? Is it *fear* that influences them? Or indoctrination? Or preference for conformity with what is taught in the academically "best circles?" Or just lack of understanding?

III

RECENTLY THE AMERICAN PUBLIC followed the story of a controlled experiment in medicine. In various states half of the school children received the polio vaccine developed by Dr. Jonas E. Salk and the other half received an inert control substance. The efficiency of the vaccine was established by statistical analysis of the results.

The reports from Australia described above tell us the results of what

is essentially a controlled experiment in taxation, even though it may not have been entered into for the purpose of experiment. There has been widespread interest in the controlled experiment in vaccination against polio. Few—indeed, almost none—are interested in or even aware of the controlled experiment in taxation. People want to know—up-to-date doctors feel they must know—the results of the vaccination against polio. For polio can kill. And when it doesn't kill it may paralyze for life. People want their children to live and to have strong, healthy bodies.

The economic system we call free private enterprise or "capitalism" can be killed, too, as in some countries it has been. Or it may live, yet be paralyzed and weak. Those who want it to live and to be strong might do better than just prate wishfully of "capitalist incentive" and of "incentive taxation." They might at least examine the evidence as exhibited in this illuminating experiment.

There is little question but that the results of the polio vaccine experiment will be brought to the attention of every student in our medical colleges. How long must it be before college and university students of economics will be made cognizant of this comparable experiment in a matter most significant for the health—and possibly for the survival—of our economic system?

Time was when medicine was in a position similar to that in which economics is today. It was in 1847 that a young Hungarian obstetrician, Dr. Ignaz Philipp Semmelweiss, became aware of the cause of puerperal (or childbed) fever which doctors were themselves carrying on their infected hands—usually after dissecting cadavers—to the mothers whose babies they delivered.³ He learned how this could be prevented easily and inexpensively. Evidence that the methods of prevention he prescribed (especially adequate washing of the hands of doctors with antiseptic) were successful, became overwhelming. Yet he was dismissed from the job where, by requiring these methods, he had been at the same time saving the lives of hundreds of women and building up a compelling demonstration of the effectiveness of his methods. Rumors were spread that he had been supporting himself by performing abortions. He was refused the privilege of seeing the official records of the Division he had managed. Doctors, denying the truth of his conclusions, declared that puerperal fever was due to a miasma, that the disease had thirty causes including wounded modesty, fear, location on the banks of a river and a feeling of guilt; that the cause was constipation and the proper cure was to give purges; that puerperal fever was caused by the stretching of the uterus which inflamed the peri-

³ The reader is referred here to Morton Thompson's historical novel, *The Cry and the Covenant*, Garden City, N. Y. (Doubleday and Co.), 1949.

toneum; that it was caused by insufficient contraction of the uterus, overcrowding, and miasma; that it was caused by bad ventilation; that it was caused by blood changes due to cosmic-telluric influences, etc., etc.

Apparently the situation was little or no better in the late 1870's. De Kruif tells us⁴ about a physician holding forth with "long Greek and elegant Latin words," on the cause of puerperal fever—about which he showed no understanding despite the pioneer work of Semmelweiss. The lecturer was interrupted from the back of the room by Pasteur, who told him he was wrong, that it was "you doctors" who carried the microbes of childbed fever to their patients. When the lecturer intimated Pasteur would never find this microbe, the latter replied that he had found it, and proceeded to sketch its appearance.

By 1890, as the younger men replaced the dying older doctors, the views of Semmelweiss began to spread. Yet to the best of my knowledge and belief, it was of puerperal fever that my mother died in 1891, more than forty-three years from the time Semmelweiss had clearly pointed the way to the sure method of its prevention.

Why should teachers of economics smugly assume that their own profession in the 1950's is completely exempt from such blindness, such obstinate determination to resist the truth, such fallacious attempts at "refutation," such insistence on teaching lethal falsehood, as afflicted the medical profession from the late 1840's into the 1890's? How can it be reasonably contended in the light of the facts alluded to in this paper, that their thinking and their teaching are at the same time completely objective and completely unaffected by fear of being looked at askance by colleagues as not belonging to the "best circles" academically, by fear of losing their institutional jobs or merely of not being promoted, by indoctrination or by prejudice?

To one who reads with understanding the gripping story of Semmelweiss, as told by Morton Thompson in *The Cry and the Covenant*, the parallelism between the treatment meted out by distinguished physicians to the conclusions of Semmelweiss and that meted out by distinguished economists to the case for land value taxation, seems indeed a striking one. But how can awareness of this be aroused among university and college teachers if the professional periodicals that most of them read *will not offend* any specialized group among them by calling attention to the facts and if the professors do not often—if ever—read the periodicals that will?

IV

A WELL-KNOWN ECONOMICS TEACHER who had collaborated in the writing

⁴ In *Microbe Hunters*, New York, Harcourt, Brace and Co., 1926, pp. 145-6.

of a book in which increased taxation of land values was favored, told me in private conversation that he had, because of this, taken considerable "razzing" from colleagues. Another economics teacher confided to me that when, during his graduate school days, he had made his interest in land-value taxation known to one of his teachers, the latter suggested to him that, as a young economist, he should be careful about committing himself thus to a view not generally held in the profession. A third economist, after some experience in teaching economics and in collaborative writing, remarked to me that "economists seem to have closed minds on the subject." And a fourth economics teacher told of making reference, in a graduate course at one of our most distinguished universities, to Henry George as an economist, whereupon his professor replied: "Well, if we call Henry George an economist."

Toward the end of my teaching at the University of Missouri, a student coming there from a small college and enrolling in my course in "Public Revenues," remarked to me that a former economics teacher had asked him: "What do you want to take that for?" The teacher referred to the land-value tax idea as "mediaeval" and said, in regard to my course: "Well, don't pay too much attention to it."

During my years of teaching at the University of Missouri, we had many students who had done their first two years of college work elsewhere. Almost without exception they had been taught nothing, or next to nothing, about this really fundamental reform for the strengthening of the free private enterprise system. Will there continue to be practically no chance to learn anything about it in some ninety-nine per cent of our colleges, where, of all places, its study would seem to be most appropriate and desirable?

The clear logic of the matter—and the data cited herein from Australia are consistent with it—indicates not only that to relieve capital from taxation, so far as we can, by drawing heavily on the annual rental value of land, tends definitely to the strengthening of the free private enterprise system. The same logic indicates that to follow the opposite policy, *i.e.*, to abolish the tax on land and take by taxation practically all the yield of capital, must lead to the management of all or practically all industry by the State, with saving thereafter compulsory.

Do we honestly believe the private enterprise system to be preferable to socialism, and do we want to keep it for ourselves and successfully "sell" it to countries now susceptible to socialist propaganda? If we do, what can be more important in our teaching of economics than that our students should come to understand why the second of these two divergent

tax systems is so threateningly different in its to-be-expected consequences from the first? Yet this is precisely *the* aspect of economic theory and policy about which, in probably more than ninety-nine per cent of our universities and colleges, they learn *nothing at all!*

A letter received a few years ago from a college teacher of economics commented on this situation as follows: "The thing that is both curious and amazing to me is that I could have attained a Ph.D. degree, having gone, among others, to two state universities, without having been subjected to more than a few pages of literature, mostly derogatory, and without having spent more than five minutes of class time on Henry George's philosophy." And a very able and distinguished economist of my acquaintance, definitely friendly to land-value taxation, who has done most useful work in another field of economics, explained to me some years ago that he does not express this sympathy publicly lest, with the prevailing antagonism among economists, his studies in this other field might have relatively little influence.

But what periodical, professional or other, purporting to be interested in academic freedom, has ever publicized or will now publicize such facts as those presented in this paper?

V

IN AN ARTICLE⁵ prepared before the communists had driven the Nationalists from China, I wrote, in part, as follows:

Students have come from far countries to study at American universities and especially at the larger institutions, such as Columbia University. In these institutions students from the Chinese Republic, whose founder, Dr. Sun-Yat-Sen, was greatly impressed by Henry George's contribution to economics and wished to make some application of George's principles to Chinese taxation policy, have been indoctrinated with a contrary philosophy and have returned to China to teach this contrary philosophy in Chinese colleges and universities.

If *communism—or socialism*—and the incident regimentation *should win*, in the United States, in Western Europe, in China and elsewhere, *over the present caricature of free enterprise*, those professorial economists whose economic philosophy has contributed to make our economic system such a caricature cannot be held free of all responsibility for the system's ultimate collapse. For capitalism is indeed under heavy attack in a large part of the world. And the college graduates our economics professors have taught are but poorly armed against the bombardments of communist and socialist ideology, when they can oppose the optimistically idealized programs of the "planners" with nothing better than this caricature of what capitalism could be at its possible best. *Why have they not*

⁵ *The Challenge of Australian Tax Policy, op. cit., p. 25.*

been shown the intriguing blueprint of a free private enterprise system clearly worth fighting for?

Were the great majority of the teachers of economics in the universities and colleges of the United States *convinced communists* desirous of following the "party line," were the leaders of the party in Moscow seeking to corrupt capitalism into as poor a system as it could be made, in order that it might operate so badly as to *provoke revolution*, and had the communist leaders, for that very reason, given to all these teachers of economics definite instructions either to *keep students from ever thinking about the land-value taxation program at all* or to *cast discredit on it*, the situation as regards education of university and college students on land rent and its taxation could hardly be worse than it actually is.

And in the same article⁶ I said: "There is tragedy in the fact that among those who have been led into communistic activities and even into betraying the interests of their own government to those of an alien power, are some *who followed communism because of their own social idealism and who might have been saved from this personal tragedy had the influence of our economics professoriate not been in the direction of discrediting and hushing up all serious advocacy of the public appropriation of the annual rental value of land.*"

This is a matter in which, when it is adequately explained, students of economics appear to be especially interested. No devices or special techniques of teaching can possibly compensate, I think, for leaving out of the work of economics the most dramatic, exciting and vital topics on which it can shed light. And if there was ever a time when it was or is particularly important for us to consider without being inhibited, how we can make our system of private enterprise what it could be and ought to be, it is now, when it is in conflict with an entirely different system based on an entirely different ideology.

Again at the end of this article, therefore, I inquire, as I inquired at the beginning: Why do teachers of economics *almost never* use such freedom as they do have—and it's a great deal—to explain to their students the demonstrable advantages of a kind of tax that is more favorable to free private enterprise than is any other form of tax whatsoever? Are they too hopelessly indoctrinated against it? Or are they fearful that, if they thus go in the *opposite* direction from Marx in the matter of the two Marxist tenets here discussed, they will be rated as "leftist" or "radical"?

Yet had they been interested enough in the land-value tax movement to pay much attention to its progress, they would have heard not only of the data from Australia but also of the 1951 legislation in Pennsylvania. This legislation gives to each of its forty-seven third-class cities, local

⁶ *Ibid.*, p. 23.

option to discriminate in taxation between land and buildings and to tax the former at a higher rate and the latter less, to whatever degree of difference (within the limit set by the tax limitation law) its council may desire. They might have heard that the bill passed the Senate fifty to nothing and the House by a hundred and eighty to one and that it was signed by that well-known Republican leader, Governor John S. Fine. Are they so *fearful* of being rated as "leftists" with Governor Fine and the others, that they must instead support by preference, taxation tending to weaken the incentives of capitalism and going at least part way in the communist and Marxist direction as regards tenets that, carried sufficiently far, are utterly irreconcilable with an acceptable functioning of capitalism? *Is an unpublicized professorial fear the Achilles heel of capitalism's answer to communism?*

If the men in the Kremlin could know what some of our indoctrinated—or is it fearful?—intellectuals are about and could sense its possible ultimate significance for us and for them, might not the gravity of their counsels be relieved recurrently by waves of sardonic laughter?

After all, why bother to raise for the contemplation of university and college students embarrassing questions regarding who ought to be made to pay whom for *permission* to enjoy community-produced location advantages, or *permission* to work on and live on the earth in locations where work is reasonably effective and life reasonably pleasant, or for *permission* to withdraw from the earth subsoil deposits!

Leadership in necessary social reform may come from idealists outside of the universities, who have followed fortunate suggestions in doing their own reading and study. ONLY BY THE REMOTEST ACCIDENT WILL IT COME FROM COLLEGE GRADUATES WHOSE MINDS HAVE THUS BEEN TURNED AWAY FROM INVESTIGATING THE MOST SIGNIFICANT OF OUR ECONOMIC PROBLEMS.