

GEORGE BERNARD SHAW AND HENRY GEORGE

In our previous issue we printed, with Mr. Bernard Shaw's permission, the letter which he had sent, dated 22nd August, 1928, to Mr. J. Rupert Mason, San Francisco. It was as follows:—

"I have never repudiated Henry George, nor denied my indebtedness to him for making an economist of me.

"The theory of economic rent grew up among the physiocrats of the XVII century in France. Turgot knew rent as a fact.

"The single tax was proposed by the elder Mirabeau to nationalize rent.

"Voltaire smashed him with his tract, *L'HOMME AUX QUARANTE ECUS*.

"Henry George, in his *Progress and Poverty*, repeated Mirabeau's mistake of overlooking the fact that if government confiscated rent and then simply sat on it instead of immediately undertaking and carrying on all the industrial functions discharged by the rentiers, the country would starve.

"The operation is impossible unless private property in rent is replaced by Socialism. I, like Voltaire, pointed this out and went on to Marxism.

"George, being no mathematician, held to the Capitalist theory of value, now obsolete.

"He missed Sidney Webb's demonstration that interest on capital is a form of rent, and Walker's extension of it to rent of ability.

"Taxation of land values is crude nonsense into which Georgeites are apt to blunder. Only cash income can yield anything to taxation. Values are phantoms until their harvest is reaped: and by no magic can the harvest of 1949 (nor of 1959) be reaped in 1947.

"I know nothing of how far George developed from Single Tax to Socialism, as after *Progress and Poverty* I dropped him and developed in my own Fabian way.

"G. BERNARD SHAW."

Mr. Shaw's criticism of Henry George's philosophy is brief, but because of the method he employs any serious attempt to investigate the truth of the questions in dispute cannot avoid entering into much more detail than the original.

The straightforward method of enquiring into any author's social proposals is to examine the logic of his argument and the value of the evidence from which it proceeds, always confining one's criticism to the original text. It will be seen that Mr. Shaw's method is quite different. He arbitrarily identifies the Georgeist philosophy with various other proposals which (he says) have been discredited and then makes some propositions, very doubtful at first sight, and supported by little more than reference to some other writers whom the reader is presumed to accept as authorities just because Mr. Shaw says so. This holy-writ method has been the stand-by of arbitrary authority in all ages and has always been sufficient to satisfy the fanatics and devotees. But there are still a few people whose temperaments (or consciences) will not allow them to delegate their social thinking to others; who must bring every public question to the judgment of their own powers of reasoning. These people might say: "How can we accept any of Mr. Shaw's arguments as sound unless we have read and studied not only the works of Henry George but also many books written by the Physiocrats, Voltaire, Sidney Webb and Professor Walker?"

It would be absurd for us to assume such erudition in all our readers. It is apparent that Mr. Shaw has never read Henry George's clear definition of value, and his reasons to support it, as expounded in *The Science of Political Economy*. We may therefore ignore "the capitalist theory of value" (whatever that may imply);

and the attempts to include interest, a relation of time, with rent, a relation of space, are not likely to clarify any economic discussion. But before going on to consider such references to general knowledge and experience as Mr. Shaw's criticism allows it may be useful to give our reasons for contending that Mr. Shaw has overlooked the important difference between the Physiocrats' *Impôt Unique* and George's Single Tax; and that Voltaire, far from "smashing" the Physiocrats' arguments, appears to have reversed his own opinions.

Henry George, in *Progress and Poverty*, Book viii, Chapter iv, points to the Physiocrats "peculiar ideas as to agriculture being the only productive avocation," and Mr. Shaw might easily have discovered that in consequence they would have excepted from taxation the sites on which secondary industries are carried on. This exemption is contrary to the principle of the Single Tax, but it is the objection which inspired Voltaire to write *L'Homme aux Quarante Ecus* in 1767 as a rejoinder to Mercier - Larivière's *L'Ordre Naturel des Sociétés Politiques*.

Voltaire's story—for it is not a tract—describes the opinions and adventures of a peasant proprietor, whose total income, derived from his labour, capital, and four arpents of land, is 40 écus, or £5, when confronted with a demand for a tax of 20 écus. It is obvious that he assumes the *Impôt Unique* to be a ten shillings in the £ income tax on primary producers. Any reader of *Progress and Poverty* will know immediately that this is not a land value tax. Yet Mr. Shaw does not appear to have noticed it. The peasant goes on to demand that manufacturers, merchants and moneylenders should not be exempt but taxed on their operations. The standard edition of Voltaire (Kehl's) and, we believe, every subsequent edition, includes footnotes by Condorcet, which demonstrate clearly enough that Voltaire's conception of the *Impôt Unique* is merely *une plaisanterie*, and that taxes on commodities, imports and interest are not paid respectively by manufacturers, merchants and lenders, but consumers and borrowers. These footnotes Mr. Shaw seems to have overlooked, although a reader of his criticism might suppose that Voltaire considered private rent the only source of capital and advocated its replacement by Socialism—matters which are not mentioned in *L'Homme aux Quarante Ecus*, or in any other work of Voltaire with which we are acquainted.

When this story was published Turgot, in the Limousin, was starting to put some of the Physiocrat doctrines into practice. Seven years afterwards that district, instead of being reduced to starvation owing to lack of "the industrial functions discharged by the rentiers," was in such a flourishing condition that its Intendant was called to the great office of Comptroller-General. It could, of course, be argued that the partial application of a principle in one district is not conclusive proof of its universal effect, but for our present purpose it is sufficient to record that, of all people in France, none was a more vigorous supporter of Turgot than Voltaire, and none was more inconsolable when the great administrator was dismissed. This also Mr. Shaw seems to have overlooked.

Readers of French may confirm the above facts by reading, in addition to *L'Homme aux Quarante Ecus*, the works of Condorcet, who, besides being a Physiocrat and the friend and biographer of both Voltaire and Turgot, was an eminent mathematician. English readers, by

perusing Morley's essays on each of these three great men, will be helped to assess the value of arguments which dismiss the taxation of land values as "crude nonsense" partly on the ground of Voltaire's story.

Mr. Shaw's objections, on the grounds of reason, not mere "authority," to the taxation of land values appear to be (1) that as under T.L.V. governments must collect economic rent "and sit on it," therefore the supply of new capital will cease and production decline to the point of extinction; and (2) that economic rent can yield nothing to taxation because it is not "cash income."

These two objections amount to saying: Economic rent does not exist but as this non-existent entity is at present devoted by its private owners to supply new capital, of which it is the only source, therefore the only possible reform we can contemplate is the complete monopolisation by the State of all land and capital.

The assertion that "values are phantoms," etc., appears to arise from a confusion in Mr. Shaw's mind between the annual value of land, which is and always has been collected without difficulty by private landowners and public authorities (to the small extent to which the principle has been applied), and the capitalised value of land, which is a convenient basis for assessment, but which no consistent Single Taxer ever has or could hope to collect. The collection of the capitalised value is only undertaken in a piecemeal nationalisation of land, and it is taken not from the landowner but from the public—and given to the landowner. This is a typical example of the practical outcome of so much well-meant but confused Fabian Socialism.

Henry George never contemplated collecting economic rent and "sitting on it." It is almost incredible that any reader of any of his works could ever have had that impression. The proceeds of the land value tax, according to his philosophy, go to defray all those expenses that must be met by society as a whole, society as a whole having produced the value. At present these expenses are defrayed by taxes, levied under no principle of justice, on production and saving. Thus, under the taxation of land values, producers, relieved of taxes on production, would be able to save much more and invest in new capital. And all obstructions and discouragements to producing and

saving having been removed, production would be much greater and complete freedom of investment, *at one's own risk*, having been established, investment would be both larger in volume and more effective in its direction than at present.

The present domination of the big combines in industry—working, as we see, so easily with official planning—seems to have misled Mr. Shaw into the assumption that only land owners can save. Everyone's common experience refutes this. Indeed, the extent to which non-privileged producers will save and strive for independence, even in the adverse circumstances of to-day, indicates the stupendous urge to save and invest which would operate if the unjust restrictions of private monopoly and penal taxation were removed. The landowner, as landowner, produces nothing and, therefore, can save nothing, in the true sense of the word. He can accumulate and invest only so far as the laws enable him to appropriate the savings of others—thus depriving them of the power of investing for themselves. This process is the basis of those huge concentrations of economic power which bring social consequences, frequently overlooked. Unenlightened resentment against Big Business discredits even the idea of freedom itself; it gives currency to the crudest economic fallacies from which demagogues draw their power; it corrupts the very heart of Western civilisation.

Under equal freedom, with privileges removed, saving and investment would become diffused to an extent which most people could not at present conceive. There is every reason to suppose our country would become a land of small enterprises whose owners would have the intelligence to co-operate voluntarily wherever appropriate, always retaining the power of independent action. Self-reliance would bring a return to self-respect and all those virtues of which the decay is so much lamented even by Socialists in responsible positions. Patriotism and democratic enthusiasm would acquire a material basis they now lack.

Is it too much to hope that Mr. Shaw will even now re-examine the arguments which he has evidently forgotten or not completely understood, and by his influence bring them to wider and more rational discussion?

F. D. P.

CHINA'S WEAKNESS OUR WEAKNESS

CHINA is a long way, geographically, from Western Europe. Communist successes in that country do not constitute an immediate threat to what is still called our democracy. Some commentators, however, appear to recognise that movements of opinion do not always take full account of physical distance and this apprehension is reflected in personal criticism of Marshal Chiang Kai-shek, which might have been more valuable if it had been expressed when that leader had appeared more successful. Some of these critics attribute the Nationalist collapse to his attempt last year to confiscate all private holdings of gold and silver as backing for paper currency, in which the peasants had no confidence, with the result that currency became virtually valueless, the middle classes lost their savings and agricultural produce failed to reach the cities or armies. A parallel is drawn between this situation and that in which Hitler rose to power and no doubt it has had some bearing on the Communist success. But inflation alone did not cause the collapse of German democracy; it was a symptom rather than a cause. And if Chiang-Kai-shek's policy of substituting paper for specie

was wrong, how many democratic politicians have not been equally mistaken and not yet found out. Surely the cause lies deeper than in the monetary manipulation which so many of our experts regard as the cure for unemployment and other social evils.

An article in the *Manchester Guardian*, as long ago as September 7th last, suggests a more potent source of Chinese Nationalist weakness. This article describes the appalling conditions prevailing in the Yunan tin mines where child workers are condemned to almost bestial slavery. The writer seems to demand that "something should be done about it," but gives no hint to the remedy unless his references to the mines as being "privately owned by rich Chinese," and the inadequate provision for "social welfare" convey some indication. No explanation is given why the children or their parents are obliged to submit to these conditions.

A despatch from a *Times* special correspondent, published on November 30th, however, carries the story further. He informs us that China "is overwhelmingly agricultural and the peasant has always been the victim