

Reckoning with Rothbard

By HAROLD KYRIAZI

Murray Newton Rothbard (1926–1995), an economist by profession, was an active libertarian intellectual for almost fifty years, a voracious reader, prolific writer, charismatic speaker, irrepressible political activist, inspiration to myriad young libertarian scholars and activists, and one of the central figures in the libertarian movement.¹ Professionally, he received his Ph.D. from Columbia in 1956, held a teaching appointment at New York Polytechnic Institute–Brooklyn from 1966 through 1986, was the S. J. Hall distinguished professor of economics at the University of Nevada–Las Vegas from 1985 until the time of his death in early 1995, and served as academic vice-president of the Ludwig von Mises Institute at Auburn University, Alabama, from 1982 also until his death.

A seminal event in his intellectual life occurred in 1949, when he encountered Ludwig von Mises and his monumental work, *Human Action*. Rothbard attended all of von Mises's seminars at New York University, eventually becoming his intellectual successor² and popularizing Austrian economics in the United States. Most relevant to the task at hand, however, is that Rothbard was also the most voluminous critic of Henry George's single tax in the latter half of the twentieth century.³

Rothbard and Georgism

Georgists will be interested to know that Rothbard was a long-time friend and informal student of the prominent Georgist and individualist, Frank Chodorov, from whose book service he ordered George's *The Science of Political Economy*, and whose monthly *Analysis* broadsheet he read and admired.⁴ As a result, Rothbard was thoroughly appreciative and complimentary of many of George's economic

analyses, occasionally quoting them at length.⁵ It seems reasonable to ascribe his interest in the single tax to Chodorov and, indirectly, Albert Jay Nock, whose writings Rothbard also devoured, greatly admired, and recommended to others.⁶ One cannot accuse Rothbard of not having given the land question much thought, for he not only wrote about it at length, but indicated that he puzzled over some perceived Georgist inanities.⁷

All of which makes it a bit mysterious how he could have blundered so embarrassingly in his many published critical analyses of single-tax theory.⁸ My first writings about Rothbard's views on the land question consisted of a straightforward critique of his most obvious errors, without any attempt at explanation.⁹ But now a fuller survey of his writings has made an in-depth explanation possible. In addition, his posthumously published works contain more polished arguments and avoid his earlier, obvious errors. This essay will therefore eschew facile criticism, and instead address Rothbard's strongest points and mature, integrated position, highlighting his errors and differences with George, as well as George's own main error.

Rothbard's Anarcho-Capitalist World View

Rothbard viewed all taxation as theft, and all forms of government, being funded by taxation, as coercive. He was convinced that government could do no net good, and was an unnecessary intrusion of force into the marketplace, which could provide for all human needs, including defense and law enforcement.¹⁰ Regarding land, he believed that 1) justice consists of the first user of a parcel being its first owner, with the parcel subsequently being treated as purely private property, 2) speculation is beneficial, 3) parcels would never be withheld from use unless such use was unwarranted economically, and 4) owners and speculators earn everything they make, benefiting from "unearned increments" no more than anyone else in society. Consequently, he viewed the single tax not as ground rent collection, but as a tax like any other, and thus both harmful and unnecessary.

Main Disagreements

Where George Erred

First of all must be mentioned the only departure from justice in George's version of the single tax, because it contributed to Rothbard's faulty understanding. It has to do with who creates land value. In *Libertarian Party at Sea on Land*, I delineated four types of factors that contribute to the utility of any particular parcel of land: nature-created, and three man-made types: government-created externalities, privately created externalities, and privately created internalities.¹¹ "Externalities" is a term that refers to effects on neighboring land (such as the benefit to a high-rise apartment building owner in having a subway stop nearby, or the benefit in increased foot traffic to a restaurant owner in having a large department store next door), whereas "internalities" refers to values that inhere in that particular parcel (e.g., a building that sits on it). Currently most, and under Rothbard's supposed ideal system all, of the value of these factors goes to the individual land parcel owner. Under George, only the individual landowner-created internalities would belong to that landowner, and governmentally and privately created externalities would belong equally to everyone.¹² In this author's view, to the extent that the value of privately created utility can be determined, it should go to its creators—the moral principle being that the one who creates should be the one who owns. Likewise, government at all levels should be paid out of the value it creates,¹³ and the remainder—nature's gift component—should go to everyone equally. This will subsequently be referred to as the "ground rent collection and distribution system."¹⁴

Rothbard expressed a similar concern about the expropriation of creators, when he wrote: "It is difficult to see why a newborn Pakistani baby should have a quotal share of ownership of a piece of Iowa land that someone has just transformed into a wheatfield. . . . It is difficult to see the morality of depriving him [the first user and transformer of land]* of ownership in favor of people who have never

*All bracketed comments throughout the essay are those of the author.

gotten within a thousand miles of the land, and who may not even know of the existence of the property over which they are supposed to have a claim.”¹⁵ Even though he here conflates nature-created and individually created internalities, there is some validity in his objection—they deserve to share in only the nature-created component of land value, and since land in Pakistan likely has natural utility similar to that of Iowa farmland (though perhaps a denser population), their main complaint lies with the legislators and landlords of Pakistan, not with the Iowa farmer.

This failure to distinguish the various factors giving utility to land has also permeated the thinking of most Georgists, who err in making general statements to the effect that “population creates land value.” Such statements equate those who increase land value by making it more useful with those who add to its value merely by bidding on it, in effect conflating production and demand. But there is, in fact, no comparison between the act of, say, creating adjacent land value by putting in a subway stop, and increasing its value by bidding on it. That portion of the population consisting of (productive) people with money to spend, along with the fact that land is monopolized,* together create the demand and scarcity value, but certainly not the

***Note to Reader:** Three caveats. The word “landlord” herein is used in the sense employed by Henry George, of applying only to the nonworking aspect of the term, the “land title holder” aspect; some owners of land are solely landlords, while others are users, planners, and developers as well. Second, the word “land” is used sometimes in its economic sense, of applying to all natural resources. Lastly, the word “monopoly” is used in reference to land ownership, because 1) land is no longer being made and has all been appropriated, 2) people, being land animals, must rent or buy from *someone*, and do not have the freedom to exist without paying tribute for the privilege, and 3) when, for example, one has a factory and wants to expand it, those who own the surrounding land have an *absolute* monopoly over the specific land one needs. Thus, “land monopoly” has both collective/global aspects and individual/local aspects, and is best thought of as an informal cartel, as pointed out by Ian Lambert in an unpublished manuscript (see endnote 46). Rothbard himself used the phrase, but only in regard to what might better be termed “inappropriate appropriation” (p. 69, *The Ethics of Liberty*, 1982): “We may call both of these aggressions [feudalism and land-engrossing] ‘land monopoly’—not in the sense that some one person or group owns all the land in society, but in the sense that arbitrary privileges to land ownership are asserted in both cases . . . Land monopoly is far more widespread in the modern world than most people—especially most Americans—believe.”

utility, which is a product of individual human labor and thus properly belongs to specific individual creators.

Because of such Georgist imprecision, Rothbard was not totally off-base in quoting nineteenth-century individualist anarchist Benjamin Tucker as follows: “There is justice as well as bluntness in Benjamin Tucker’s criticism: “What gives value to land?” asks Rev. Hugh O. Pentecost [a Georgist]. And he answers: “The presence of population—the community. Then rent, or the value of land, morally belongs to the community.” What gives value to Mr. Pentecost’s preaching? The presence of population—the community. Then Mr. Pentecost’s salary, or the value of his preaching, morally belongs to the community.’ Tucker, *Instead of a Book*, p. 357.”¹⁶ By this line of reasoning, consumers would “own” everything by virtue of their need (demand)—a very communistic notion indeed, and one that can play no part in correct Georgist thinking, as George himself was quite clear that justice “is that which gives wealth to him who makes it.”¹⁷

In George’s time, the comparative data and computational techniques needed to perform accurate and large-scale calculations of who created what portion of land value were largely absent, and thus George’s erring on the side of the bulk of humanity (i.e., the entire working class), rather than specific, highly “land value productive” individuals, is reasonable and forgivable. Rothbard’s erring completely on the side of landlords* is less forgivable, though we shall see that he did have superficially plausible justifications for his views.

Owing to the above, we will not here be dealing strictly with Rothbard’s disagreements with George, but with his disagreements with the views of the present author and others, such as economists Fred Foldvary and Nicolaus Tideman, who consider themselves to be “geo-libertarians”¹⁸ (and who are both authors of chapters in this volume).

Lest Georgists think this slight deviation from George to be heretical, it must be pointed out that it is, at least, not a new heresy. It was first touched upon in 1917 by Georgist economist Harry Gunnison Brown, in an essay on the ethics of land-value taxation.¹⁹ More recently, the issue has been directly addressed by Tideman²⁰ and the late, Nobel Prize-winning economist William Vickrey,²¹ who have both

*See note on page 614.

referred to payment to private entities, out of collected land rents, for values they have created, as “the internalization of externalities.” A very thorough and competent treatment has also been rendered by “geo-economist” Kris Feder.²²

Where Rothbard Erred, or, the Making of “the Anti-George”

All of Rothbard’s major disagreements with George and geo-libertarians boil down to three failures of understanding on his part:

- 1) he never understood the favorable spatial externalities attaching to land use (though, interestingly, pre-eminent Austrian economist and Nobel Prize winner, Friedrich Hayek, was quite aware of them²³).
- 2) he did not think the various contributions to land value could be separately calculated (Hayek also failed here,²⁴ unfortunately).
- 3) he did not appreciate the enormous similarity between local governments and private corporations that own and manage an area of space (such as hotels, shopping malls, industrial parks, amusement parks, condominium associations, etc.), nor, conversely, the enormous similarity between present-day coercive governments and the ultra-powerful private landlords²⁵ that would occupy his anarcho-capitalist utopia. (Hayek remarked about the former similarity—see the end of endnote 23.)

But rather than talk about what Rothbard failed to understand or to address, it will be more fruitful to discuss four basic economic questions he *did* address, which define the essence of the Rothbardian/anarcho-capitalist Geogist/geo-libertarian disagreement.

1. Are landlords, in their capacity as land title holders, doing any useful work, or are they instead engaged in robbery for a living? (George said they do not perform any useful function, Rothbard said they do.)
2. Is the dynamic of land ownership, under Rothbard’s Rule (first user is first owner, with land being treated exactly like man-made goods thereafter), characterized by positive feedback, thus creating a “vicious cycle” and a greater concentration of land ownership, no feedback, thus tending to leave the distribution

of land ownership undisturbed, or negative feedback, thus leading to more widespread ownership of land? (George said positive feedback, Rothbard negative.)

3. Can land value be separated from the value of improvements, and can the various components of land value be separately determined? (George and geo-libertarians say yes, respectively, and Rothbard says no.)
4. Would there still be a market for land if the full rent is collected and distributed to its rightful owners, even if the calculation, collection, and distribution are performed by government (municipal or otherwise)? (George said yes, Rothbard no.)

The Rothbardian "Locke-out"

It will be seen that these disagreements over economic questions animate an even more basic, ethical disagreement regarding land ownership, that is, whether or not land can ever properly be considered purely private property. Rothbard felt the facts warranted a total abandonment of John Locke's proviso that absolute individual ownership of land was justified by the "mixing of one's labor with land" only so long as "enough and as good" land remained freely available to others,²⁶ whereas George, by contrast, felt the proviso to be an indispensable ingredient of land justice. Rothbard, in fact, possessed the humor and chutzpah to aver that Locke was inconsistently Lockean! Writing of British political theorist Thomas Hodgskin (1787–1869), Rothbard said: "In his brilliant and logical work, *The Natural and Artificial Right of Property Contrasted* (1832), Hodgskin presented a radicalized Lockean view of property rights. An ardent defense of the right of private property, including a homesteading defense of private property in land, Hodgskin corrected Locke's various slippages from a consistent 'Lockean' position."²⁷ This, despite the fact that Locke stated his proviso seven times in the span of eleven paragraphs (27–37)²⁸ in his *Second Treatise of Government*, which would seem to make it part of the very definition of Lockean, inseparable from his "mixing of one's labor" justification of land ownership.

Tideman, reaffirming Locke's proviso, took exception to Rothbard's

view as follows: “The homesteading libertarian view makes no sense in terms of justice. ‘I get it all because I got here first’ isn’t justice. Justice . . . is a regime in which persons have the greatest possible individual liberty, and all acknowledge an obligation to share equally the value of natural opportunities.”²⁹ And George himself lambasted the view Rothbard came to hold, on the basis of its incompatibility with the right to life.³⁰ We shall learn Rothbard’s likely response in Question Two. But for now, let us consider the questions in sequential order.

Question One: Are Landlords, *qua* Landlords, Robbers?

In their role as land title holders, are landlords robbing for a living? In other words, is land ownership in any way a government-granted privilege—a legal power of landowners to place their hands in others’ pockets—to reap where they have not sown—even if arrived at by Rothbard’s standard of “first user, first owner”?

Rothbard says no, they earn everything they make: “One of the great fallacies of the Ricardian theory of rent is that it ignores the fact that landlords *do* perform a vital economic function: they allocate land to its best and most productive use. Land does not allocate itself; it must be allocated, and only those who earn a return from such service have the incentive, or the ability, to allocate various parcels of land to their most profitable, and hence most productive and economic uses.”³¹ But under a full ground rent collection system, owners of land with improvements would still have an incentive to get the highest price for their property, and they would thus continue serving Rothbard’s desired function of “rational allocator.” Unimproved land, on the other hand, would tend to have no owner. Therefore, George advocated allowing landowners to keep a small percentage of the land rent, mainly to avoid the prospect of having all unimproved land revert to the commons. He felt that his reform could be enacted more smoothly if it maintained the appearance of continued full private ownership of land,³² and this provision would keep land buyers going to individual landowners to purchase vacant land, rather than to a government “land office.” Thus, the “service” George had in mind, for which some small compensation was deserved, was primarily not

one of “real estate agent” or even “government unclaimed land office clerk,” but “maintainer of appearances.”

Rothbard took unfair advantage of this admission in his 1957 “Reply to Georgist Criticisms,” twisting George’s desire to have his remedy “go with the flow” into a nonexistent admission that landowners are needed to provide a vital service: “It seems to me that Georgists give away their entire case when they graciously allow the landowners to keep 5–10 percent of their rent. This concedes that the landowner does perform *some* service, and if one concedes that he should keep some rent, where are we to draw the line? Why not let him keep 25 percent, or 50 percent, or 99 percent? Apparently, some Georgists would let the landowner keep the equivalent of a broker’s commission for distributing sites. But this again puts a very narrow ‘labor theory of value’ on the owner’s service.” Rothbard here has conflated the value of real estate services with that of monopoly privilege, and attempted to taint Georgism with a Marxist fallacy. He continued: “The Rembrandt owner, for example, may hire a broker for 5–10 percent to sell or rent his paintings. Would Georgists then confiscate 90 percent of Rembrandt values?” Certainly not. But with land value, it is as if 100 Rembrandts labored to complete the painting and *continually* labor to keep the paint from dematerializing from the canvas, and Rothbard’s idea of justice is to give 100 percent of the painting’s value to the broker! But justice would seem to demand that 100 percent of the land value go to its rightful owners—its creators—with land buyers paying a one-time “finder’s fee” to real estate agents (or landowners acting in that capacity) who alert them to the best sites for their particular use. And, the amount of that fee should be set by the market, not by fiat.

Moreover, says Rothbard, even if landowners *are* to some extent “robbers,” they are not “robbing” any more than anyone else living in a cooperative, capitalist society.*

One striking instance of this second line of attack [on the free market, using the phenomenon of external benefits as a point of criticism] is the

*Even for a geo-libertarian, to say that *all* landlords are robbers is an overstatement. They rob only to the extent that they own (a) more than an equal share of nature’s value, and/or (b) more man-made externalities than they create.

nub of the Henry Georgist position: an attack on the “unearned increment” derived from a rise in the capital values of ground land. We have seen above that as the economy progresses, real land rents will rise with real wage rates, and the result will be increases in the real capital values of land. Growing capital structure, division of labor, and population tend to make site land relatively more scarce and hence cause the increase. The argument of the Georgists is that the landowner is not morally responsible for this rise, which comes about from events external to his landholding; yet he reaps the benefit. The landowner is therefore a free rider, and his “unearned increment” rightfully belongs to “society.” Setting aside the problem of the reality of society and whether “it” can own anything,³³ we have here a moral attack on a free-rider situation.

The difficulty with this argument is that it proves far too much. For which one of us would earn anything like our present real income were it not for external benefits that we derive from the actions of others? Specifically, the great modern accumulation of capital goods is an inheritance from all the net savings of our ancestors. Without them, we would, regardless of the quality of our own moral character, be living in a primitive jungle. The inheritance of money capital from our ancestors is, of course, simply inheritance of shares in this capital structure. We are all, therefore, free riders on the past. We are also free riders on the present, because we benefit from the continuing investment of our fellow men and from their specialized skills on the market. Certainly the vast bulk of our wages, if they could be so imputed, would be due to this heritage on which we are free riders. The landowner has no more of an unearned increment than any one of us.³⁴

Not so. Favorable spatial externalities certainly derive from capital structure and the specialized skills of labor. But they are much more than this, in that their utility and value have a very strong, local character—thus the word “spatial.” They are not distributed widely, but accrue uniquely to particular landowners (such as the earlier-mentioned highrise apartment owner whose building is located right next to a subway stop, and whose tenants pay for that benefit), which Rothbard never acknowledges.

He continued: “Are all of us to suffer confiscation, therefore, and to be taxed for our happiness?” (No, just those of us who receive more than our share of land value.) “And who then is to receive the loot? Our dead ancestors, who were our benefactors in investing the capital?” (No, the living individuals who create utility in land should be those who receive payment for the value of that utility, while those

living individuals who own capital* either paid for or inherited that capital, and deserve the full return from that investment. (See R. V. Andelson, "Interest Originating from Invested Rent," *American Journal of Economics and Sociology*, July, 1992).

Land Buyers Pay the Wrong People

Rothbard agreed with fellow economist Frank Knight that, because anyone can, with sufficient resources, get into the business of land speculation, a) the competition wrings out any excess profit, b) there are both winners and losers in the game, and c) it is a fair game.³⁵ To a Georgist, this is like arguing that slavery was fair because slave owners competed in the bidding process. As discussed above, it ignores the fact that the people who create and maintain the bulk of land value are either not being paid at all for their work (in the case of private entities), or are being paid mainly by persons other than their work's beneficiaries (in the case of government workers). Government does much to create land value, by maintaining roads, sewers, street lighting, trash pickup, police and fire protection, local parks and recreational facilities, a court system, etc., all of which is reflected in land value, and almost none of which is paid by landowners per se. In commercial districts, large stores attract lots of customers, generating foot traffic (hence value) for neighboring stores, none of which is recouped. The question becomes, is a privilege any less a privilege because many people are allowed to chase it—because many people are competing to become robbers? Certainly, the amount any one robber is able to make is lessened, owing to the necessity of paying the previous robber for the privilege. But piracy is still piracy, and what does it matter to those being legally plundered how their plunderers came by their professional licence? And how is it possible to build a consensus upon a system of "justice" that has such a high degree of institutionalized theft?

*Like George and Rothbard (see the latter's *Man, Economy, and State*, pp. 8–9), and unlike most contemporary economists, we are here honoring the classical view that there are three distinct factors of production—land, labor, and capital—the latter of which is a derivative of the application of labor to land.

A Thought Experiment

Let us close the discussion of this question about the nature of landlordism with a thought experiment that will illustrate the errors of both Rothbard and traditional Georgism. Imagine a community where everyone used equal amounts of equal quality land in the same way. Rothbard's Rule would then be just, since everyone would have equal use of the earth and would be generating equal amounts of positive spatial externalities, and thus no one would be being robbed. In this unrealistically simplified case, then, land rent collection and distribution would be unnecessary to secure equal rights. But let us introduce a second community within the same jurisdiction, and suppose the people in the first community to be industrious, while those in the second are lazy (or simply less productive). In this case, traditional Georgism, by collecting land rent jurisdiction-wide and distributing it equally, via government expenditure, would err in taking value created by the industrious and giving it to the lazy. And in this case, assuming people in both communities had equal amounts of nature-created land value, Rothbard's system would still be ethically and practically sound (assuming that no spatial externalities extend from one community to the other). But now let us make things a bit more realistic, and mix the populations, so that the positive spatial externalities of the industrious extend into the space of the lazy, and we find that institutionalized theft enters Rothbard's ideal world as well as that of traditional Georgism (though in differing ways and degrees). But, a geo-libertarian ground rent collection and distribution system would ensure that he who creates is he who owns.

Question Two: Does Rothbard's Rule Lead to a Vicious Cycle?

If the dynamic of land ownership under Rothbard's "first user, first owner" rule is characterized by positive feedback, such as occurs in the game Monopoly,TM it must lead to greater concentration of land ownership, while negative feedback would lead to the opposite, a more dispersed ownership.* Rothbard believed that the removal of

*Living organisms overwhelmingly utilize negative feedback mechanisms to produce a stable internal environment, as positive feedback creates what is known as a "vicious cycle," and generally leads to catastrophic consequences.

government and its interference with a pure free market would result in the breakup of large landholdings, and a more equal distribution of land ownership:

The major attributes of the feudal system were: the granting of huge estates to landowning warlords, the coerced binding of the peasants (serfs) to their land plots, and hence to the rule of their lords, and the further bolstering by the state of feudal status through compulsory primogeniture (the passing on of the estate to the eldest son only) and entail (prohibiting the landowner from alienating—selling, breaking up, etc.—his land). This process froze landlordship in the existing noble families, and *prevented any natural market or genealogical forces³⁶ from breaking up the vast estates.*³⁷ [emphasis added]

Elsewhere he quotes Ludwig von Mises making the same case: “The effects of speculation in land disappear as the users purchase the land sites, but dissolution does not take place where feudal land grants are passed on, unbroken, over the generations. As Mises states:³⁸

Nowhere and at no time has the large-scale ownership of land come into being through the working of economic forces in the market. It is the result of military and political effort. Founded by violence, it has been upheld by violence and by that alone. As soon as the latifundia are drawn into the sphere of market transactions they begin to crumble, until at last they disappear completely. . . .³⁹ [And, we are to presume, all privilege and injustice in land ownership disappears with them.]

The point seems to have no current relevance, however, as “large-scale ownership” today merely takes a different form. The Ted Turners of the world may buy hundreds of thousands of acres of minimally transformed land (Ted Turner, for example, owns over a million acres in New Mexico alone⁴⁰), and their progeny may then rent or sell tracts at greatly inflated prices, without the appearance of “latifundia.” But that does not alter the monopolistic, land-aggregating, positive-feedback nature of Rothbard’s supposed “free market” system of land ownership.

Indeed, George himself made the same point in 1879:⁴¹

But how, in such a country as the United States, the ownership of land may be really concentrating, while census tables show rather a diminution in the average size of holdings, is readily seen. . . . The growth of population, which puts land to higher or intenser uses, tends naturally to reduce the size of holdings, by a process very marked in new countries; but with this may go on a tendency to the concentration of landowner-

ship, which, though not revealed by tables which show the average size of holdings, is just as clearly seen. Average holdings of one acre in a city may show a much greater concentration of landownership than average holdings of 640 acres in a newly settled township. I refer to this to show the fallacy in the deductions drawn from tables which are frequently paraded in the United States to show that land monopoly is an evil that will cure itself. On the contrary, it is obvious that the proportion of landowners to the whole population is constantly decreasing.*

Rothbard seemed to believe that the governing dynamics of the game of Monopoly (with the “landing on” and buying of property corresponding to his “first use”), writ large into the real world, would lead not to a select group of winners and masses of losers, but to freedom and equality for all. He thought (correctly) that monopoly comes only from the misguided use of government power, yet whatever entity evolves in his anarcho-capitalist world to enforce his “first user, first owner” doctrine *would* be enforcing an unjust system—a monopoly.

Some readers may not be convinced by the dynamics of the game Monopoly, and, unfortunately, I am not aware of any relevant formal game theory analysis. Nevertheless, it seems to be an easily determinable contention whether Rothbard’s Rule produces a world dominated by positive feedback (i.e., a vicious cycle), where wealth invested in the acquisition of natural opportunity generally produces the greatest return, in which case monopoly and gross inequality of opportunity results, or by negative feedback, in which case equality

*Things have not gotten any better since George’s time. Mason Gaffney reported that in Vancouver, B.C. in 1975, the top 1 percent of landowners held 62 percent of the total land value (“Changes in Land Policy: How Fundamental Are They?” *Real Estate Issues* 1(1): 72–85, Fall 1976). Charles Geisler reported that only 15 percent of the U.S. population owns land, and that within this group (which includes corporations), the top 5 percent held 75 percent of the privately held land in 1978, with the top 0.5 percent holding an amazing 40 percent. He also noted that available data suggested that “ownership concentration is increasing rather than decreasing” (“Ownership: An Overview,” *Rural Sociology* 58(4): 532–46, 1993). Moreover, Gaffney reports that “the concentration of the *value* of farm real estate is growing faster than that of farm *acres*” (“Rising Inequality and Falling Property Tax Rates,” chapter 10 in Gene Wunderlich, ed., *Ownership, Tenure, and Taxation of Agricultural Land*, Westview Press, 1992).

of opportunity will, eventually, prevail.* Either dynamic would be much more visible if other, competing forms of unfair privilege were eliminated, such as the monopolies of money and the broadcast media, and “protective” legislation (tariffs, restrictive regulations, and licensing).

If Rothbard’s anarcho-capitalist world were to have impartial juries sitting in judgement over disputes about land rights, they would likely represent a check on the accumulation of vast landholdings. Such juries would be unlikely to evict squatters from land owned by a wealthy entity that left the land untouched, i.e., treated as an investment. This, despite some previous owner having used the land in some way, so as to satisfy Rothbard’s definition of valid ownership. But if his rules were to apply universally, unchecked, it seems obvious that they would result in an oligarchy, with poverty and injustice for most, and undreamt-of wealth and privilege for a few. Thus, his “first user, first owner” doctrine seems gravely misguided and hopelessly flawed. In his defense, the masking effect of technological innovation, in neutralizing the scarcity of land by continually making all land more and more productive, has fooled him and most of the economics profession into thinking Adam Smith, David Ricardo, and Henry George to be wrong in their judgment that unlimited land ownership is a privilege that tends to produce grave inequalities and unfairness in the distribution of wealth. But this dynamic is the main engine that has driven the modern phenomenon of “sprawl,” with its attendant waste of human and natural resources.⁴²

*In this regard, it is significant to note that the value of land in urban areas, where favorable spatial externalities are greatest, has often greatly outpaced the general rate of inflation. For example, in San Jose, California, between 1975 and 1995 there was a 1,278 percent appreciation of land value, whereas the consumer price index over that same period increased only 183 percent (*Worth* magazine, Feb. 1997, p. 77, in “A Piece of the Action,” by Clint Willis, data by John Fried and the Urban Land Institute; and U.S. Bureau of Labor Statistics). For other examples of tremendous land price inflation during a boom period, see *House and Home*, August 1960, which demonstrated how land in the Los Angeles area, which averaged \$2,000 per acre in 1952, sold for \$16,000 per acre in 1960, despite a consumer price index increase of only 11.7 percent over that same period.

A Vicious Cycle Also Governs Land Speculation

Not only does Rothbard's Rule create a "rich get richer and poor get poorer" dynamic, but a positive feedback loop also exists with respect to land speculation. Whereas speculation in man-made goods is governed by healthy, negative feedback, where increased prices lead eventually to increased supply and then lower prices, for land, a vicious cycle develops, such that increased prices lead owners to hold out for yet higher prices, thus restricting supply and fueling a speculative bubble. The price of land typically goes through boom and bust cycles whose amplitude dwarfs that of other goods. The August 1960 issue of the industry publication, *House and Home*, was devoted entirely to the subject of land, and emphasized that the long "boom" existing at that time was doing tremendous harm to the housing industry.

A Note on the Definition of "Use"

To conclude this discussion of the dynamic of Rothbard's "first user, first owner" rule, I wish to note that I have elsewhere criticized the ridiculous arbitrariness in Rothbard's definition of what constitutes "use" of land (from grazing a cow to merely walking on it).⁴³ Rothbard might admit the fact, but as we have seen, he would also argue that it does not matter—that, once thrown on the open market, everything would eventually resolve itself fairly. It was this mistaken belief that prompted him to think that a complete dismissal of Locke's proviso was warranted. Hopefully that fatal notion has now safely been laid to rest.

Question Three: Can the Various Components of Land Value Be Separately Determined?

As mentioned earlier, for Hayek, a "no" to this question was the *only* thing militating against adoption of the Georgist remedy. Here we will examine Rothbard's similar statements to the negative. From *Power and Market*:

One critical problem that the single tax could not meet is the difficulty of estimating ground rents. The essence of the single tax scheme is to tax

ground rent only and to leave all capital goods free from tax. But it is impossible to make this division. Georgists have dismissed this difficulty as merely a practical one; but it is a theoretical one as well. As is true of any property tax, it is impossible accurately to assess value, because the property has not been actually sold on the market during the period.⁴⁴

This is tantamount to saying we cannot know the value of a particular tube of toothpaste until after it has been purchased from the shelf—that we cannot reasonably estimate land value by examining the actual, going prices of similar parcels lacking capital improvements, or by looking at bid prices on the particular parcel and estimating the value of the improvements, etc.

Although most assessors today lack proper training in land assessment owing to the fact that most municipalities do not tax land and improvements at different rates, assessment itself is actually a fairly exact science and is being made more exact all the time.⁴⁵ Ian Lambert has pointed out that loss adjusters in the insurance industry routinely separate land value from that of buildings on it, “since for insurance purposes it is only possible to insure against the loss of the building; one cannot (normally) lose the site.”⁴⁶ In terms of estimating particular components, the value of government services can be reasonably estimated in several ways, as can the value of privately created externalities.⁴⁷ We need not here delve into the specifics, however, because even a somewhat rough division, such as George envisioned, would provide a much closer approximation to justice and maximal economic efficiency than is now present, or that would exist under Rothbard’s Rule, where no attempt at all is made to account for positive spatial externalities⁴⁸ or scarcity value.

In his 1957 essay, *The Single Tax: Economic and Moral Implications*, Rothbard admitted, briefly, that urban site value *can* be determined.

But the single taxers are also interested in *urban* land where the value of the lot is often separable, on the market, from the value of the building over it. Even so, the urban lot today is not the site as found in nature. Man had to find it, clear it, fence it, drain it, and the like, so the value of an “unimproved” lot includes the fruits of man-made improvements.

No doubt this is why an acre of vacant land in downtown Chicago, near a commuter terminal, sells for tens of millions of dollars.⁴⁹

Sarcasm aside, any fences and previous structures have had to have been torn down, at some expense, and so any plus value they once had later became minus. Moreover, the drainage as well as the streets, street lighting, police, and some degree of fire protection, etc., is now supplied by government, and paid for by property owners and citizens in general, rather than by the benefited landowners. How is that fair or economically sound? And, under an anarcho-capitalist, private system, would not landowners pay for such services? How is that fundamentally different than paying the proper, market-determined portion of land-value rent to one's local government?

Most revealing about Rothbard's treatment, however, is that the bulk of the value of that urban plot is created neither by the individual parcel owner nor by government, but by surrounding businesses and the productive people of the city, who likewise receive no compensation under Rothbard's system. Had he understood anything about spatial externalities, he would certainly have mentioned their contribution in this passage, rather than the relatively feeble internalities of "clearing, fencing, draining, and the like." He did not grasp it for his 1957 essay, and there is no indication that he grasped it in 1995, in his final works.

Rothbard concluded that portion of his 1957 essay by saying, "thus, pure site value could never be found in practice, and the single tax program could not be installed except by arbitrary authority," and pronounced it a "fatal flaw." But how is the possibility of being off by a few percentage points, one way or the other, a fatal flaw? In trying to understand why he never realized his error here, one can only conclude that he believed market forces could never be brought effectively to bear upon the operations of local government, which leads right into our final question.

Question Four: Can There Be Markets for Land Under a Full Land-Value "Tax"?

In *Power and Market*, Rothbard gives his unqualified "no": "if assessment is difficult and arbitrary at any time [it is not], how very much more chaotic would it be when the government must blindly estimate, in the absence of any rent market, the rent for every piece of

ground land! [It would not have to “blindly estimate,” having a jurisdiction full of land being rented, and having competitive bids coming in periodically, to give notice of increased value.] This would be a hopeless and impossible task, and the resulting deviations from free-market rents would compound the chaos, with over- and underuse, and wrong locations.”⁵⁰ By “overuse” one may assume he means that some land might be put to more intensive use than warranted economically, i.e., a use that would be better performed elsewhere. But that would never happen so long as land went to the highest bidder, because in that case each use would find its ideal location. Overpricing of land would be avoided by municipal governments endeavoring to have no vacant land—that which does not rent at *any* price is, by definition, submarginal, and has been returned to “the commons”—and underpricing would be avoided by paying attention to competitive bidding.

While trying to show that any government involvement in collecting ground rents would bring inefficiency and “locational chaos,” Rothbard failed to recognize the impediments in the current system to efficient land use, where speculators are rewarded for impeding progress, and creators are robbed of value they create. From *A Reply to Georgist Criticisms*: “There is no reason for speculators to abstain from earning rents on their land unless it were too poor to earn rents; earning rents does not prevent land values from rising.”⁵¹ This ignores the fact that most land users will not risk putting their businesses upon land that they do not own or for which they cannot obtain a long-term lease, and that land speculators are rarely willing to grant such leases, since they generally wish to reap their profits on a shorter time scale, i.e., while they are still alive. But in Hong Kong, one of the most economically productive areas in the world, all land has been owned by the government since 1843,⁵² but has been leased long-term (seventy-five-year renewable leases, and even 999-year terms) in a way that guarantees security of improvements.

This question of markets relates to whether there are essential similarities between relatively noncoercive local governments and private entities that manage large-scale uses of land, and between coercive government and landlords. In other words, can local governments be made to assume all the beneficial aspects of, say, shop-

ping malls, and can private landlords assume all the harmful characteristics of The State? Ironically, in *Power and Market*,⁵³ Rothbard mentioned “the affinity of rent and taxation” and “the subtle gradations linking taxation and feudal rent” that were discussed by Franz Oppenheimer in his classic, *The State*.⁵⁴ One can only conclude that, to Rothbard, all coercion ends when people are not forced literally at swordpoint to work a particular parcel of land (“feudalism”), even though they may be “forced” in the sense that no other options are available (i.e., anywhere they turn, they must pay some landlord for the privilege of living and working on this green earth).

He does acknowledge, though, and partly concedes, a point made by economist Charles Tiebout⁵⁵ about the similarity between local governments and private entities that manage land:

Tiebout . . . argues that decentralization and freedom of internal migration renders *local* government expenditures more or less optimal . . . since the residents can move in and out as they please. Certainly, it is true that the consumer will be better off if he can move readily out of a high-tax, and into a low-tax, community. But this helps the consumer only to a degree; it does not solve the problem of government expenditures [how to define proper ones], which remains otherwise the same. [Why? Competitive, market pressure has been brought to bear, and if all government expenses have to be borne by the government’s share of a scientifically calculated land rent, only those functions that create at least as much land value as they cost would tend to be performed.] There are, indeed, other factors than government entering into a man’s choice of residence, and enough people may be attached to a certain geographical area, for one reason or another, to permit a great deal of government deprecation before they move. Furthermore, a major problem is that the world’s total land area is fixed, and that governments have universally pre-empted all the land and thus universally burden consumers.⁵⁶ [Cannot and do not individual landlords similarly burden consumers?]

Holding his ground and ignoring the emergence of market forces among municipal level governments, he also chided his friend, Frank Chodorov, for the latter’s proposal of a municipal, rather than national, form of land value “taxation,” as a way of creating a government entity that could and would administer a ground rent collection system that was more responsive to individual citizen input.⁵⁷ (Chodorov was right in this, but, unfortunately, he had not hit upon the full geo-libertarian formula for justice in land.) Interestingly, in an

endnote about the Tiebout article, Rothbard says that Tiebout himself seemed to admit that his conclusions are completely valid only if residents are free to form their own municipality, i.e., if they have the right of secession.⁵⁸ In this regard, one may note that the right of secession is specifically advocated in Fred Foldvary's *Public Goods and Private Communities*⁵⁹ and my *Libertarian Party at Sea on Land*.

To conclude this discussion of markets in land, we may note that for the many reasons mentioned above, Rothbard never equated land-value "taxation" with payment for services rendered, and thus never realized that it is properly considered a rental payment, and not a tax, even if it is collected by a government entity. As a result he was able confidently to state: "The search for a tax 'neutral' to the market is also seen to be a hopeless chimera."⁶⁰ By contrast, Nobel Laureate William Vickrey was equally confident that a land-value "tax" *could* be made neutral to the market, and is in fact essential to its most efficient operation,⁶¹ as were geo-economists Kris Feder⁶² and Nicolaus Tideman.⁶³ Technically, Rothbard's statement holds true: a land-value "tax" is *not* neutral. Rather, it has a *beneficial* effect on the economy.

Other Illustrative Writings

Here we shall examine a few additional passages from Rothbard's writings, which will allow us further to flesh out his errors on the land question.

Where Rothbard Sounds Like George

In discussing the relationship between feudal systems, slavery, and land monopoly, Rothbard went beyond George, relatively speaking,* in advocating that the proper solution to slavery was not only the immediate freeing of the slaves, with no compensation to the slave-owners (landlords in the Georgist analogy), but compensation to the slaves in the form of the lands they had worked. He wrote:

*George never advocated that current landowners compensate their tenants for past robbery (see *Progress and Poverty*, pp. 366–67).

The *bodies* of the oppressed were freed, but the property which they had worked and eminently deserved to own, remained in the hands of their former oppressors. With the economic power thus remaining in their hands, the former lords soon found themselves virtual masters once more of what were now free tenants or farm laborers. The serfs and the slaves had tasted freedom, but had been cruelly deprived of its fruits.⁶⁴

Henry George could not have said it better himself. But one cannot help but notice that the condition of present-day itinerant farm workers is not far removed from that of freed, but landless, serfs or slaves.

Another very Georgist-sounding passage is found in *Conceived in Liberty*:

To a Europe beset by the incubus of feudalism and statism, of absolute monarchy, of state-controlled churches, of state restrictions on human labor and human enterprise; to a Europe with scarce land, which was engrossed by feudal and quasi-feudal landlords whose vast government-granted estates *drained in rents the surplus over subsistence earned by the peasantry*—to this Europe the new and vast land area appeared as potential manna from Heaven.⁶⁵ [Emphasis added.]

This is a capsule re-statement of George's "Law of Wages"⁶⁶ for the case where all land has been appropriated. Rothbard viewed the drainage from wages to rent solely as the result of the forced nature of the feudal tenants' occupancy, which permitted no competition for labor, nor purchase of land by the serfs. One wonders whether he would have called it a fair system if the serfs were free to choose their masters, but continued being denied free access to land, and where only a small fraction of the now-freed "workers," by working overtime for years, could save up enough to become like one of their "quasi-feudal" landlords. [If *all* the workers were willing and able to labor that hard under the system, rents would simply rise to keep them all at a subsistence level.]

Where Rothbard Sounds Most Like "the Anti-George"

In his *Economic Thought Before Adam Smith*, Rothbard denigrated Smith for his call for higher taxes on land and for his view of landlords as unproductive beneficiaries of monopoly price.⁶⁷ In *Classical*

Economics he discussed Ricardo as being an intensified version of the worst of Adam Smith (!), who wrongly “puts the landlord in conflict with consumers and manufacturers.”⁶⁸ He also dismissed the French Physiocrats’ view that the rent farmers pay to landlords constitutes the only “net product” (i.e., Marxian surplus value) of society, and does not owe to any service provided by landlords.⁶⁹

Perhaps Rothbard’s anti-Georgist inconsistencies and anti-government prejudices are most amply illustrated by the following passage from *Power and Market*:

Problems and difficulties arise whenever the “first-user, first-owner” principle is *not* met. In almost all countries, *governments* have laid claim to ownership of new, unused land. Governments could never own original land *on the free market*. This act of appropriation by the government already sows the seeds for distortion of market allocations when the land goes into use. [Seeds that are sterile, he later avers, having only an initial, one-time effect.] Thus, suppose that the government disposes of its unused public lands by selling them at auction to the highest bidder. Since the government has no valid property claim to ownership, neither does the buyer from the government. If the buyer, as often happens, owns but does not use or settle the land, then he becomes a *land speculator* in a pejorative sense. For the true user, when he comes along, is forced either to rent or buy the land from this speculator, who does not have valid title to the area. He cannot have valid title because his title derives from the State, which also did not have valid title in the free-market sense. Therefore, *some* of the charges that the Georgists have levelled against land speculation are true, *not* because land speculation is bad *per se*, but because the speculator came to own the land, not by valid title, but via the government, which originally arrogated title to itself. So now the purchase price (or, alternatively, the rent) paid by the would-be user really does become the payment of a *tax* for permission to use the land. Governmental sale of unused land becomes similar to the old practice of *tax farming*, where an individual would pay the State for the privilege of himself collecting taxes. The price of payment, if freely fluctuating, tends to be set at the value that this privilege confers.

Government sale of “its” unused land to speculators, therefore, restricts the use of new land, distorts the allocation of resources, and keeps land out of use that would be employed were it not for the “tax” penalty of paying a purchase price or rent to the speculator. Keeping land out of use raises the marginal value product and the rents of remaining land and lowers the marginal value product of labor, thereby lowering wage rates.⁷⁰

Thus, Rothbard admits the existence of the harmful effects of land speculation on resource allocation and wages, but only when the coercive hand of government is directly involved. For later on, he adds that all privilege and injustice end with the robbery of that first user: "Once land gets into the hands of the user, he has, as it were, 'bought out' the permission tax, and, from then on, everything proceeds on a free-market basis."⁷¹

One is tempted here to accuse Rothbard of what he accused Georgists of doing (in the opening paragraph of *A Reply to Georgist Criticisms*), namely, using moral arguments where economic ones are warranted. For he claims land speculation is bad for the market only when performed in violation of his moral imperative, his "first-user, first-owner principle." But can we not use his argument in favor of "free market" land speculation to argue for the benefits of speculation by a nonusing first owner? Does not the latter's charging a price for land necessarily lead to its best use, i.e., would not even *first* use be made more efficient by a bidding process? And, conversely, can we not use his argument against "illegitimate" speculators to argue against *all* speculation in land?

In his defense, because no government exists in his ideal world, there would be no bribery-induced government boondoggles to forcefully drive land speculation and all its attendant harms. There would remain, however, the problem of how to internalize favorable spatial externalities in his system (the unfavorable ones have already been dealt with—see endnote 48), which would thus be inferior in economic productivity to a system that routinely administers land rent collection and distribution, as mentioned earlier (and see endnotes 20–22 and 61–63). Thus, rent-seeking behavior would continue in any Rothbardian, anarcho-capitalist world, but in an attenuated form. The game would then be one simply of anticipating progress, and buying (land) in its path, i.e., erecting barriers to improved land use.⁷² Not to say that such active speculation is required for the harmful dynamic to be manifested, as such barriers exist ubiquitously in the incentive for landowners to obtain the highest price for their land, often leading them to hold land out of use for years at a time.

Other Disputed Territory

Time Factor of Production

Rothbard thought a deficiency in Georgists' appreciation of the time factor of production led them erroneously to ascribe value to land that was not in current use, which, to him, meant it *had* no current income-generating potential, but only an expected *future* value. This view permitted him to believe that his system would be one of maximal economic efficiency. From *Power and Market*:

Georgists . . . concentrate on the fact that much idle land has a *capital value*, that it sells for a price on the market, even though it earns no rents in current use. From the fact that idle land has a capital value, the Georgists apparently deduce that it must have some sort of "true" annual ground rent. This assumption is incorrect, however, and rests on one of the weakest parts of the Georgists' system: its deficient attention to the role of time. [Here, in an endnote, he exonerates George, writing as he did when "the Austrian school, with its definitive analysis of time, was barely beginning . . .". But George did explicitly recognize the importance of time in capital formation.⁷³] The fact that currently idle land has a capital value means simply that the market *expects* it to earn rent in the future. [This ignores the fact that many previous potential buyers might have thought it could be well used years ago, but were instead forced to utilize sub-marginal land elsewhere, owing to the unwillingness of the owner to sell or lease long-term.] The capital value of ground land, as of anything else, is equal to and determined by the sum of expected future rents, discounted by the rate of interest. But these are not presently earned rents! Therefore, any taxation of idle land violates the Georgists' own principle of a single tax on ground rent; it goes beyond this limit to penalize land ownership further and to tax accumulated capital, which has to be drawn down in order to pay the tax.⁷⁴

Plausible but incorrect, as indicated in the above, bracketed comments. The one critical time factor that Rothbard ironically ignored is the fact that many landowners are seeking to benefit from the future favorable spatial externalities they expect to be created by others, and will not risk losing that windfall by selling or leasing long-term to those who wish, today, to use that land.

Conclusion

Murray Rothbard was no land economist. He carefully sniffed the Georgist literature, detected a faint aroma of socialism, felt the presence of The State, with whose stench he was already thoroughly familiar, and without bothering to root out the minor socialist aspect of traditional Georgism or to consider Chodorov's suggested decentralized implementation, threw the baby out with the bathwater. His views on the land question were intellectually consistent, but entirely flawed, and reminiscent of the complexly interwoven, delusional alternate realities dreamed up by clever paranoid-schizophrenics. He had an answer to everything, and all of his answers were wrong. His "alternate reality" was based on a failure to understand a) the positive spatial externalities attaching to land use, b) that the contributions of these to the value of individual parcels of land could be separately assessed, c) the vicious cycle nature of purely private land ownership, and d) that any system that permits all land to be privately appropriated in a fashion that excludes some, is, to the excluded, inherently coercive, depriving them of basic rights.

Rothbard wrote that great thinkers, "however great they may have been, . . . can slip into error and inconsistency, and even write gibberish on occasion."⁷⁵ As we have seen, he himself was not immune, but this should not lead us to disparage his immense contribution to the reawakening of the spirit of liberty in the latter half of the twentieth century, much as Henry George provided in the final twenty years of the previous one, and beyond.

Notes

1. Justin Raimondo, *An Enemy of the State: The Life of Murray N. Rothbard* (Amherst, NY: Prometheus Books, 2000); and see Ralph Raico's homage to Rothbard on the occasion of his fiftieth birthday, "Murray Rothbard on His Semicentennial" in *Libertarian Review*, vol. V(2), March–April, 1976, pp. 6, 14.

2. The works that establish Rothbard as von Mises's successor are his *Man, Economy, and State*, and his two-volume *Austrian Perspective on the History of Economic Thought*. (See next note for publication details.)

3. Rothbard's earliest published writings on the subject of land were a

1957 essay for the Foundation for Economic Education, entitled “The Single Tax: Economic and Moral Implications,” and “A Reply to Georgist Criticisms,” which followed in the same year. Both of these essays are available on-line at <http://www.mises.org>, and have been published in book form: Murray N. Rothbard, *The Logic of Action I: Applications and Criticisms from the Austrian School* (London: Edward Elgar, 1997), pp. 294–310. These 1957 arguments were repeated and elaborated upon in many of his subsequent works, such as *Man, Economy, and State* (Princeton, NJ: Van Nostrand, 1962), see especially pp. 147–52; 502–14; 813–14; 888–89; *The Ethics of Liberty* (Atlantic Highlands, NJ: Humanities Press International, 1982), see chaps. 10 & 11); *For a New Liberty: The Libertarian Manifesto* (originally published by Macmillan, New York, in 1973, revised edition by Collier Books, New York, 1978), see pp. 33–37; and *Power and Market: Government and the Economy* (Kansas City: Sheed Andrews and McMeel, Inc., 1970), see pp. 122–35. Additional insights into his thinking can be gained from his two-volume work on the history of economics, as he discusses other economists who held Georgist ideas: *Economic Thought Before Adam Smith: An Austrian Perspective on the History of Economic Thought, Volume I* (Northampton, MA: Edward Elgar, 1995); and *Classical Economics: An Austrian Perspective on the History of Economic Thought, Volume II* (Northampton, MA: Edward Elgar, 1995).

4. Raimondo, *An Enemy of the State*, pp. 45–47; Murray N. Rothbard, “Frank Chodorov, R. I. P.,” *Left and Right*, 3(1), winter 1967, pp. 3–8 (available on-line at <http://www.mises.org>). Chodorov’s *Analysis* was published during the 1940s and 1950s.

5. In endnote 43, p. 283 of *Power and Market*, Rothbard wrote: “compared with the classical school, George made advances in many areas of economic theory.” Also, in *Power and Market* (p. 123) he wrote: “George waxed eloquent over the harmful effect taxation has upon production and exchange,” and followed this up in endnote 42 (pp. 282–83) with a long quote from George’s *Progress and Poverty*.

6. See p. xiv of Walter Grinder’s introduction to Nock’s *Our Enemy, The State* (originally copyrighted 1935; Free Life Editions version, first published in 1973, reprinted by Fox & Wilkes, San Francisco, 1992).

7. On p. 125 of *Power and Market*, Rothbard wrote: “The present writer used to wonder about the curious Georgist preoccupation with idle, or ‘with-held,’ ground land as the cause of most economic ills . . .”, when in his view, “idle land should, however, be recognized as beneficial.” Here, he did not mean that idle land was actually doing anyone any good, but that it is an indication of the fortunate fact that land is plentiful relative to labor. He ignored the fact that idle land in a city is positively harmful in that it increases people’s travel time, and that a more compact, filled-in city is inherently more efficient.

8. C. Lowell Harriss, the commentator on Rothbard in the first edition of

this book (1979), indicated that the Foundation for Economic Education, which initially published Rothbard's critique of the single tax in 1957, stopped sending it out uninvited, owing to criticisms from within its own staff about obvious errors in Rothbard's analyses (see his endnote 1).

9. See Harold Kyriazi, *Libertarian Party at Sea on Land* (New York: Robert Schalkenbach Foundation, 2000), pp. 57–62, 79–83.

10. Rothbard, *Power and Market*, pp. vi–vii. Whether such a free market provision of defense and law enforcement would or would not evolve into a government worthy of the appellation “State” is an interesting question, and one that was brilliantly addressed by Robert Nozick in *Anarchy, State, and Utopia* (Basic Books, Inc., 1974).

11. Kyriazi, *Libertarian Party at Sea on Land*, pp. 8–13.

12. George did not distinguish the sources of the externalities, lumping them together as community creations (e.g., see *Progress and Poverty*, Centenary Edition, Robert Schalkenbach Foundation, New York, 1979, pp. 420–21, or pp. 215 and 217 of *Social Problems*, Robert Schalkenbach Foundation, New York, 1981 edition), and felt that using these funds for proper government expenditures, tending as they do to benefit everyone equally, was equivalent to individual distribution: “But it is possible to divide the rent equally, or, what amounts to the same thing, to apply it to purposes of common benefit” (*The Land Question*, Robert Schalkenbach Foundation, New York, 1982 edition, p. 53).

13. In the hierarchical, decentralized system of government that I have advocated (*Libertarian Party at Sea on Land*, p. 98), state and national government would also be paid, by local government, out of land value *they* generate, and any government service-generated land values in excess over costs could be divided equally among individual citizens, and could perhaps go, in part, to the relevant government officials as a bonus for successful performance of their duties.

14. In *Libertarian Party at Sea on Land*, I adhered to the flawed but well-worn phrase “land-value tax,” and used, imprecisely, the word “rebate” to refer to the distribution, to their creators, of the value of privately created externalities.

15. Rothbard, *For a New Liberty*, p. 35.

16. Rothbard, *Man, Economy and State*, pp. 944–45, endnote 151.

17. George, *Social Problems*, p. 83.

18. The “geo” in geo-libertarian has a double meaning, referring both to our affinity for the ideas of Henry George and to our concern for the earth and its proper ownership. Kris Feder, in Foldvary's *Beyond Neoclassical Economics*, gave a similar definition regarding “geo-economics.” See note 22. Fred Foldvary coined the word “geo-libertarian” in an article so titled in *Land and Liberty*, May/June 1981, pp. 53–55.

19. Brown mentioned that some individually-created values—specifically

road improvements funded by special property tax assessments, and some perhaps “politically incorrect” values arising from the exclusion of “undesirables” from residential neighborhoods—deserved to be retained by their creators. *Selected Articles by Harry Gunnison Brown: The Case for Land Value Taxation*, Chap. 1, “The Ethics of Land Value Taxation” (New York: Robert Schalkenbach Foundation, 1980); originally published in the *Journal of Political Economy*, 25: 464–92 (May, 1917).

20. Nicolaus Tideman, “Integrating Land-Value Taxation with the Internalization of Spatial Externalities,” *Land Economics* 66: 341–55 (1990).

21. William Vickrey, “A Modern Theory of Land-Value Taxation,” chap. 2 of *Land-Value Taxation: The Equitable and Efficient Source of Public Finance*, ed. Kenneth C. Wenzel (Armonk, NY/London: M. E. Sharpe/Shepherd-Walwyn, 1999); also pp. 30–31 of Daniel M. Holland, ed., *The Assessment of Land Value* (Madison, University of Wisconsin Press, 1970). (And see present endnote 61.)

22. Kris Feder, “Geo-economics,” pp. 41–60 of *Beyond Neoclassical Economics: Heterodox Approaches to Economic Theory*, Fred E. Foldvary, ed. (Cheltenham, UK/Brookfield, VT: Edward Elgar, 1996).

23. From Friedrich A. Hayek’s *The Constitution of Liberty* (University of Chicago Press, 1960), chap. 22, “Housing and Town Planning,” p. 341: “In many respects, the close contiguity of city life invalidates the assumptions underlying any simple division of property rights. In such conditions it is true only to a limited extent that whatever an owner does with his property will affect only him and nobody else. What economists call the ‘neighborhood effects,’ i.e., the effects of what one does to one’s property or that of others, assume major importance. The usefulness of almost any piece of property in a city will in fact depend in part on what one’s immediate neighbors do and in part on the communal services without which effective use of the land by separate owners would be nearly impossible.”

“The general formulas of private property or freedom of contract do not therefore provide an immediate answer to the complex problems which city life raises. It is probable that, even if there had been no authority with coercive powers, the superior advantages of larger units would have led to the development of new legal institutions—some division of the right of control between the holders of a superior right to determine the character of a large district to be developed and the owners of inferior rights to the use of smaller units, who, within the framework determined by the former, would be free to decide on particular issues. In many respects the functions which the organized municipal corporations are learning to exercise correspond to those of such a superior owner.”

See R. V. Andelson’s chapter on Hayek in the present volume.

24. Interestingly, Rothbard mentioned, in *Man, Economy, and State* (endnote 48, p. 929) that “even so eminent an economist as F. A. Hayek”

believed that the (perceived) impracticality of making these distinctions was the only thing arguing against adoption of the single tax on land value. Thus, for Hayek, the only obstacle was a lack of accurate assessment. (For Hayek's statement of this, see p. 63 of *Hayek on Hayek: An Autobiographical Dialogue*, Stephen Kresge and Leif Wenar, eds., University of Chicago Press, 1994.) Rothbard also mentions another Austrian economist (von Wieser) who was similarly sympathetic toward the single tax. Thus, Rothbard's errors are not shared equally by all, or even all the leading, Austrian economists.

25. The sovereign landlords of Rothbard's anarcho-capitalist utopia would be more powerful than those existing today in several ways: 1) they would be subject to no ground rent collection at all, whereas currently about 10 percent of the value is typically taken by local government, 2) they would be subject to no environmental regulation except insofar as they threatened to adversely affect neighboring territory, 3) there would be no use of "eminent domain," and 4) they would be legally free to set any conditions whatsoever upon those who contracted to set foot upon their land.

26. Rothbard, to my knowledge, never actually mentioned Locke's proviso, except tangentially, as where he accused Locke of being "riddled with contradictions and inconsistencies" (p. 22, *The Ethics of Liberty*). Two places where it might have made sense to mention it, if only in passing, were a long paragraph on pp. 316–17 of his *Economic Thought Before Adam Smith*, where he discussed Locke's "labor theory of property," and a long endnote in the same volume (endnote 17, p. 472), where he instead emphasized the Lockean ideas he liked: "he championed the idea of private property in land to the original homesteaders"; "Locke is trying to demonstrate the unimportance of land—supposedly originally communal—as compared to the importance of human energy and production in determining the value of products or resources."

27. Rothbard, *Classical Economics*, p. 400. Of Hodgskin, Rothbard also wrote, p. 402: "From 1846–55, Hodgskin served as an editor of the *Economist*, the journalistic champion of *laissez-faire* . . . There he became a friend and mentor of the young Herbert Spencer, hailing Spencer's anarchistic work, *Social Statics*, with the exception of denouncing the early Spencer's pre-Georgist land socialism on behalf of Lockean individualism." (This is a reference to the famous [among Georgists] chapter IX—"The Right to the Use of the Earth"—in the original, 1850 edition.)

28. Locke, in paragraph 33 of his *Second Treatise of Government*, hit the point with a veritable sledgehammer, stating his proviso three times in three separate sentences, to leave no doubt in anyone's mind.

29. Nicolaus Tideman, "Peace, Justice, and Economic Reform: The 1997 Henry George Lecture" [of St. Johns University], pp. 167–80, in Joseph A.

Giacalone and Clifford Cobb, eds., *The Path to Justice: Following in the Footsteps of Henry George* (Malden, MA/Oxford: Blackwell Publishers, 2001).

30. George, *Progress and Poverty*, pp. 344–45.

31. Rothbard, *Classical Economics*, p. 91.

32. George, *Progress and Poverty*, p. 405.

33. George founded rights in the individual, not “society.” In fact, he criticized Herbert Spencer for speaking of “joint rights” rather than equal (individual) rights to land; see pp. 26–33 of *A Perplexed Philosopher* (originally published in 1892, reprinted by the Robert Schalkenbach Foundation, New York, 1940).

34. Rothbard, *Man, Economy and State*, pp. 888–89.

35. Frank Knight, “The Fallacies in the ‘Single Tax,’” *The Freeman*, 3(23):809–11 (1953).

36. Genealogical forces would not, however, lead to a change in the *concentration* of land ownership, assuming the wealthy have as many children as the less affluent. And if they tend to have fewer children, as one might surmise, even an equal distribution of parental land would still result in an enhanced concentration of land ownership.

37. Rothbard, *Conceived in Liberty*, vol. I, p. 48.

38. Ludwig von Mises, *Socialism* (New Haven: Yale University Press, 1951), p. 375.

39. Rothbard, *Power and Market*, pp. 134–35.

40. William P. Barrett, “This land is Their Land,” *Worth* magazine, Feb. 1997, pp. 78–89.

41. George, *Progress and Poverty*, pp. 322–23.

42. For sixteen articles on urban decay, sprawl, and proposed remedies, see *City and Country*, Laurence S. Moss, ed. (Malden, MA/Oxford: Blackwell Publishers, 2001). Also see Thomas A. Gihring, “Incentive Property Taxation: A Potential Tool for Urban Growth Management,” *Journal of the American Planning Association* 65(1): 62–79 (1999).

43. Kyriazi, *Libertarian Party at Sea on Land*, pp. 79–83.

44. Rothbard, *Power and Market*, p. 123.

45. See Holland’s *The Assessment of Land Value*, or any issue of the bimonthly *Assessment Journal*, the official journal of the International Association of Assessing Officers.

46. Ian T. G. Lambert, “A Perplexed Libertarian: A Georgist Replies to Murray Rothbard’s ‘Power and Market,’” unpublished manuscript, 14 Nov., 1991. Mr. Lambert, an attorney, resides in the Cayman Islands.

47. Regarding the value of government services, competition among municipalities for residents and the cost of provision of similar services by private land management entities can permit their accurate determination.

Regarding the value of privately created externalities, comparative data like that compiled for use by shopping mall managers, to determine the ideal mix and relative location of store types, can provide a scientific basis for such determinations.

48. Libertarians typically recognize *negative* spatial externalities as a form of “trespass,” be it matter (e.g., pollution) or energy (e.g., noise), and thus as *bona fide* harms for which recompense can be claimed. But *benefits* flowing across property lines are not viewed as deserving of payment, being in the category of unsolicited gifts. But why this prejudice? If certain actions in life cannot help but “give gifts,” if those gifts are not given reciprocally, if economics teaches us that more progress is made when the value of those gifts redounds to their creators, and if ethics teaches us that justice consists in creators owning their creations, why not recognize this unique aspect of land use?

49. The *Chicago Tribune* of 25 March, 1998 (sec. 3, pp. 1–2), reported that a half-acre site at Chestnut and Wabash, two blocks from a rapid transit terminal, sold for \$11.2 million, while the 2 April, 1998 edition (sect. 3, pp. 1–2) reported that a 1.4-acre site at 1 North Wacker sold for an estimated \$36 million. It was within two blocks of two commuter terminals and a rapid transit station.

50. Rothbard, *Power and Market*, p. 129.

51. The same thought was expressed on p. 292 of Rothbard’s *Man, Economy, and State*: “We have seen in our example that land and capital goods will be used to the fullest extent practicable, since there is no return or benefit in allowing them to remain idle.”

52. Hong Kong has had nearly 100 percent government ownership of land for over 150 years, and produced one of the most vibrant economies in the world, on a slab of rock. See chapter 20, “Hong Kong and Singapore,” by Sock-Yong Phang, in R. V. Andelson, ed., *Land-Value Taxation Around the World* (3rd edition; Malden, MA/Oxford: Blackwell Publishers, 2000).

53. Rothbard, *Power and Market*, p. 133.

54. Franz Oppenheimer, *The State*, originally published in 1908, available from Transaction Publishers, New Brunswick, NJ, 1999.

55. Charles M. Tiebout, “Pure Theory of Local Expenditures,” *Journal of Political Economy*, 64(5): 416–24 (1956).

56. Appendix B of Rothbard’s *Man, Economy, and State* (pp. 885–86), entitled “‘Collective Goods’ and ‘External Benefits’: Two Arguments for Government Activity.”

57. From pp. 130–31 of Rothbard’s *Power and Market*: “Caught in an inescapable dilemma are a group of antistatist Georgists, who wish to statize ground rent yet abolish taxation at the same time. Frank Chodorov, a leader of this group, could offer only the lame suggestion that ground land be municipalized rather than nationalized—to avoid the prospect that all of a

nation's land might be owned by a central government monopoly. Yet the difference is one of degree, not of kind; the effects of government ownership and regional monopoly still appear, albeit in a number of small regions instead of one big region."

58. Rothbard, *Man, Economy, and State*, p. 944, endnote 147.

59. Fred Foldvary, *Public Goods and Private Communities: The Market Provision of Social Services* (Aldershot, Hants, UK/Brookfield, VT: Edward Elgar, 1994).

60. Rothbard, *Power and Market*, p. vi (Preface).

61. William Vickrey: "A tax on land, properly assessed independently of the use made of the lot, is virtually free of distortionary effects . . ." p. 17, chapter 3 of Wenzler's *Land-Value Taxation*; also, from chapter 2 of Holland's *The Assessment of Land Value*, "Defining Land Value for Taxation Purposes," pp. 25–36: "If we follow through on the desirability of internalizing externalities (maintaining the proper balance of incentives for maximum economic efficiency both for the developer of a single parcel and for the large-scale developer), we are led to the following somewhat radical proposal: not only should improvements not be taxed, but the externalities involved in the construction of these improvements should be internalized to the investor in such improvements through an appropriate subsidy or tax allowance" (pp. 30–31).

62. "Indeed, the so-called 'Henry George Theorem' in urban economics indicates that, under certain rather general conditions of mobility and competition, a tax on land rent is necessary for full efficiency." Kris Feder, p. 48 of "Geo-economics," chap. 3 of Foldvary's *Beyond Neoclassical Economics*, pp. 41–60.

63. T. Nicolaus Tideman, "Taxing Land Is Better Than Neutral: Land Taxes, Land Speculation, and the Timing of Development," chap. 9 in Wenzler's *Land-Value Taxation*, 1999.

64. Rothbard, *The Ethics of Liberty*, p. 74, in chap. 11, "Land Monopoly, Past and Present."

65. Rothbard, *Conceived in Liberty*, vol. I, chap. 2, "New World, New Land," p. 46.

66. George, *Progress and Poverty*, chap. 6, "Wages and the Law of Wages."

67. Rothbard, *Economic Thought Before Adam Smith*, p. 466, and pp. 456 and 459, respectively.

68. Rothbard, *Classical Economics*, p. 82.

69. Rothbard, *Economic Thought Before Adam Smith*, pp. 372–74.

70. Rothbard, *Power and Market*, pp. 132–33.

71. Rothbard, *Power and Market*, p. 134.

72. From *House and Home*, August 1960, p. 99: "Says B. B. Bass, president of the Mortgage Bankers Association: 'Big speculators have been gobbling up land ahead, stifling competition, and putting the squeeze on builders.' . . . Says Nat Roog, National Association of Home Builders econo-

mist: 'Today's land situation is a killer for the builder. Land costs have climbed more than all other home-building costs combined.'

73. George, *Progress and Poverty*, pp. 183–85; *The Science of Political Economy*, pp. 368–70 (New York: Robert Schalkenbach Foundation, 1981 edition).

74. Rothbard, *Power and Market*, p. 124.

75. Rothbard, *Economic Thought Before Adam Smith*, p. 16.