

at present, with our enormous expenditures, the rent of land would be much less than state and local expenditures, to say nothing of federal.

"My latest report of the Tax Commission of the State of New York is for 1939. On page 296 is the assessed value of land, separately assessed. That includes most of it in value, for it includes all city land. The Commission says that assessment is 85%. I think it over 100%, but let's take the Commission's figures and assume all land would be assessed \$12 billions instead of \$10½ billions. Add \$2 billions for under-assessment, and we have \$14 billions. Now assume we collect one-fourth of ground rent now. Then we must add \$4,700,000,000 in round figures, and we have a total of \$18,700,000,000. Five percent of that figure would be \$935,000,000 to meet the present tax bill of \$1,312,000,000.

"We ought to allow for a considerable shrinkage on account of vacant or poorly improved land, but we will assume there is no shrinkage. We should deduct from the total tax to be levied the income and inheritance taxes which amounted to \$125,000,000, but we would still be short some \$250,000,000.

"While ground rent is inadequate to meet present expenses of government, I believe that after equal rights to land had been secured for an adequate length of time, the expenses of government could be very greatly reduced."

Mr. Fairchild's reply to Mr. Purdy elucidates the important problems of the allocation of the land value tax and the sufficiency of rent for public purposes, expanding on those points touched upon in the Legislative Framework:

"We are agreed that the total annual ground rent when collected for taxes must be apportioned between federal and state requirements and within each state must also be apportioned not only as between state and local districts but also between the local districts according to their respective needs. This presents a practical problem.

"In our first draft of proposed laws we attempted to work out a method of apportionment based on respective budgets and regulated by a board of equalization. We came to the conclusion, however, that in the proposal of statutes the detail of exact apportionment was impossible and would result in an endless discussion over relative amounts which would tend to divert thought from the basic principle of collecting ground rent by taxation.

"We therefore cut the Gordian knot by providing that the collection of taxes should be local and one per cent of gross land value should be remitted annually to the state and one per cent to the federal treasury, leaving three per cent for local authorities to get along with as best they could.* State legislatures and local and state tax boards will always be

busy in the future as they always have been in the past working out their respective rates. Undoubtedly the rules for assessment as well as the rules for collection and apportionment will be worked out by a technical administrative bureau with quasi-judicial and quasi-legislative powers, subject, of course, to legislative control.

"Whether or not total ground rent when collected in taxes will be sufficient to cover all tax budgets has also been left for development by experience.

"I have studied a great many tax statistics and have come to the conclusion that when the debt burden or interest on the public debt including municipal issues is eliminated and the so-called relief expenditures become unnecessary, the total economic rent will not be far from the total of normal federal, state and municipal budgets. However, even with the best of luck, it will take some years for adjustments to be made. For this reason we have staggered the program for the elimination of taxes on sales and on labor products and industry generally over a period of years with a general provision for retaining taxes on incomes and inheritances until the need for them has disappeared.

"We do not propose any constitutional limitation on the power of the people to tax. That remains as now. The constitutional change we propose is affirmative, making it a duty of Congress and legislatures to collect ground rent for public use.

"No provision has been made for the payment of such catastrophes as the present world war, which is abnormal. Certainly, in case of need the people have power to, and will defend their homes not only with their income but with the total of their resources. This problem is not one for the consideration of a normal tax law, but to be handled according to the exigency of the time.

"In calculating the total to be collected in taxation we propose to include not only the site value of land but all of the privileged advantages of special franchises for public utilities, oil, coal and other mineral royalties and including licenses for the use of radio wave lengths and all other natural opportunities and powers. Our committee believes that when all these things are collected there will be ample to cover all requirements of government, maintenance of public works and surplus for such things as old age pensions and all proper public relief.

"No doubt with the increased activities and income of the people under the plan of Henry George proper public expenditures will also increase, the details of which will be worked out with experience."

Henry George School of Social Science

The Fall season opens with renewed activity at New York headquarters and vigorous extension activities in New Jersey, Boston, Philadelphia, Chicago, St. Louis, and Berkeley. There were about 1300 registrations for the New York

*The arbitrary allocation, used in the Framework, of 1% for federal, 1% for state, and the remainder, 3%, for local government, is considered a rough approximation of the respective total budgets in normal times.

classes in Fundamental Economics and 300 enrollments for the advanced courses.

A revised "Progress and Poverty" course is in operation, which is extended over a fifteen week period instead of ten weeks, as formerly. This means a more intensive study of Henry George's great classic. Formerly the first fifteen week course included five weeks on "Protection or Free Trade." This latter book is now being reserved for an advanced course.

An interesting advertising program is being carried out at headquarters, under the direction of Albert M. Gants. During September, "Progress and Poverty," together with a free correspondence course, was advertised in various magazines with a total circulation of over two million, resulting in the sale of nearly 500 books and enrollments for the course. Thanks to this campaign, there has been a 25% increase in active correspondence course students over last year.

W. L. Crosman sends us the following news from Boston: "The Henry George Institute of New England has rented a former residence at 90 Beacon Street, Boston. There are rooms for classes of the Henry George School which were opened on September 22, 23 and 24. It is proposed to rent two floors. A housewarming was held on Monday evening, September 15, when about 150 friends of the cause and graduates of the School were present."

The Chicago extension has commenced publishing its own periodical—a friendly monthly bulletin entitled *On the Campus*. News of this closest rival of the New York School, presented in a sparkling manner, serves to bring friends and students of the School in closer contact.

From Helen D. Denbigh, co-leader of the East Bay extension of the School comes an interesting account of how Georgeists spent Henry George's day in San Francisco:

On the evening of Henry George's birthday, September 2, there met for dinner a group of his friends old and new from the East Bay and San Francisco area. Judge Jackson Ralston presided. Two of the guests of honor were of special note, one being Stephen Potter, secretary to Henry George when the latter was editing *The San Francisco Evening Post*—"a bold, fearless reform paper"; the other being Edward McGlynn Gaffney, a nephew and namesake of Father McGlynn, and a member of the California State Assembly. Mr. Potter's talk was of particular interest, and it is to his message that I should like to direct your attention.

"Let us imagine," said Mr. Potter, reminiscing on the youth of Henry George, "the close of a bright May day in 1858 with the rays of the declining sun gilding the waters of the Golden Gate, embracing a moving vessel, and outlining in gold its course into the harbor. Upon her deck stands an eager young man of nineteen, filled with wonder at the beauty of the scene, ready to take his place in this new world.

"Today we meet to honor him. Yesterday Labor celebrated its day, crying for justice for a great part of mankind. Today we think of Henry George's spirit crying for justice for all humanity.

(Continued on page 167)

A Reply to the Ricardians

By RAYMOND V. MCNALLY

IN their article, "In Defense of Ricardo," which was written as a reply to my article, "Three Theories of Rent," the Committee of Ricardians raise a number of interesting points, and this affords me an opportunity to offer a fuller explanation of some of my statements. Furthermore, they bring some of their own definitions and concepts out into the open where we can use them as a basis for discussion.

Despite their protestation that the Ricardian theory of rent is applicable only to an exchange society, they seem to shy away from any semblance of exchange. They start each time by discussing an exchange situation, but before the argument progresses very far, they chase A and B back into an individual or primitive economy. I believe this is due to their failure to grasp the real meaning of the concept of exchange. They seem to think that the renting of land by A to himself and the collecting of rent from himself constitutes an exchange relationship. This seems to be the only alternative they can offer A so that he can escape the equalizing effects of exchange. If we wish to grasp the realities of economic life in an exchange society, we must constantly keep in mind that exchange takes place only when there is a voluntary transfer of goods or services from one person to another for a voluntary compensation. For A to rent land to himself is like a lawyer acting as his own client, which is nothing else but an individual economy. Now this Committee cannot logically deny that the occupancy of land in an exchange economy involves an exchange relationship, for they admit that "rent is determined by demand," and demand implies exchange.

Here is another example of their shifting rapidly from an exchange to an individual economy in an attempt to avoid my conclusions: I say in my article that A and B sell their respective products in the open market and that B receives twice as much for each bushel of potatoes as A receives for each bushel of corn, in which case A enjoys no advantage from his superior land and so there is no rent. The Committee reply by supposing a third man, C, producing either corn or potatoes on still inferior land and pose these questions: "In such a case, wouldn't both A and B enjoy an advantage? And wouldn't that advantage be due to the superiority of the natural qualities of their land?" The answer to both questions is no. If C were as able as A and B, he would not produce corn or potatoes, for by producing something else, say barley, and selling it in the market, he could earn just as much as they.

These Ricardians have done some amazing things with my quiet little island so that I scarcely recognize it. They have populated it with "thieves and murderers of all kinds," but have succeeded only in making the policemen's job more difficult. They have evinced a curious tendency in all of their discussion to introduce additional factors into my simple island illustration and then to hold me responsible for the inadequacy of their own theory. One would imagine I was trying to defend Ricardo's law instead of criticizing it. I have merely used the island illustration which is employed generally by Ricardians themselves and have even admitted that their theory is applicable to that kind of a primitive economy. They have even gone so far as to create a speculative land boom on this island and to transform poor, hard-working A into a wicked speculator who receives his just deserts when the rent of his land drops from five to three bushels. In the process, the margin is raised from five-bushel land to seven-bushel land. If speculation can do this, let us by all means have more speculation. Any novice reading their description would certainly get the idea that Ricardo's law operates only when the speculator appears upon the scene.

services from the government, and, therefore, they do not reach the market.

The Committee condemn the landowning class for the misdeeds of some of its members, but these are no more inherent in the landowning business than are the misdeeds of individual manufacturers, merchants and bankers inherent in those particular businesses. And to indict landowners for their domination in the past of the state is to ignore the shifting trends in the historical development of society. Manufacturers, merchants and bankers later became powerful enough to control the politicians to the detriment of other groups, and now we see the labor unions and the indigent in the dominant political position with the resultant disintegration of private enterprise and civilization.

The backbone of the realist theory of rent lies in the conception of the market as I have described it. The Committee have not been able to reject this conception, and so the realist theory remains intact. Again they fail to make the proper deduction from my remarks when they try to give the impression that abolishing all taxes with their concomitant restrictions and permitting landowners to supervise the public employees would not benefit the user of land, but would only benefit the landowner. It is true, as I state, that abolishing taxes would increase rent, but it would not do this absolutely but only proportionately, depending on the ratio between the amount of public capital and the amount of private capital employed and between their respective turnovers. Both users and owners would benefit.

These Ricardians deny that the landowner renders any service whatsoever, in making the advantages of his site available in an orderly and democratic fashion. They say that "they are there for people to come and take, and he is merely standing in the way." This should gladden the hearts of those people who imagine the world owes them a living. But if these advantages distribute themselves, then they are not obtained in the market, for nothing is obtained in the market unless it is distributed by the owner. And if they are not obtained in the market, then *no rent can arise*. Thus, what the government would demand under the system of these Ricardians would not be rent but a *tax*. They profess to see no difference between a landowner and a bureaucrat, although the former obtains his income in the market by contract and the latter his income by seizure. They blandly assure us that "a tenant would have a free choice to move to another site if he so desired—even to a site where there was no rent to be paid at all—the margin," although there is nothing in our experience with government to support such a promise. Men have never been free to engage in any enterprise they desired without being subjected to taxes, license fees and regulation of all kinds, but we are asked to believe that government would act differently when it came to land. And, of course, it would be blasphemous on our part even to intimate that the politicians might place their favorites on the choicest sites. Like the Marxist (who includes the capitalist), this Committee seem to believe that purging the landowner would transform government into an omniscient and benignant body of men. They appear to be more concerned with political democracy than they are with the democracy of the market. Yet apparently they are somewhat uncertain as to what democracy is. They assert that permitting the landowner to supervise the public employees would "be the end of democracy," and a little later they express the hope that we may *some day* attain it.

But there is no reason to be downhearted, for they point to a happy future for all of us. Not only will we pay what they call rent, but we will be given the privilege of working for nothing in our leisure time at supervising the government. And we can expect to be so enlightened that we could do a better job, even though we were not trained nor paid for such work, than landowners who would give all

of their time and attention to it and be properly compensated by the market.

It is small wonder that these Ricardians do not hesitate at the use of a little force to put land into use, even though they do not deny my statement that production is a *voluntary* process. Why quibble over words, they say? The end justifies the means. The force that we use is nice, but the force that others use is "ugly." Such are the ways of "democracy."

[This discussion will be concluded in our next issue with a rejoinder by the Committee of Ricardians.—ED.]

HENRY GEORGE DAY IN SAN FRANCISCO

(Continued from page 165)

Many of the leaders of labor accept the George philosophy. A shining example was the case of the late Andrew Furuseth. So long as labor presents such men we may look to our closer approach.

Tom L. Johnson, another great follower of Henry George, once remarked to George of his inability to write or speak. George replied: 'You do not know whether or not you can write or speak; you have not tried. Take an interest in political questions.' Johnson followed this advice. Shortly after, he came to San Francisco and addressed a great meeting in old Metropolitan Hall, where Henry George had just raised his standard. And Tom Johnson stood on that platform, his powerful frame in fighting stance, his fine face alive, his eyes aflash, and met the questions coming to him like bullets from a modern machine gun. What a night that was!

"Mr. Johnson subsequently invited a body of us to join him on a steamer trip out through the Golden Gate beyond the Farallones, down the coast beyond Point Pedro; and returning, we followed the course Henry George had followed on the *Shubrick* in 1858, thus fulfilling Mr. Johnson's desire to enter San Francisco Bay as Henry George had entered it.

"Another active follower of Henry George who visited San Francisco and won many friends was Joseph Fels, who had accepted the truth of George's teaching with all its implications, establishing a five year plan of financial assistance. Fels said, 'We can proceed no further in our social development unless account be taken of its essential rightness.' In other words, we must conform to the moral law, or die.

"Father McGlynn was another who with rational mind followed George's arguments, and like the others accepted the teaching as the truth. Then followed his great crusade at the side of the leader, with the slogan, 'A place at the Father's table for all of his children.' Possibly that time is fast approaching. The tremendous changes that are taking place before our eyes may point to just that. In all the campaigns up to the present day, many great leaders have carried on, all evincing unassailable trust as to the power of Truth. The noble leaders of today are working with the same idea. The greater influence of women, with their finer sense perceptions, may be a controlling factor in bringing about the final result.

"You will remember that Henry George, Jr. placed the words of Mazzini before the first chapter of what he classifies as the second period of Henry George's life, treating of the formulation of the philosophy—'One sole God; one sole ruler—his Law; one sole interpreter of that Law—Humanity.'"

Mr. Potter's inspiring talk closed a very worthwhile evening spent together by followers of the philosophy of Henry George. And this prompts the following suggestion:—That groups great and small, who know this philosophy, shall meet together for dinner, wherever they may be, on September 2 of each year, to the end that they may become better interpreters of that Law.