

kind that damage incentives to work and invest.

But instead of spending a smaller proportion of their incomes on government-provided services, people found that proportion rising: from 7% of *per-capita* income spent on state and local government services in 1977, to 30% of their income three years later.

This was a mistake, in Mr Erickson's view. "It is not necessarily the case that the social collection of rent is equivalent to the government collection of rent.

"Public choice theory needs to be thought about carefully, before adopting the tenets, but there is, within it, a kernel of truth: governments are special interest groups."

Governments don't need to be involved in the social distribution of rent. There is an alternative institutional arrangement available that could deliver social justice and economic efficiency: trusts.

A TRUST was created in Alaska, called a Permanent Fund, which is now worth \$10 billion.

"In 1976 it was decided to take 10% of rents and royalties and put it in a fund, away from the clutches of the government, and reserve it for future generations," explains Mr Erickson.

Income generated by the fund was distributed to the citizens. The first pay-outs were \$300 per head. Today it's \$1,000.

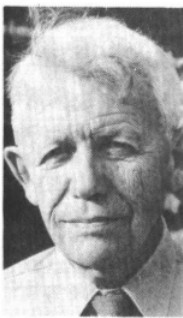
But the trust model can serve another vital role, which the former socialists could turn to their advantage in their search for a route through to the market economy.

"In Eastern Europe, the bureaucrats have the job of measuring, collecting and redistributing rents. Bureaucracies that administer the resources often feel they have interests in

THE CHURCH AND THE LAND: Part Four

HOW PAPAL

• **ONE** hundred years ago, Pope Leo XIII published *Rerum Novarum*, in which he stressed the right to private property, especially in land. American social reformer Henry George read the encyclical as an attack on his writings, and replied in vigorous terms.



• **DAVID RED-FERN** reviews the original controversy, and in the next issue of *LAND and LIBERTY* he analyses *Centesimus Annus*, the encyclical written by Pope John Paul II and published in May to celebrate the centenary of *Rerum Novarum*, which the Catholic Church now regards as an "immortal document".

1991 is a significant year in the history of the Roman Catholic church; for it is the centenary of the Papal Encyclical *Rerum Novarum*, which marks the beginning of the Church's concern, charity aside, with social problems and possible solutions to them.

It is also the centenary of Henry George's *The Condition Of Labour: An Open Letter to Pope Leo XIII*, which is a detailed commentary on the Encyclical and an appeal to the Church to recognise the correspondence between true economics and true religion.

This was soon translated into Italian and passed to the Vatican as a sumptuous leather-bound special edition, which, it is to be hoped, is still to be found in the Vatican Library; for more recent evidence of catholic thought suggests that very little notice has been taken of it hitherto.

We are indebted for an account of this to John Jukes, a Franciscan Friar, Bishop of Strathearn and Auxiliary in Southwark, who presented a paper last year to a conference on "Christianity And Capitalism", held under the auspices of the Health and Welfare Unit of the Institute of Economic Affairs.

The title of his paper is *Christianity And Capitalism: A Catholic View*; and it is encouraging to see that, at the very outset, he makes it clear that he understands the distinctions between the three factors of production, land, labour and capital, as conceived by the classical economists.

"Capital," he justly observes, is "a product in itself which can be employed for the further production of goods and services". He has forgotten goods in the process of exchange; but no matter, the main point is that he understands the difference between capital and land.

Unfortunately, this mental clarity of his makes it all the harder for us to understand why he has failed to see, or at any rate to comment on, the

them that are akin to ownership interests.

"Bureaucracies need to be taken account of, as we opine how the Eastern European countries should restructure the collection, measurement and redistribution of rent," says Mr Erickson.

He acknowledges that the

Western liberal market economy is hardly a perfect system — witness the mass unemployment, inflation, poverty and the ensuing crime. How, then, is the capitalist economy to be forced in the direction of even greater efficiency? Here, trusts — rather than bureaucrats — may have an important role to play.

WRITINGS WORRIED GEORGE

By DAVID REDFEARN

mental confusion evident in both the original *Rerum Novarum* and subsequent catholic pronouncements. Leo XIII's principal aim was to defend private property against the attacks of socialists and communists; but it was his failure to distribute the term "property" between the more precise ones of "land" and "wealth" – a part of which is set aside to constitute "capital" – and his tendency to use the rightness of the private ownership of wealth to justify also the private ownership of land, that excited the interest of Henry George.

Subsequent publications of the Church did nothing to improve matters. Popes Pius XI's and XII's main concern was that fascism, nazism and communism should not cause a total submergence of the rights of the individual; and Pope John XXIII, in his Encyclical *Mater Et Magistra* (15th May 1961), re-affirmed *Rerum Novarum*'s teaching on the subject of the justice of private property, including the "means of production," and therefore asserted, by implication, the justice of private property in land.

Abuses were to be controlled, if necessary, by public authorities, who would impose limitations on individual ownership. The machinery for achieving such limitations baffles the imagination.

MORE IMPORTANT, however, according to Fr. Jukes, is the teaching of John Paul II in his Encyclical *Laborem Exercens* (14th September 1981) on the subject of the relationship of "labour" and "capital". It is to be noted that this document

is marred, like the previous ones, by an inadequate grasp of the true extension of the term "capital".

Sometimes it is said to consist of "the whole collection of the means of production" and therefore to include "land". On another occasion, however, it is "the vast collection of resources" that "has come into existence only as a result of man's labour....", a definition from which "land" is excluded. The quotations are from Fr. Jukes, who appears to be paraphrasing the original.

After all this, it is hardly surprising to learn that "in all the teaching of the official magisterium of the catholic church there is no intention of canonising a particular political solution or economic theory". One may even be thankful that, having chosen such an inadequate basis for fruitful deliberation, it has refrained from doing any such thing.

The pity of it is that it has neglected the means at hand, in the shape of the sumptuous leather-bound special edition of Henry George's *The Condition of Labour*, for clarifying its vision and proving to the world that a practical solution based on Christian principles can still be its salvation.

As we have seen, the main thrust of *Rerum Novarum* was against socialism and communism, and in favour of private property. The type of private property was not always defined; but the context was often sufficient to give Henry George the impression that private property in land was what Leo XIII had chiefly in mind, and that he himself was also under attack.

He had all the more reason for believing this in that a friend of his, the Rev. Edward McGlyn, the Irish/American parish priest of St. Stephen's, New

Continued on Page 54

By distributing rents through trusts, the beneficiaries — the public — recognise that it is in their interest to actively ensure that the economy runs efficiently. This is the only way to maximise their rental income.

"This is what I suggest the East European people should do: consider non-governmental

trusts as a mechanism for privatizing the social product of the land and resources," urges Mr Eickson.

"Once such trusts are established and independent, as democratic entities, they would agitate for rent-conserving changes in pricing, subsidies, trade and the like. The trusts

would have an incentive to have inputs priced in terms of national or regional opportunity costs.

"The biggest share of the rent should go to local trusts, but regional and national trusts could be organized to provide some measure of inter-regional equity."

From Page 53

York, had, nine years before the issue of the Encyclical, brought upon himself suspension and excommunication for preaching the Georgist doctrine that all existing forms of taxation should be replaced by a single tax on the value of land.

As a result of this, many parishes throughout the United States and Ireland withheld their dues from the Catholic Church, thereby causing it severe financial embarrassment. In the following year, 1892, Father McGlynn was requested to draw up a summary of what he had been preaching, which was declared by a Committee of four of the professors of the Catholic University of Washington to "contain nothing contrary to Catholic teachings". He was reinstated in all his functions.

HENRY GEORGE, however, delighted though he was at the Committee's findings, had intended all along to prove much more. It was, of course, necessary that he should devote considerable space in his *The Condition Of Labour* to refuting Leo XIII's arguments in favour of private property in land, and, by implication, against the single tax.

That he had no difficulty in doing so may be shown by the example of how he dealt with the Papal assertion 'that what is bought with rightful property is rightful property'. After pointing out that sale cannot create rights, but only transfer them, he demonstrates, by substituting the word 'slave' for the word 'land' in a quotation from the Pope's own text, that his contention would be equally valid if used in justification of slavery:

"Thus, if he lives sparingly, saves money, and invests his savings for greater security in a slave, the slave, in such a case, is only his wages in another form; and consequently a working man's slave thus purchased should be as completely at his own disposal as the wages he receives for his labour."¹

In *Progress And Poverty*², George's main arguments had been couched in economic terms that could be understood by the enquiring agnostic. Here, in *The Condition Of Labour*, he shows that the same conclusion may be reached by theological arguments addressed to those who believe, as

he did, that God is the creator and subsequent governor of the universe. Here is the core of his exegesis:

"No sooner does the State arise than, as we all know, it needs revenues. This need for revenues is small at first, while population is sparse, industry rude, and the functions of the State few and simple. But, with growth of population and advance of civilization, the functions of the State increase, and larger and larger revenues are needed.

"Now, He made the world and placed man in it, He that preordained civilization as the means whereby man might rise to higher powers and become more and more conscious of the works of his Creator, must have foreseen this increasing need for State revenues, and have made provision for it.

"That is to say: The increasing need for public revenues with social advance, being a natural, God-ordained need, there must be a right way of

Just what

"THE rights of man." It has a quaint 18th century sound. There is of course the gender question, and nowadays one speaks of "human rights" and "persons" instead of "men". However, this is mostly a verbal matter. More basic is general scepticism over the concept of "natural rights."

1991 is the bicentennial of the ratification of the first ten amendments to the United States Constitution, known as the Bill of Rights. In 1791 there was a consensus that human rights derived from natural law, and the chief controversy was whether the states or the federal government should formulate and guarantee them.

The Federalists won, but the anti-federalists had an important input in the Bill of Rights. The rights were basically personal rights dealing with freedom of speech and assembly, the right to a fair trial, protection against encroachments by government, etc. — known as "civil rights."

But after their adoption, the Bill of Rights was seldom invoked, and there was a steady erosion of the concept of "natural rights." Social Darwinism prevailed and rights became whatever organized society dictated. Not much time was spent on refuting natural rights; they were simply dismissed. Yet the concept was the result of at least 100 years of intense thought and discussion, from Locke to Jefferson.

AFTER World War II there was a resurgence of active concern about rights. The result of "rights" based on government dictates had become an appalling nightmare. The United Nations Declaration of Rights,

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1. Henry George, *The Condition Of Labour*, London: Land & Liberty Press, 1947, p. 22.
2. Henry George (1879) *Progress And Poverty*, New York, Robert Schalkenbach Foundation, 1979.
3. Henry George, *The Condition Of Labour*, pp.7 & 8.

raising them – some way that we can truly say is the way intended by God. It is clear that this right way must accord with the moral law”.³

EXISTING methods of taxation, he goes on to explain, do not so accord. They take from individuals what is rightly theirs; they give some an advantage over others, as for example by interfering with prices; they create crimes that are not sins (e.g. smuggling); they lead men into temptation by giving them a motive to make false statements; and they punish God-ordained labour.

George's single tax would be in quite a different category. The unimproved value of land owes nothing to the efforts of any individual, but arises with the beginnings of civilisation, and increases as civilisation develops. At present the rent, or income that arises from this value, is appropriated by those who claim to own the land. Now rightful ownership is conferred by labour, and labour alone, and cannot be taken as applying to the

land, which was provided by God for the use of all mankind.

Subsequent purchases, as we have seen, have no effect on an original wrongful title. The inference from all this, that rent belongs to us all, is reinforced by a further consideration. As the need for revenue grows, it is the value of land, and the value of land alone, that grows with it. Have we not therefore sufficient reason to believe that the value of land is the source of revenue that God intended for us? If this were not enough, is it not evident that our attempts to derive revenue from elsewhere have brought upon us the social evils from which we suffer?

It is time for the Catholic Church, and others too that express concern for our social problems, to consider carefully what Henry George had to say to Pope Leo XIII, and to realise that here at last is a practical solution that they can advocate in the sure knowledge that they can do so without straying from their proper province.

'rights' have we got?

asks
**BOB
CLANCY**



adopted in 1948, was one manifestation of this reaction.

In the United States the demand for "rights" has multiplied — at a time, ironically, when little attention has been paid to "natural rights." More numerous, varied and insistent have grown the calls for minority rights, freedom of expression, the right to privacy, and so on — far beyond anything imagined by the Founding Fathers. The appeal is to the extended interpretation of the Bill of Rights rather than to natural law, and the courts, especially the U.S. Supreme court, are flooded with cases.

In the Winter 1991 issue of *The Wilson Quarterly*, James H. Hutson comments on the subject: "Today, natural law and natural rights are said to be rejected by spokesmen of every ideological stripe. The result is that natural law, considered indispensable by the founders' generation, is now dismissed as unnecessary while the

Bill of Rights, considered unnecessary in 1787, is held to be indispensable. Such reversals are not uncommon... What they indicate is that the most strongly held convictions often change and that the current reverence for the Bill of Rights cannot be taken for granted in the future."

Little is said in the Bill of Rights about economic rights. Henry George was a staunch believer in natural rights in an age which had virtually abandoned the concept. He agreed with the acceptance of natural law that brought forth the American Declaration of Independence and the U.S. Constitution with its Bill of Rights. He felt, however, that it was unfinished business, that the concentration was on civil rights, and that economic rights must also be considered.

The twin rights that George said were founded in nature were the right of all to access to land and the right of each to the fruits of his labour. Based on the natural truth that we all come into the world in the same way, it is deduced that we all have a right to the use of the earth. Based on the fact that nature yields her fruits only to labour, it is deduced that this too is a mandate of nature. It was to guarantee these rights that George formulated the single tax: "To abolish all taxation save that upon land values."

In the heated disputes over the proliferating "rights" demanded by so many, the air would be much cleared if the rights Henry George pointed to were introduced into the dialogue. The bicentennial of the Bill of Rights does not seem likely to yield this happy result, so we'll have to wait a little longer.