

Private Enterprise

BY LOUIS WALLIS

(Abridged)*

PRIVATE enterprise is the most precious economic force in civilization! Everything possible must be done to safeguard it against Communistic-Socialist onslaught and Nazi reactionism—both of which are now aiming deadly blows, not only against freedom in our country, but seeking to pull down the entire business regime of the world.

The only constructive proposal to safeguard private enterprise,—the only logical pathway of advance between the communistic “left” and the reactionary “right,”—is offered by the simple and easily effected program of Georgeism.

OUR FEUDAL SYSTEM

Georgeism seeks *the liberation of business* from certain feudalistic restraints embedded in the laws which we inherit from Europe. Already endorsed in principle by a heavy majority of the London County Council, and by two hundred and thirty municipal councils throughout England, Scotland and Wales, Georgeism is the latest phase of the struggle made through centuries to establish democracy and secure emancipation from kingly and aristocratic tyranny.

Our intolerable fiscal system, which threatens to smother private enterprise, is not native to America. It is a European invention. It was contrived long ago through the influence of the European ground-landlord class, whose ancestors and predecessors acquired the soil of every country in the Old World by military power and conquest. Let us therefore briefly consider the nature of the malevolent force which bears down with steadily increasing weight upon American business.

All governments in Europe were based at the start upon military adventure,—of which a good example is the Norman conquest of England. The conquerors of each country divided the *ground* among themselves, and thus gave rise to ground-landlord aristocracies enthroned above the peasant-masses in every community.

From this exalted position, the upper classes looked down upon the peasantry with disdain. They compelled the farm workers to pay *land-rent* for the soil, and also *taxes* to support the State.

In the midst of this agricultural world, a gradual up-growth of commerce and manufacture took place. Slowly and almost imperceptibly, the business class was born. And the ground-landlords looked with the same contempt upon business men as upon farmers. The growing tax burdens of Europe were piled more and more upon manu-

facture and commerce; *while at the same time, the landed estates and ground rental incomes of the aristocracy were wholly or partly exempted from taxation.* In other words, the European fiscal method is to *penalize* productive capital by heavy taxes, while *promoting* speculation in land, as well as *protecting* ground-rent as a perquisite of special privilege.

The European, aristocratic method of taxation was brought into America during our colonial period; and, with modifications of detail, it has persisted until now. That all kinds of productive enterprise—trade, manufacture, etc., are being smothered with burdensome taxation, is a fact which the reader probably realizes from personal knowledge. The reader also knows from personal observation that city lots, and vast amounts of ground in the rural districts and the immediate suburbs of all municipalities, are held idle *on a scale of assessment much lower than the tax rate upon private enterprise of all kinds.*

This problem was not so pressing at earlier periods of American history as it is today, for the reason that the burden of taxation was much *lighter* than it is now, and also because a big western frontier of territory open to emigration had the effect of keeping down the rental and selling price of land. But the silent and sinister operation of European tax methods in America has actively promoted speculative land-holding in this country; so that, gradually and imperceptibly, all unused ground of any promise whatever,—from coast to coast—has been taken up to idle holdings, while at the same time, the main burden of taxation has been thrown upon private enterprise of all kinds.

Thus, the total structure of American business—from coast to coast—finds itself in practically the same economic position as that of European industry. In other words, just because *vacant* lands, and the ground rentals of *occupied* sites, are assessed in lower degree than productive capital,—*just for this reason, private enterprise the country over is compelled to carry the double burden of high taxes and heavy ground-rent.* The problem is a mere matter of economic arithmetic.

We need more production of goods, more housing, more employment of labor, and greater purchasing power among the masses of our people. But in the present economic and fiscal set-up, the cards are all stacked against the widest and freest use of capital in productive enterprise. Production is *over-taxed*; while the mere holding of ground (whether vacant or leased) is comparatively *under-taxed*. Hence, there emerges into view the phenomenon of *ground-rent* available for appropriation by land holders as an unearned income parasitically burdening the entire industrial structure.

THE GEORGEIST SOLUTION

To relieve business enterprise from this intolerable economic pressure, Georgeism proposes to shift the burden-

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of taxation gradually from productive capital (i.e., improvements, machinery, merchandise, etc.) to the ground rentals of land *already in use* and to the value of land *held out of use on speculation*. That this proposal does not aim simply to tax vacant land alone, should be emphatically noted.

Georgeism therefore proposes to *reverse* the aristocratic, lop-sided, European fiscal methods which now penalize American productive capital, which promote land speculation, and which protect unearned ground rentals from specially heavy taxation. The reversal is to be accomplished by assessing land in one column, and improvements, etc., in a separate parallel column; shifting the tax burden from productive enterprise to the rent of occupied sites, as well as to the value of ground held vacant on speculation.

Georgeism, then, is a declaration that European fiscal methods are incompatible with private enterprise and popular government, and that democracy cannot survive indefinitely against the pressure of aristocratic taxation. *To oppose Georgeism is, by implication, to favor the fiscal system devised by ground landlords of the Old World and foisted upon America during the colonial period when this country was in leading strings to Europe.*

THE ERRORS OF MARXISM

According to Karl Marx in his "Communist Manifesto" (1848) and the first volume of his "Kapital" (1867); and according to his disciples who are known as socialists and communists; and according to many "intelligentsia" who do not call themselves communists or socialists *but who promote Marxist ways of thought*;—according to the ideology of this movement, *modern "capitalism" represents the victory of the "bourgeoisie" over the ground-landlord aristocracy of Europe.*

Marx wrote his "Kapital" in England, where he had found refuge after being driven out of continental Europe. But England gives the lie to his "Communist Manifesto" and to the first volume of "Kapital" by the very facts of her history. Becoming "the work-shop of the world," England, for that reason, became the pattern for modern Parliamentary Democracy. And what is the essence of legislative popular government? The modern British Parliament has grown up at the point of a long-drawn-out compromise between ground-landlord interests, represented since the seventeenth century by the Tory party, and commercial-manufacturing interests represented by the Whig-Liberal party. This compromise finds no explicit recognition in substantive law. It was a tacit, under-cover agreement by which the powerful elite owners of the island gave increasing parliamentary representation and political power to the "middle class," and finally to the laboring class, on the understanding that fiscal burdens were to be laid more and more upon *industry*, while at the same time, taxes were to bear more lightly in proportion upon ground-rents of leased land as well

as upon the value of land held out of use on speculation and in private parties and hunting preserves. This compromise came silently to a climax under Chamberlain, who "de-rated," or untaxed, all vacant land in Britain.

These facts and their economic implications find no place in the standard ideology of Marx and his followers, whether called socialists, communists, or by any other label.

The innocent reader of Marx's *Kapital* (vol. I), or of Schuman's *International Politics*, would not suppose that the system so glibly called "capitalism" is affected by, or has anything to do with, such trifling—such mundane—such insignificant matters as taxation, ground-rent, enclosure of "common" lands and the speculative withholding of city lots. *These matters complicate the entire system and process of modern industry; and yet they find no mention in the picture of what Prof. Schuman calls the "contemporary tragedy" of capitalism* (p. 525). The ultimate conclusion of Marxism, therefore, is that the entire situation discloses a simple, open-and-shut issue between the "bourgeoisie," on the one hand, and the "working class," on the other. Our old friends, "Capital and Labor"!

Marxism, in fact, got away to a wrong start by underwriting the uncritical, indiscriminate war between laboring people and their employers.

Ignoring the specific issues raised above, Professor Shuman makes no reference to Henry George and his writings, while giving ample recognition to Marx. Thus George and the proposals of "Progress and Poverty" are beneath notice in a large volume on contemporary politics.

On the other hand, many Marxists, instead of ignoring the specific issues raised by Henry George, declare condescendingly that Georgeism is valid as far as it goes. Thus, Norman Thomas proclaims that the ground-rent of land is the greatest legalized racket! *Yet socialists and communists, and all persons who adhere to Marxian ideology, say that if taxation is transferred from productive capital to ground-rent and to vacant sites, the big private capitalist will have power to exploit labor, oppress the public and put other capitalists off the map.*

Georgeism plants itself squarely across this current Marxist assumption by pointing out that *untaxed* capital, on an earth set free of speculation and monopoly by the taxation of both used and unused ground, *will be regulated by free competition for the first time in history*. Productive capital instead of being simultaneously penalized by heavy taxes and compelled to earn ground-rent, will be encouraged by fiscal exemption and by the break-up of land monopoly. Ground-rent will be absorbed as public revenue in lieu of taxes on production. Capital will thus flow more freely into productive use, will assist in the employment of more labor and the creation of more goods, with augmented buying power among the masses of the people.

The Marxist apparently is unable to rid himself of

mental habits acquired in a monopolistic world where the ground is undertaxed, while capital and merchandise are heavily over-taxed. Here is the crux of the argument between Marxist and Georgeist. Large aggregates of capital can exploit labor, oppress the public, and put other capital off the map only in a regime such as now prevails, *where unused land is held on speculation in city and country; where occupied sites are ground-rented; and where industry is compelled to carry a burdensome tax-load.*

Marxist assumptions could not run in a Georgeist economy; because a capitalist who deliberately undertook to be oppressive could be liquidated by competitive capital in a free market, on the ground of service as against exploitation.

All Georgeists freely admit that labor is exploited by the present economic set-up; and consequently the huge productive mechanism of modern industry is, to a large degree, "unearned" by its ownership. But at the same time, Georgeism declares that whatever may be the origin of capital, it should be untaxed in order to be freely employed in private enterprise under conditions which create a rising demand for labor everywhere. The danger attaching to capital under prevailing fiscal methods is the fact of its operation within the terms of a *restricted economy* which not only gives the owners of capital too much control over labor, but, at the same time, blockades the onward march of business itself by unemployment, low buying power, and periodical "crises."

Privately owned capital-equipment possesses no arbitrary control over labor and the general public. When working people, for instance, are thrown out of employment by installation of new productive machinery, *capital seems to deprive labor of the opportunity to earn a living.* But labor-saving machinery would not appear so despotic if land monopoly, together with over-taxation of capital and merchandise, were not artificially restricting the progress of industry and limiting the amount of employment. In other words, new kinds of machinery would not spell tragedy to labor *if capital in general were untaxed and had freer access to land throughout the nation.* For in a Georgeist regime (with no fiscal penalty on productive capital; with ground-rent socialized by taxation; and with speculative landholding impossible), the discharge of workers at a given point would tend to be followed by re-employment elsewhere.

PALLIATIVES ARE FUTILE

When the crash of 1929 came, the Republican party, after being in power for a decade, was helpless. The Democratic party presently took over the government; and while its policy has had no effect in relation to the fundamental problem, it has fed the poor by taxing the rich, and has prevented an uprising of the masses. But while the "New Deal" is only a stop-gap, its Republican

opponents are paralyzed by their inability to offer constructive criticism in a time of great national emergency. The Republican politicians, in fact, are showing up as poorly as did their predecessors the Whigs in the days of Webster, when that party was on the way out. If the Republicans carried the country, they would have to continue most of the New Deal, or confront a situation which nobody would care to face. There is no constructive statesmanship in either of the big parties; and the country will have nothing to do with Marxism or Naziism.

"But," says a reader, "suppose the Republican party should come into power and reduce taxes fifty per cent. Would not that program be constructive?"

Such a questioner would do well to observe that while Republican Congressmen are quick to demand cuts in expenditures for the New Deal, they are quick to vote increased appropriations for a gigantic navy. But suppose, for the sake of argument, that a fifty per cent cut in federal taxes were actually effected by the Republicans, or by any other party! *The resulting stimulus to capital investment would infallibly (as in the period before 1929) promote inflation of land values and ground rents all over the country, thus burdening industry with liabilities equal to, or exceeding, the tax reduction; and the result would be another "crash."*

No policy will now give relief except one which goes to the root of our economic problem, reversing our lopsided, aristocratic, European-made system of taxation by transferring fiscal burdens from productive capital and merchandise to the ground rentals of occupied sites and to the value of unused land. This policy would not only encourage private enterprise, the most precious economic force in human society; but it would create a growing demand for labor, a consequent reduction in "relief," an increase in wages and purchasing power; *while at the same time, it would call into existence an immensely greater structure of industry and property which would more equitably bear the expenses of government. There is no other way out of our present confusion.*

ANYONE who really fears a revolution in America ought to re-read Henry George's "Progress and Poverty," one of the great social documents of all time. . . . I first read "Progress and Poverty" thirty years ago. . . . In all these years I have never known his premises to be shaken in the least.

—KATHLEEN NORRIS.

PEOPLE do not argue with the teaching of George; they simply do not know it. The teaching of George is irresistibly convincing in its simplicity and clearness. **He who becomes acquainted with it cannot but agree.**

—LEO TOLSTOY.