

Natural Vitality Restored

by ROBERT V. ANDELSON

THE earth generates, so to speak, its own means of sustenance. And to substitute for these means, over any length of time, artificial ones, is to leach away the health and vigor of the soil, and to render it incapable of fulfilling its creative task. And so it is with taxes. There is a natural way of raising the revenue required for necessary public functions. The social organism, like the earth, generates its own means of sustenance. And to substitute for these means, over any length of time, artificial ones, is to leach away the health and vigor of the social organism, and to render it incapable of fulfilling its creative task.

Not only is the social organism like the earth in producing its own means of sustenance, but it is literally from the earth that it does so, through processes which are inherent in the morphology of a community. Henry George said in Glasgow in 1889:

"In a rude state of society where there is no need for common expenditure, there is no value attaching to land. The only value which attaches there is to things produced by labor. But as civilization goes on, as a division of labor takes place, as men come into centers, so do the common wants increase and so does the necessity for public revenue arise. And so in that value which attaches to land, not by reason of anything the individual does, but by reason of the growth of the community, is a provision intended—we may safely say *intended*—to meet that social want. Just as society grows, so do the common needs grow, and so grows the value attaching to land—the provided fund from which they can be supplied."

And yet this fund lies virtually untapped, while the body politic meets its needs by extorting from individual producers the fruits of their own toil.

We come into a natural environment which no human hand created, and to which no one individual can claim any better title than another. And we create collectively the economic value of this environment, which is expressed as ground rent. The mere presence and activity of population in a given area, the existence of community services—police, fire protection, schools, roads, parks, sewage, etc.—these are the things which, over and above its natural advantages, give economic value to a site, and without which natural advantages cannot be utilized. Nothing an owner does to improve a specific site has any localized significance in determining its ground rent. A man can build a skyscraper in the middle of the desert and the ground upon which it stands will not be worth a penny more because of it, yet a vacant lot in the middle of town may be worth a fortune simply because of the development around it and the number of people who pass by it daily. In other words, the rental value of land is created by the community.

So we come into a natural environment to which we have no individual claim, but only that fraction of right which belongs to us as part of the community which creates its economic value. Yet with us we bring our persons, to which each of us has an absolute individual claim—bounded, of course, by the provision that he respect the corresponding claims of others. And since, as John Locke af-

firmed, a man's labor is an extension of his person, he has an absolute right to his own labor and to the fruits thereof.

Aristotle defined justice as "giving to every man his due." There are two things which a government can never do and still be just. The first of these is to take for public purposes what rightfully belongs to private individuals. The second is to give to private individuals what rightfully belongs to the public. All wealth which is privately produced rightfully belongs to private individuals, and for the government to appropriate it is theft. But ground rent is publicly produced, and for the government to give to private individuals is equally a form of theft.

Allow me one more quote from Henry George:

"The tax upon land values is the most just and equal of all taxes. It falls only upon those who receive from society a peculiar and valuable benefit, and upon them in proportion to the benefit they receive. It is the taking by the community, for the use of the community, of that value which is the creation of the community. It is the application of the common property to common uses. When all rent is taken by taxation for the needs of the community, then will the equality ordained by nature be attained."

By "the equality ordained by nature" George did not, of course, mean levelling, but rather that equality of opportunity which fosters the emergence of functional superiority.

The keynote of the George philosophy is that what is exacted from a man by the community should be determined neither by the size of his income nor by that of his expenditures, but rather by what he receives from the community. Public revenue should be governed not by the "ability to pay" principle but by the principle of "payment for benefits received." This

is a standard which allows for the maximum of individual choice. It is a standard which forces government to adjust its budget to a finite source of revenue—namely, what the people are willing to pay for socially-created benefits—instead of adjusting its revenue ever upward to fit a spiralling budget. You can talk about limited government all you please, but as long as the state sets the amount of its own income, there is no barrier in principle to total confiscation. However, modest, however innocent, however justified by need, a tax on income or sales harbors within it the germ of arbitrary fiat.

I have already spoken of the imbalance between the individual and society, which is inherent in our present system of taking away individual products for society and giving away social products to favored individuals. To what I said should be added a warning that this system is fast corroding the national character. In his *Saturday Evening Post* article, "Our Federal Tax Laws Make Us Dishonest," best-selling novelist Cameron Hawley asks:

"Why do we have a situation in this country where it is so often more profitable to sell a company—yes, even to destroy it by liquidation—than to go on operating it as a useful and productive entity? Why should a wrecked and mismanaged company be more valuable because of the loss it has piled up than as a sound and going concern? Have we got to the point now where legality is our accepted definition of morality—where a thing is morally right simply because it is legally defensible? Has the income-tax code become the Bible of our faith? Does the voice of conscience speak only in the words of the Internal Revenue Service?"

And he concludes:

"The federal tax structure is responsible for a progressively more and

more serious deterioration of the moral and ethical standards of a substantial segment of our citizenry. What we have created is not a good climate for the souls of men."

Just as the application of natural organic substances can restore richness and vitality to thin, impoverished soil, so can the application of a natural, organic method of public revenue restore harmony to the physical environment. To tax sites at their full annual rental value while removing taxes on improvements, would do away with the incentive to maintain slums, for slums are chiefly the result of land being held for speculative purposes and not improved. It would

encourage home-building by depressing inflated land prices. It would rescue the countryside from suburban sprawl. To substitute the public collection of ground rent for all the multifarious levies which now stifle incentive and strangle production, would generate useful employment for all who care to work. It would prick the bubble of inflation, and exorcise the specter of depression which is inflation's legacy. It would reduce the causes of industrial strife.

—From an address by the director of the San Diego extension of the Henry George School, to the Congress on Balanced Living in Los Angeles in February.

Competition

by ERICK S. HANSCH

COMPETITION is one concept that has caused me much wonderment. Is it really all that which it is claimed to be?

Writers who try to glorify the economic system that is mislabeled capitalism (it should be cannibalism; capitalism is a nondescript term meaning that capital is being used in the production of wealth, and all economic systems, in so far as they deserve to be called systems, use capital) refer to competition as the indispensable ingredient for making the Western economies the most successful of all possible varieties. I beg to differ.

European economies, which we must include in the Western world, have never really shown strength and health pervading them from top to bottom. They have often produced enough sparkle at the top to make the whole thing look glamorous. But the only time there was a convincing display of sufficiency, if not super-abundance, was when the North American

continent was being settled. There was land for any and all comers, and if wages were not high, there was yet hardly any sign of poverty.

With the disappearance of free land, free for taking possession of it, this situation has changed, and it is found that our economy, on close inspection and upon discarding superannuated illusions, resembles very nearly the European ones. The German economy, for instance, has apparently done better for its members than we have for ours.

We know how the situation can be improved. But with the solution of the land problem, what of competition? Does competition lead to social or unsocial behavior? Will it play the same role under site value taxation as it is said to play under the landlord system? Can Georgists conceive of other motivating impulses for economic behavior than competition? It would be interesting to know how readers feel about this.