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PHILOSOPHY

Robert Andelson, Prof. of Philosophy at Auburn University, Alabama, and editor of *Critics of Henry George*, reviews the contemporary relevance of the philosophy of the man who gave his name to a world-wide movement. "The age in which we live is marked by what is sometimes termed a 'crisis of identity'," he writes. "Our movement, too, appears to be afflicted by this crisis — as witnessed by the continuing debate over what we ought to call ourselves." Prof. Andelson explains why he proposes the term *Neo-Georgism*.



NEWS & VIEWS

With the world economy gripped in the worst postwar recession, protectionism is back in favour. **Nick Bilitch** analyses the devices used to restrict free trade.

* * * *

The British Government is urgently reviewing the rating system, which Prime Minister Margaret Thatcher would like to abolish. What are the alternatives to the present system of local taxation? **Vic Blundell** and **T. A. Ende** report.

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The Common Market lurches from one crisis to another. At the root of its financial problems is the Common Agricultural Policy. Historian **Dr. Roy Douglas** perceives similarities between this policy and the old Corn Laws.

**ALL THIS — AND MORE —
IN THE NEXT ISSUE OF —**

LAND & LIBERTY

ASKED what he thought of Henry George's *Progress and Poverty*, an acquaintance who had been persuaded to study it, answered: "Not bad, but doesn't George split his infinitives."! While this may be the supreme example of irrelevant criticism of George's classic, there has been much, if not of this nature, equally irrelevant, and Dr. Andelson's collection of essays¹ appraising the strictures on *Progress and Poverty* by nineteenth and twentieth century critics, rightly excludes it.

Among the critics of Henry George, as may be expected, were those who relied upon abuse rather than considered argument. These also have been excluded. But Dr. Andelson was nonetheless faced with a difficult task in his selection of George's critics for examination. In his introduction he writes:

"... I am convinced that the highest tribute we can pay his (George's) memory and the one he himself would cherish most, is to present as fairly as possible the arguments of his most significant critics, and to weigh them in the scales both of abstract reason and of empirical evidence."

ALTHOUGH there have been many criticisms of the stand that George took in his advocacy of equal rights to land, such criticisms take second place to those dealing with Henry George's economic theories.

The view that *Progress and Poverty* is an unblemished work, where everything stated is in accordance with the facts and every economic argument unassailable, is not one that advances George's cause and, to be fair, is not one held by those foremost in its advocacy today. Thus a number of the criticisms of *Progress and Poverty* must be and are accepted as valid in these essays.

In advancing his own explanation as to the persistence of poverty amid advancing wealth, George felt compelled to clear the ground by examining the answers given by the current political economy. This led him to an examination of the wages-fund theory, and the Malthusian theory, and to develop his own theory of wages and interest. It also led him into error — fundamentally of no great consequence to his main thesis, but sufficient to leave him open to attack which tended to develop into wider criticism of his basic theory.

'Purified' capitalism and the critics of Henry George

Henry George's theory of interest is untenable but it makes no difference to his main economic analysis – indeed George, at the end of his chapter on interest, wrote: "I have endeavoured at this length to trace out and illustrate the law of interest more in deference to the existing terminology and modes of thought than from the real necessities of our enquiry..."²

Nonetheless, his interest theory remained part of his laws of distribution and open to legitimate attack on theoretical grounds. (George regarded the payment of interest as justified and did not advocate any interference with its determination in the market place and proposed that, like wages, it should be untaxed at the expense of rent.)

IT MIGHT be objected that it is a little late in the day to deal with these early critics, and that anyway many of the arguments under discussion have little relevance to today's economic problems.

That would be a mistaken view; George lost his first battle with the economists not through unsound theories but because he antagonised them and because, as Andelson says in his introduction: "It was his (George's) misfortune to have launched his theory just as economics was becoming a specialised profession, as signaled by the founding of the American Economic Association in 1885 by scholars, many of whom had done postgraduate study in Germany. Henceforth, at least in the United States, he who presumed to write on economics without having first armed himself with advanced degrees in the field, would run the risk of being disparaged as an amateur in academic circles."

A leading journalist on a famous London paper, when approached by



By Vic
Blundell

your reviewer to examine Henry George's practical proposals, admitted that he had not read *Progress and Poverty*. He had, however, read Mallock on George and that was sufficient for him. Mallock had disposed of George's theories to his satisfaction.

The battle has to be fought again and Dr. Andelson has enlisted the aid of contributors well equipped with the necessary academic qualifications to discourage prejudicial charges of amateurism.

Whatever the obstacles, real or imaginary, to Henry George's proposals thrown up since George's day, the problem and George's basic answer to it remains the same. If consideration of George's main thesis is to be encouraged among land economists today, then something more than a reiteration of George's ideas is required. Many of today's standard objections to George had their origin in the early critics and a good demolition job is required to redress the balance of opinion. The *Critics* does the job effectively.

With fifteen contributors and twenty-four critics dealt with, it would be surprising if one or two authors did not leave themselves open to comment on some of the matters discussed. How important these are must be left to readers. But your reviewer could not resist the challenge of questioning certain views in conflict with his own, although none is of significance when considering George's main stream of thought.

Charles F. Collier (Ph.D., Duke University) reviews Reuben C. Ruther-

ford's book *Henry George versus Henry George* (1887), a 326-page critique of *Progress and Poverty*. Collier at times baffles your reviewer with some of his statements.

Rutherford defends the wages-fund and Malthusian theories attacked by George and Collier reveals the flaws in Rutherford's arguments. But, in taking Rutherford to task, Collier concedes too much to Rutherford, supporting him in the contention that George's definition of capital supports the wages-fund theory.

The definition "wealth in the course of exchange" is, on its own, perhaps not clear enough or broad enough to encompass George's concept behind it, but George makes clear in his exposition just what he means by these words.

Collier says "Rutherford was able to show that such a definition was not really very different from the wages-fund theorists' definition to which George objected elsewhere. After all, if labourers were engaged in a lengthy project, they would have to live on goods equivalent in amount to their productivity, as discussed above. Such goods, according to George's own definition, would be 'wealth'. But since these goods were not produced directly by the labourers involved, they could be obtained only by exchange. That, then, would make the goods on which the labourers lived 'wealth in the course of exchange' – or capital, as a wages-fund theorist would argue."

But Collier's use of "exchange" above does not carry the meaning that George was using in his definition of capital.³

Collier then proceeds to outdo Rutherford in his criticism of George. When in *Progress and Poverty* George explains how increases in population force down the margin of cultivation (he doesn't "concede" it, as Collier says) and how the division of labour increases production, sustaining a bigger population, Collier says: "George is arguing that labour is subject to unlimited increasing returns... his argument is thoroughly invalid since the laws that factors of production are subject to decreasing returns, at least after some point, are amongst the most frequently verified laws of all economics."

George is arguing nothing of the kind and indeed later, in *Science of Political Economy*,⁴ he expounds these "most verified laws of economics," and in no way contradicts

what he wrote earlier or feels the need to modify it.

Collier in a later contribution,⁵ repeats this charge and says that George "categorically rejected" the law of diminishing returns and did not accept it until he wrote his *Science of Political Economy*.

It is a little hard on George that because he did not specifically mention the law of diminishing returns in *Progress and Poverty*, he should be accused of denying its existence or categorically rejecting it.

Even so, although one can, without difficulty, cite instances of this law of diminishing returns to labour operating in micro-economic situations, there is little evidence of it in macro-economics so far.

One might expect to have reached the point of diminishing returns of labour in Hong Kong with its high population and its limited natural resources, but a hundred years after *Progress and Poverty* was written Hong Kong is still exhibiting the predicted effects of the division of labour – high productivity and high land values. It has some way to go yet and even Hong Kong could be considered a micro-economic example when one looks at the vast world around it.

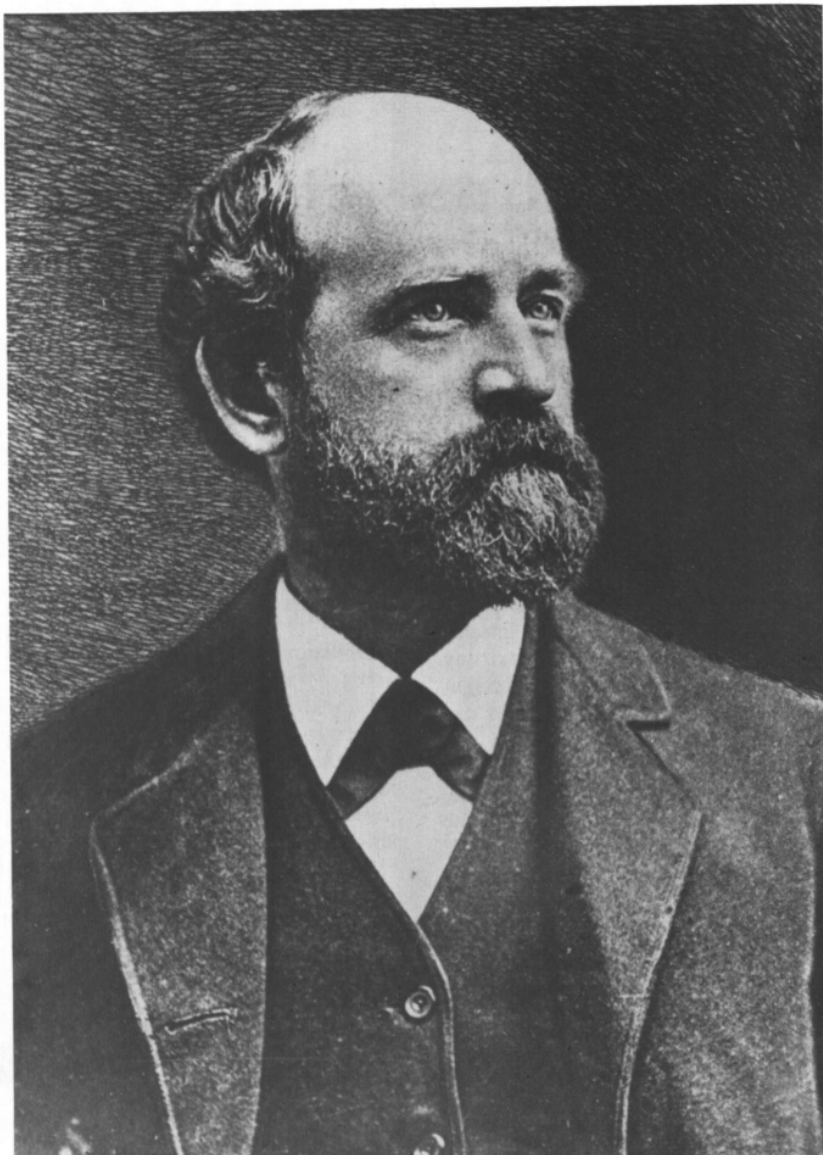
Collier says later, regarding land speculation, despite ample evidence to the contrary, "...there is simply no reason why land speculators will hold their land idle."

Another inexplicable statement that Collier makes, having taken over the role of a critic of Henry George himself, is contained in the following passage: "And since George believed that rent increases would be continuous, the pressure of population against the margin must be continuous." Not at all. George wrote:

"But while the increase of population thus increases rent by lowering the margin of cultivation, it is a mistake to look upon this as the only mode by which rent advances while population grows. Increasing population increases rent, without reducing the margin of cultivation..."⁶

And George adds that this mode of increasing rent is the most important and is one to which little attention has been given by political economists!

But Collier is not finished with his criticism of George. "Rutherford spent most of his time trying to show that the Malthusian Theory was correct and that George's objections were invalid. He overlooked, however,



● Henry George

the main flaw in George's arguments – the fact that the only valid point that George raises in his discussion of the dynamics of income distribution theory implicitly assumes a Malthusian population theory."

And later: "Thus the only argument presented by George that is correct (in relation to population, rent and the margin) is the one that presupposes a Malthusian population theory."

But the Malthusian theory is not just one of population; it posits that population naturally tends to increase *faster than subsistence*, and George took great pains to show that pressure by population on the margin of cultivation could not be taken in isolation as evidence that population tended to outrun subsistence (ignoring the division of labour and improvements in the arts of production).

FRANCIS D. Longe and Francis Wrightson, two Britishers, presented Fred Harrison with a difficult task as these critics advanced most plausible arguments against George's theories – arguments still heard today in one form or another. These include Longe's support of various aspects of the wages-fund theory (despite his stated objections to it) and particularly that which concludes that labour is dependent upon capital for employment and for wages. Longe also rejected the marginal productivity theory of wages.

Longe, explains Harrison, frequently avoided logical conclusions by introducing special pleading to justify the status quo, and in his faulty logic he "time and again sets up an objection and then destroys it himself."

Francis Wrightson's criticisms are in the same class. "I do not believe in the existence of any *law* with regard to rent," he declared, and went on to argue that because Ricardo confined his theory of rent to agricultural land (not strictly true) that George was wrong in extending it to urban lands and in introducing the element of location. As for rents of urban land, they were compensation for loss of agricultural use!

Harrison deals with these and other erroneous ideas and illustrates the point that the sillier the objection, the more troublesome it is to answer!

There is a most important section of this review that deals with the national income and its distribution amongst rent, wages and "profits" and the seductive but fallacious arguments of Wrightson (and Mallock) are admirably dealt with.

This is a valuable contribution to the necessary refutation of ideas still current today.

Dr. Roy Douglas's essay on Mallock reinforces Harrison's conclusions, and in another contribution he deals kindly but effectively with the criticisms of Laveleye — "the critic ripe for conversion."

Dr. Douglas's best contribution, however, is on Thomas Henry Huxley (1825-1895), and here Huxley's economic, biological and philosophical objections are examined.

Huxley not only denies the existence of natural rights, he denies the possibility of determining what constitutes the natural reward of labour and argues that a man's qualities are very largely the product not of his own efforts but of the efforts of others.

Dr. Douglas deals with natural rights, the survival of the fittest argument, the rights of property, and the rights of the individual, on all of which Huxley was at odds with George.

Answering Huxley's assertion that a man owes his abilities to others and therefore has no exclusive right to his own personal production — a still widely held view — Dr. Douglas writes: "Every man, it is true, has derived benefits, and even his personal qualities from others: but it is also true that each man has given benefits to others and contributed to their qualities." He adds that because it is impossible to draw up a satisfactory balance sheet, the most simple and practical device is to presume that everyone is entitled to those things which he has made.

MORE THAN one critic tackled by the contributors raises the issue of the proportions of wealth that go to landowners, capitalists and labourers as rent, interest and wages, and how these proportions are affected by increases in population and by improvements in productive power, inventions, etc.

Much confusion arises because the participants in the arguments are not always talking about the same thing. When, added to this, the statistics produced against George are unreliable, ill defined and frequently based upon assumptions, it is not surprising that the outcome of the debate is not always clear.

The *total* amounts taken in rent, wages and interest and the relationship these amounts have to each other as proportions of the whole, and whether one group increases or falls as a proportion to the other, is irrelevant in the discussion of who benefits at the expense of whom.

Totals in this context have no more relevance than averages. What *is* of importance is the *rate* of wages, the *rate* of interest and what is left as rent for land after paying these rates to labourers and capitalists engaged in production.

George showed that as societies progressed there was a *tendency* for the rate of return to labour and capital to a minimum because rent tended to rise to absorb increased productive power; not uniformly, but in accordance with the law of rent, being greater at the centres of industry, commerce and trade and relatively lower elsewhere.

Whatever the arguments as to what constitutes a minimum at any time or place (and this will be affected by a variety of factors not excluding competition among landowners for labour

or the lack of it), the determination of what goes as rent on any particular plot of land and what goes as payment to *individual* labourers (be they highly skilled or not) is governed at the margin. Rent as a proportion of total produce has relevance only as a measure of the loss to society as a whole.

If George overstated his case, if he was unduly optimistic as to the effects of his "sovereign remedy," it is of little consequence. It is not uncommon for sound basic arguments to become clouded because of attempts to extend them beyond the strictly verifiable field. It cannot change the main thesis and it is this that matters in the long run.

IS THE *Critics* the last word on George versus his opponents? Perhaps not. There is much left to argue about but not much of significance.

It has not been possible to comment on all the contributions for reasons of space, but they cover a wide field and the book as a whole is the most comprehensive ever to be published on the ideas contained in George's classic *Progress and Poverty*.

Robert Andelson, who is to be complimented on a well-produced and well edited work, has the last word in his final chapter *Neo-Georgism*.

"Only capitalism can provide the incentives imperative to keep production capable of satisfying needs. But only a *purified* capitalism in which the distribution of the product reflects unmonopolized natural opportunity, can commend itself to the disaffected millions upon whose allegiance the course of history could very well depend. Perhaps, as the lessons of experience become too obvious to ignore, these disaffected ones will apprehend that indiscriminate dispossession of the property is no real solution to social problems. Then the long-neglected doctrine of Henry George, pruned of questionable but inessential details and supplemented by fresh understandings and techniques, may come into its own."

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1. *Critics of Henry George*, Editor: Robert V. Andelson. 400 pp. Hard back £9.00. Associated University Presses Inc. UK.
2. *Progress and Poverty* p.203 Anniversary Ed. 1979. Robert Schalkenbach Foundation, New York.
3. *Ibid*, p.48.
4. *Science of Political Economy*, p.368-369. Robert Schalkenbach Edn.
5. *Critics of Henry George*, p.266.
6. *Progress and Poverty*, p.234.

RATES REVIEW

BBRITAIN'S Dept. of Environment is reviewing the rates system, which raises £2.7bn. annually. Mrs Thatcher's government wishes to abolish this local property tax. Conservative thinking favours local income and sales taxes, writes Colin Green. Evidence in support of a restructured rates system — placing the whole burden on annual land values — has been submitted to the DoE by Mr V. H. Blundell, Secretary of the United Committee for the Taxation of Land Values.

Lifting the tax off land values would merely increase the income of landowners. Lifting the tax off buildings, however, would stimulate fresh capital formation and encourage economic growth.