A Challenge to Libertarians

by Robert Clancy

Robert Clancy has been director of the Henry George School of Social Science since 1948. He began study with its founder, Oscar H. Geiger, in 1932. He was associate editor of the magazine *Land and Freedom* from 1940-1942. A self-designated "amateur artist," Clancy published in 1954 a set of illustrations for the classic *Progress and Poverty* by Henry George.

His "Challenge to Libertarians" is in response to "A Challenge to the Georgists" offered by Robert LeFevre in the summer, 1965 issue of the RAMPART JOURNAL.

Robert LeFevre's article, "A Challenge to the Georgists," while very critical, has some features that appeal to Georgists: first, he did pay considerable attention to us, and we prefer that to being ignored; second, he took the trouble to examine the subject, which means a great deal to us who are so accustomed to uninformed criticism; and third, he did credit us with espousing the libertarian philosophy of a free society.

However, though he counts us among the libertarians, Mr. LeFevre's first criticism is that we are inconsistent; that we believe in freedom "except" with respect to land and its rent. We do not see our philosophy as an exception to the rules of freedom, but rather as the only way freedom can be consistently maintained. We do not say "freedom is good, *but*"; we say 'freedom is good, *therefore*." So we are not "exceptionists."

Mr. LeFevre sees the Georgist theory as a logical extension of the Marxian theory, and quotes one of the points in the *Communist Manifesto*: "Abolition of property in land and application of all rents of land to public purpose."

In spite of the seeming resemblance, Henry George did not "logically extend" Karl Marx, and he knew little or nothing of Marx's work when he wrote *Progress and Poverty*. As for Marx, when he heard of George's idea, he sharply rejected it, and said that the rent proposal of the Manifesto was simply "among other transitional measures, all of which, as stated in the Manifesto, are, and of necessity must be, full of contradiction." Marx went on to denounce George's single tax as an attempt *"to rescue the rule of capitalism;* in fact, *to rear it anew upon a firmer basis than its present one."* (If we are looking for resemblances, we might note in passing that Marx shared the stubbornness of those conservatives who refuse to separate land from the category of wealth and capital.)

George is rather a logical extension of the classical economists—the Physiocrats, Smith, Ricardo, Mill, etc.—who advocated free trade and a free market economy, and who also understood the special nature of land and its rent. They pointed out that the interests of the landowner are opposed to the interests of the productive members of society; they recognized that land rent is an unearned income; and they showed that the taxation of rent does not interfere with production.

George carried the work of the classical economists to its logical conclusion. Economists thereafter rejected this culmination and perhaps we have their defection to thank for the present chaotic state of economic thought.

George put his proposal into this form: "Abolish all taxation save that upon land values." This became known as the "single tax." It is baffling to see Mr. LeFevre say that under the single tax, "the land remains in the ownership of the state" in the same sentence (p. 28) in which he refers, in a footnote, to a passage from *Progress and Poverty* where George says: "I do not propose either to purchase or to confiscate private property in land . . . The form, the ownership of land would remain just as now. No owner of land need be dispossessed, and no restriction need be placed upon the amount of land anyone could hold."

Nor did George propose that the state dictate the use of land, which would be left to private enterprise. And the state would not arbitrarily decide what the value of land is, as Mr. LeFevre thinks. The purpose of the assessor would be the same as now—to *find* the value of land, not to *fix* it.

Mr. LeFevre speaks of a "dichotomy" in the single tax, as follows: If the individual can use his land any way he wants, then one thing he can do is sublease, thus leading to "land speculation" all over again. If he is not allowed to sublease, then all business relating to subleasing would disappear, and the state would have to conduct that kind of activity itself.

The above "dichotomy" is based on a misunderstanding, surprising in view of the study Mr. LeFevre has made. The "state" (actually the unit of government that is doing the taxing—in most cases, the municipality) is, under the single tax, concerned mainly with collecting the full rent of land. The government would not even insist that the land be fully utilized. The single tax is a self-regulating device. It is simply presumed that when a person pays the full economic value of anything, he will want to get his money's worth. Whatever he does with his land, he has satisfied the rights of the community when he pays his tax on land values. As for subleasing, if he does pay the full rent to the community, he is not going to profit from subleasing, as there is no further increment from the land that can be privately collected. If he is subleasing land at a profit, that is an indication that the full rent is not being publicly collected, and the remedy is quite simply to raise the assessment to meet the economic value.

As for those businesses which depend upon subleasing, Mr. LeFevre is here confusing precisely the two things that the single tax separates — the land, and the improvements on land. Apartment houses, hotels, and motels are improvements, and they can certainly be built and leased by private enterprise with our blessings. The returns for capital investment (economic interest, not rent) and for services (wages) will go as they should, to the persons making available the capital and services—completely untaxed. That part which represents the rent of land is to be turned over in taxes to the community.

We fully recognize the role of speculation in commodities in maintaining the equilibrium of the market. But when Mr. LeFevre tries to say that speculation in land has the same effect, he comes up with some odd results. He concedes some validity to the Georgist argument that land is fixed in supply, but notes exceptions in the case of reclaimed land. Such reclaimed land belongs in the category of wealth in our lexicon. Mr. LeFevre drops the matter there when the problem has been scarcely touched. The main activity of land speculation is in areas where the land *is* fixed and the population is increasing. Land is demanded in a particular area, and the holder of such land has a unique monopoly. Even if somebody produced a floating island somewhere else, it would not answer the purpose. The key to the problem is *location*, and increased rent is due to favorable location, with rents diminishing proportionately with distance from that location. This is important to bear in mind—that it is not so much a matter of land *area* (of which there is plenty in Alaska and the Rockies), but of desirable location and land *value*.

The speculator does not "restore balance." If he prevents land prices from falling to zero, what kind of service is that? When land goes up in value, he simply demands all he can get—usually more, holding land out until he can get his price. A potential land user might otherwise be able to acquire land more cheaply. What kind of service, or balance, is that? A bandit might in the same way establish a toll gate on a highway, and the same arguments about services, balances, and rewards for foresight, could be used.

Mr. LeFevre also dismisses too lightly the argument that population growth enhances land values, with the observation that, in that case, China and India would have the highest land values—and he leaves it at that. As a matter of fact, crowded Hong Kong has land values that are among the highest in the world. Land values depend upon both the presence and activities of population, and a more productive population will give rise to higher land values. Mr. LeFevre has only to check any community around him, and note parallel trends of population and land values.

In endeavoring to show that land value is not socially created, Mr. LeFevre states that value is subjective and arbitrary. Insofar as "value" can have any meaning in economics, it is as exchange value; hence economic value has an objective existence in the market place. Where there is an exchange of labor-product for labor-product, there is a quid pro quo exchange. The value of land, however, depends solely on the number of people bidding for exclusive possession of a piece of land, and is thus certainly a social value.

Mr. LeFevre predicts some dire consequences if land value taxation is adopted – the discouragement of improvement and beautification, the building of flimsy structures, etc. If it cannot be seen, a priori, that taxation of land values and untaxing of improvements encourages a better use of land, there is no need to guess or worry. There are examples of communities which tax land values only and not improvements (in Australia, New Zealand, parts of the U.S., and Canada, etc.), and in all cases, improvements have been encouraged. Though we do not advocate it, there are even examples of cities on government-owned land leased to private parties with-out the dire consequences imagined by Mr. LeFevre. Canberra, the beautiful capital city of Australia, is one example. Another is Hong Kong, which has been hailed as a model of free enterprise in more than one libertarian magazine.

Mr. LeFevre also imagines that if the state would only shake off what recognition there already is of the common right to land (through eminent domain and partial taxation of land values), then all would be well – "land would be safe, owners of land would be safe, and maximum best usage of land would be encouraged." Here, too, if the a priori argument will not serve, we can find examples of Mr. LeFevre's ideal. Most Latin American countries still abide by the Roman concept of absolute private property in land. The landowner is lord and master and stands above the government. Land values are not taxed. The result is a small, wealthy, dictatorial oligarchy, with the rest of the people very poor, a backward feudal-type economy with badly utilized land, and general economic distress. There are isolated bright spots, such as Costa Rica, where land values are taxed. The North American system derives from the Anglo-Saxon concept of common rights to land, with the private holding of land conditional upon the rights of the people as a whole –with eminently better results.

As for the monopoly attendant upon owning a painting by an old master such as Rubens, I happen to own a painting, not by Rubens himself, but probably from his workshop. I even hope it goes up in value, and Mr. LeFevre will be pleased to know that I feel no guilt about this. The painting is a result of labor, and its connection with its producer can be traced through a succession of sales, and perhaps gifts. The ownership of land cannot be traced to a producer. Further, as Winston Churchill noted of this analogy with land rent, "Pictures do not get in anybody's way. They do not lay a toll on anybody's labor; they do not touch enterprise and production at any point."

Now we come to the crux of the matter: Mr. LeFevre recognizes that to demolish the George theory, he must refute the "labor theory of ownership" – that is, the idea that what a person produces rightfully belongs to him.

Against this, Mr. LeFevre presents another basis: The first comer stakes a claim to land, lays out markers, and announces his claim. Apparently, his precision in marking "his" boundaries, and the loudness of his voice, enhance the validity of his claim. The justification?

"History and experience" indicate that this is a valid process. Mr. LeFevre, who has been arguing so strongly for principles, begins to sound like Hobbes' lawyers "who appeal from custom to reason, and from reason to custom, as it serves their turn."

What about the reduction of slaves to ownership? Mr. LeFevre says (p. 52): "To seek to own another human being is to seek to superimpose a claim over *the primary claim each individual has over himself*" (italics mine). He here gives away the case. It is on this principle that a man belongs to himself that the produce of his labor belongs to him—the same principle of John Locke's that Mr. LeFevre had set out to refute! What is the essence of slavery but taking away the produce of the slave?

Yes, Henry George intended his proposal as a remedy for the inequitable distribution of wealth. But this does not mean that land is wealth. The meaning of equitable distribution is that each one gets a return proportional to his contribution of labor and capital. Land rent, being an unearned income, is not proportional to individual effort, and is to be taken by the community for communal purposes. It does not mean that wealth will be distributed by equal shares. It does not even mean that land will be distributed equally. Different people and enterprises require different areas and kinds of land—and they are to have what land they want—provided they pay the rent for it.

What we visualize, thus, is a conditional private ownership of land—that is, conditional upon the payment of rent to the community. Men are to be free in the production and exchange of wealth.

Rent is thus conceived as public revenue, and the concept involves no extension of governmental power or ownership; indeed, government is to be curtailed as, under the full single tax concept, there are to be no other taxes (which Mr. LeFevre does note approvingly). The unlimited power to tax is certainly the fodder that enables big government to grow bigger.

The occasion, the demand, for the big welfare state came during the Great Depression. When Mr. LeFevre praises today's system (p. 58), he should not forget that we are living in an economy largely managed and controlled by government: Workers have unemployment insurance, old age pensions, minimum wage guarantees. Many industries and whole communities look to government contracts as the key source of their prosperity. Keynesian controls, a sharp eye on the stock market, and a paternal checking of big business are all part of the set-up. Some libertarians chafe at this. Many others have adjusted nicely to it, but still feel obliged to make speeches against it at luncheons. Most of the people want it, and wouldn't go back to the old way.

We Georgists are not at all satisfied with the present system, recognizing it as a series of measures that encroach upon individual liberty, and palliatives that treat the symptoms, instead of getting at causes. But we also realize that it all grew up as an ignorant response to economic distress. We want liberty and we also want to solve the economic problem. Libertarians want liberty, but their solution to the problem of poverty is usually to deny the problem. This is not going to advance the cause of liberty.

Colombia had a dictator a few years ago who was deposed, but is now gaining in popularity and may be recalled to power. When a man in the streets was asked why, he replied: "Under Rojas we couldn't speak, but our bellies were full. Now we can speak, but our bellies are empty."

Unless this dilemma can be solved, the future of liberty is not bright. The Georgist philosophy holds the key to the solution of the economic problem in a way that is consistent with the philosophy of freedom. This is our challenge to libertarians.