

Pensioners of Old Foes

By MARSHALL CRANE

CAN two wrongs make a right? An old proverb says not, but another, just as old and popular, says that we must fight fire with fire. And Steven Cord, in a very interesting article in the October Henry George News, suggests that two or more economic wrongs may, in some measure, nullify each other's evil effects. This, as Mr. Cord notes, is not new.

The author bases his argument on the great change in our economy in the past three quarters of a century. Because of this, in his opinion, *Progress and Poverty* is just a little bit dated. And he believes that this change explains, and perhaps even justifies, the current practice of pitting one evil against another.

He points out that our great public enemies are all monopolies, essentially, and opens up the rogues' gallery for our inspection. One very tough character—the protective tariff—is missing, but most of the others seem to be present: capital monopoly, government controls, the taxation of real estate, general taxation, and the labor monopoly.

The author believes, as I do, that all of these deserve attention. He also remarks very shrewdly that all of them diminish in some way the amount of economic rent in private pockets. But he makes the rather surprising suggestion that these economic malefactors were unimportant or non-existent when Henry George wrote, and that for that reason they do not appear prominently in his works.

If true, this is certainly something to think about. But is it true? Let us see.

First of all, I think that the author's statement that capital monopolies have increased in relative importance since George's time is at least questionable. Mr. Cord's father and grandfather could tell him (as I can) that even fifty years ago, while invested capital was only a fraction of what it is today, it was controlled, relatively speaking, by decidedly fewer people. The days of the "robber barons" of American industry were the heyday of capital monopoly. Since then we have passed the Sherman Act, and with all its faults, our anti-trust legislation is anything but a joke to the industrial pirate. And evasive "gentlemen's agreements" of which the author speaks, become less effective as the number of competing gentlemen increases. (Let us hope this is not because gentlemen have become less gentlemanly!)

Mr. Cord remarks that part at least of the capital monopolist's income "is still a deduction from land-rent." This is true. But very probably an even greater part of his income is land-rent. In any case, this type of monopoly has certainly not changed in nature since Henry George's day.

Government controls, the next in line, also reduce the private appropriation of rent, as does everything that reduces prosperity. But it is to be hoped that the author is correct in his belief that controls of (contract) rent, wages and prices, having proved their ineffectiveness, are fading from the economic picture.

Real estate taxes naturally are partly economic rent. But even where we have differential taxation the fraction of rent collected this way is a very small one. A glance at the records will convince anyone that the proportion of tax funds from this source was much greater in Henry George's time than now.

Taxation generally, particularly of corporate

and personal income, is levied on rent, wages and interest. It is as blind as justice, but by no means as beneficial. And in thinking of its effect on rent the author overlooks that when land is used most wisely and efficiently the rent element in this sort of taxation is smallest. Wages and interest are the suckers who have to pick up the check. In every one of Henry George's books this is one of the most telling arguments, written for our times as well as for his own.

There is no doubt that the labor monopoly, enjoying legal protection, is much more of a factor now than in 1879. Nevertheless, George gave very serious thought to it, and showed its relation to the economy in general. Mr. Cord quotes *Progress and Poverty*, to the effect that unions can advance wages, and at the expense of rent, not of capital. It is unfortunate that he could not present the quotation in context. It is from Henry George's remarks on unions, in the chapter entitled "Insufficiency of Proposed Remedies."

The Passive Encouragement

He does not neglect to speak of the evil effects of labor monopoly—of wasteful disruption of production, of tyrannical and corrupt practices, and of its role in the decline of small business. But he follows his remarks on these with the statement that our attitude towards unions should be one of passive encouragement! "Encouragement, because they are collecting the land rent for labor; passive, because they are doing it the wrong way." Even Mr. Cord's remarks are anything but passive or encouraging.

Returning to the proposition that there is an essential difference between the economy of 1879 and that of today, can we truly say that Henry George was a stranger to any of these monopolies? He wrote of all of them many times. He understood their nature and origin, and told in detail their effect on our life. To him the essential evil in any monopoly was the fact that it must involve a limitation of human liberty. And he demonstrated that the key to all monopoly was the private appropriation of rent. He showed that its public collection would deal a death blow to economic monopoly of all kinds and to the tyranny of man over man inherent in it.

The altered face of our economy is due to changes in degree, not in the nature of any factor. The basic injustice and the remedy for it are no different now from the day George came to New York seeking a publisher for his book.

Since then the population of this country has more than tripled. It goes without saying that the application of the remedy is a much bigger job than it was. But it is the same job, and there is no reason to suppose that it would be more complex or difficult than the quack specifics we administer in its stead.

In the struggle for freedom the land monopoly has always been the champion behind which the others have fought. Its strength has been their strength. When and where it has been least effective they have been weakest. This is not theory, of 1879 or of 1953. It is plain, historical fact.

And to encourage, to tolerate, to compromise with these tributary foes merely because they are pensioners of the greater one is as wicked as it is stupid. It is purely and simply to turn our backs upon the cause of liberty and justice.