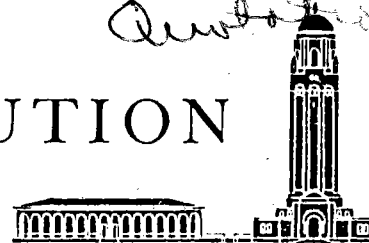


# HOOVER INSTITUTION

ON WAR, REVOLUTION AND PEACE

Stanford, California 94305



February 20, 1979

Mr. William W. Newcomb, President  
Media Foundation for Land Economics, Inc.  
532 Wickham Road  
Melbourne, Florida 32901

Dear Mr. Newcomb:

Thank you for your letter of January 20, 1979. The reason why I have not allied myself with the "Georgist" movement is very simple. While I share some of its views, I do not share its basic view. The basic fundamental view of the Georgist movement as I understand it is not only that insofar as there be property taxes they be levied on land rather than improvements, it is not only that property taxes at some levels may be preferable to other kinds of taxes, but rather that property taxes should absorb essentially the whole of the rent of land, leaving the market value of the land itself essentially zero, and that the revenue from that source should be the sole source for governmental expenditures.

I do not share those two views. I believe that it makes far too strict a differentiation between land and other sources of productive services. In Ricardo's words, the original and indestructible qualities of the land do not by any means account for all of the current rent from land; land can be produced, its qualities can be improved, all through investment for which there is no incentive if the whole of the yield from improving the productivity of land or from producing the land were to go to the government. On the other side of the issue, there are many other resources, of which human labor is one of the most important, which are, to put it in technical economic jargon, in inelastic supply so that a tax on the return from such services is unlikely to affect the amount of such services made available for market use. The most obvious examples are such items as the skill of a Muhammad Ali or of a Frank Sinatra. These are natural resources, too, and they are limited in supply and derive their value from their scarcity. But here, too, I believe that incentive effects would complicate any attempt to have anything approaching a 100 percent tax on the site value of such skills, to use George's terms.

I realize that in almost all other respects the views of the Georgists and of my own are very much the same. I am more than glad to join with them in common objectives, but I could not ally myself with the Georgist movement in any sense

Mr. William W. Newcomb

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which suggested that I agreed with its fundamental underlying premises.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Milton Friedman".

Milton Friedman

P.S. To illustrate my problem, I do not agree in full with any of the quotations on the final page of the set of quotes you sent me, the page headed "And the Old Reasons Are Truer Than Ever." There is an element of truth in each of the statements but all of them are half-truths which taken literally cannot fundamentally be accepted.

F:v