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VITUPERATION WELL ANSWERED

"THE FREEMAN" of New York is responsible for publishing an astonishing production by Mr. Spencer Heath entitled "Progress and Poverty Reviewed and its Fallacies Exposed." The essay is dedicated to "the Light that gives Understanding; the Knowledge that is Power" and is embellished with a foreword by John Chamberlain extolling the virtues of the private ownership of land. It is to be regretted that "THE FREEMAN" has not seen its way to publish this brilliant refutation by our contributor, Mr. Mason Gaffney, of Berkeley, California. As we regard the whole discussion as illuminating we gladly afford the space in our columns which it deserves.

Henry George opened his book with a tribute to honest inquiry, and a promise—which he kept—to treat his readers like intelligent adults. He proposed to build his argument from bedrock, requiring no preconceptions or assumptions of the reader. Mr. Heath scoffs at this on the grounds that if a writer knows when he writes his first page what he will say on the last he is not objective, no matter how objectively he reaches and presents his conclusions. To me, George's expository technique is perfectly honourable, a praiseworthy appeal to his readers' higher faculties. Mr. Heath calls it pure sham. Consistently enough, he is himself guilty of no such hypocrisy. No one will shudder through his melodrama and suspect him of objectivity. Landed Property (a Pure Maiden) is menaced by *Progress and Poverty* (a Duplicitous Document) written and brandished by Henry George (a Contemptible Cad). *Progress and Poverty* is a "demoniac chimera," a "pretentious argument," a "fantasy." Its author, for his "main purpose of calumniating," "asks that we disregard" and "abandon reality," while he "waives aside," "blithely glides over," "drapes in obscurity," "foists," "blandly disposes," "ignores," and, in his spare time, "heaps calumny." His "much misguided" followers are only "professed adherents," suffering from "burning bigotry" and a "passionate urge." The law he cites is only "so-called," it is "barren," "a mere ... truism," a "palpable irrelevancy," and by his hand "tortured" to serve his evil ends. He gets credit for flashes of low cunning, being at times "ingenious," "masterly and magnificent," displaying "engaging rhetorical skill"; but, basically stupid, he "lacked the vision to see," obvious things "do not occur to him," he is "naive" and "thoroughly confused." Psychologically he's a mess, as he "does not conceive," he does not even "dream of" the subtle matters perceived by Mr. Heath, and he suffers "self-delusion," "fanatical zeal," and an "emotional reaction." He cares nothing for public weal, for "our

vaunted investigator" is only a "special pleader." "His fair 'Philosophy of Freedom' was dishonoured and debased in his false and irrelevant plea to destroy . . ." the Pure Maiden.

But Mr. Heath's disdain for objectivity manifests itself in more than his choice of words. Besides picking the dregs of the dictionary for the ammunition, he builds a straw man to throw them at. One wonders why Spencer Heath, LL.B., LL.M., soils his hands for such a bungler as the Henry George he depicts. Having read *Progress and Poverty*, I think I know: It actually is a pretty good book, any resemblance between which and Mr. Heath's travesty is pure chance.

George, for example, said: "to shift the burden of taxation from production and exchange . . . would . . . give new stimulus to the production of wealth," and "the more that labour and capital produce, the greater grows . . . the value or rent of land (Book 9, Chap. 1). According to Mr. Heath: "In all his confusion . . . our special pleader blithely glides over the conspicuous circumstance that in almost every community taxation, by its direct and its indirect effects that hinder production and exchange, destroys the effective demand for land . . ." How loud must a man shout to be heard by Spencer Heath? George elaborates his views on taxes in Book 6, Chap. 1; Book 8, Chap. 3; and Book 9, Chap. 1, where fair-minded readers may judge him for themselves. Whoever wishes to compare Mr. Heath's version with Henry George's version of George may detail other discrepancies at length, and in so doing will find *Progress and Poverty* a treasure-house of social wisdom.

Here in brief is George's thesis. Controls, restrictions, and taxes on production keep resources from full use. Land speculation does the same. He proposed to clear away both at one stroke by shifting taxes off production on to land. He followed through

all the way his programme to untax production, as others fear to, because he dared advocate taxing another source of income, land rent, that taxes will not destroy. It is a simple and brilliant programme which has failed of enactment only because it offends a powerful vested interest, whose beneficiaries are more concerned over their privileges than over free institutions. Only misrepresentation can discredit it.

But it were unjust to dismiss Mr. Heath as a mere mud-slinger. Mixed with his invective are a few ideas, some good, some bad, and some bearing on his subject. He buries them among pompous and scurrilous digressions, but let me clean them off, translate them into civil English, and put them to the test of reason.

He presents a new excuse for private rent collection. In ten years of hearing George refuted, I have never before encountered this one, so credit Mr. Heath with an original. Land owners receive rent "for distributing the use of it (land)" (p. 8). Land rent "is the recompense actually received for the services of holding and distributing them (lands) by the social process, as against the coercive or political" (p. 8-9). Original, yes. True? No. No service is rendered by "holding" something that would exist whether one held it or not. And when owners hire a broker to help them "distribute" land, they give him about 5 per cent commission for doing most of the work.

Must land be untaxed for owners to "distribute" it properly? Land owners "distribute" land to its best use to get the most net rent from it. A tax levied regardless of use does not impair this incentive, but rather makes it more compelling. Indeed, by lowering capitalised values of land it lessens the power of those with much capital and optimism, but little management ability, to bid land away from those who can get the most net rent from it.

Mr. Heath objects to George's allusions to "land monopoly," because there are many landowners in the world. But one buys land in just one place at a time. When George wrote, Miller and Lux owned about a million acres in California. In some areas they controlled land prices as firmly as a tyrannical government—which, indeed, they virtually were. Farm land in this country is still concentrated, and growing more so.

In cities, "land monopoly" takes yet another form. City governments all over the country deliberately keep "dead lands" dead, off the market, with the avowed purpose of "protecting" other land prices. Walter Blucher, Executive Director of the American Society of Planning Officials, states the motive and method of land monopoly very clearly. Observing that one-third or so of most cities is vacant, he warns land owners: "land speculatively held for potential use . . . constitutes a threat to the value of other properties within the city . . . It would thus be to the advantage of the remaining two-thirds of the property owners in the community . . . to have the one-third of the area . . . more or less permanently removed from private ownership" (*A Programme for the Use of Tax-abandoned Lands*, Chicago, 1942, American Society of Planning Officials, p. v).

Following this advice, many state and local governments avoid returning tax-reverted lands to use. "Monopoly" is keeping something off the market to

support the price of something else. Here is monopoly with a vengeance, monopoly that keeps one-half to one-third of our urban land from any use at all. Those who fear socialism in America may well ponder the implications of the planning officials' eagerness to help landowners keep some land from private use.

Mr. Heath is displeased, too, with George's analysis of the effect of taxes on income distribution. George analysed this by comparing income distribution, as it would be without taxes, to income distribution as it is with taxes. This seems reasonable to me. What is an "effect" but the difference between conditions before and after the cause? You will find Spencer Heath's ungenerous interpretation of this practice on his pp. 10-11, where he suggests that George connived to obscure the fact that taxes on production hamper production.

George, of course, had no such motive. He favoured taxing land values so that production might be untaxed. He wore himself out trying to convince people that taxing production shackles immense productive powers.

George does differ from Mr. Heath in thinking that increased production, if land is untaxed, will be distributed mainly as increased rent, not increased wages or interest. Mr. Heath's point has some merit. George advanced a version of the "iron law of wages." He visualized an ever-expanding land speculation (rather than over-expanding population, as in Malthus's version) pushing wages down to the margin "at which labour will consent to live and reproduce." Perhaps he overdid it. Increased productivity may raise the marginal productivity of labour and, as Mr. Heath points out, there is some competition among landowners, and some limit to land speculation.

But does it matter? Need we be starving to see room for improvement in economic institutions? Mr. Heath may fairly accuse George of exaggerating the depth to which unlimited land speculation will push labour, though he might have noted that land speculation in America to-day is limited by the small taxes that now fall on land values. But the important point is that those of us who earn our living will be still better off when natural resources are fully used; and that land value taxation will cause them to be used.

Messrs. Chamberlain and Heath make much of the fact that people will not improve land unless they are secure. This is certainly true. They imply George ignored the fact. This is certainly not true. George emphasized that improvers require assurance that the improvements will not be confiscated by tax-collectors. George proposed to protect them. He would untax capital. He advocated this with a positive vigour others fear to emulate, for he dared brave the fury of vested interests and champion taxing the alternative, land itself.

The Freeman condemns itself to a negative, hopeless, rear-guard action if it rejects the man who conceived a way to avoid socialising capital and labour. For when we tax something we socialise it. If we do not thus socialise land, we socialise capital and labour. Which hinders construction: taxing land, or taxing things constructed on land? Which is state slavery: socialising land which no man produced, or socialising the men themselves?

Mr. Heath finds more defects in his version of Henry George, but we can save ourselves further detail by moving to the heart of the matter. Why does he choose to attack Henry George? Why this captious heckling? The answer is stranger than fiction. After twenty pages of unrestrained denunciation, on page twenty-one Mr. Heath reveals that he himself advocates using land rent to defray public expenditure, even as Henry George! He states: "When the now separate site owners of great communities transform their separate ownership into corresponding undivided interests in the whole, in order profitably to supply community services and advantages to the inhabitants of their united properties . . ." and as they "diminish political burdens oppressing the enterprises of capital and labour," they will "thereby create new rents and vast new values." He would "maintain . . . needful community services out of the income and values thus created . . ."

He evidently envisages a sort of corporation of land owners, administering large blocks of land, taking over most of the functions of government, leasing sites to users, and thus financing public works and services.

With this dénouement Mr. Heath's motive becomes clearer. It seems a remarkable exhibition, to damn a man and embrace his principles. I judge Mr. Heath fears identification with one displeasing to the landed interests whose favour he courts. Some, if mistaken for Jews, denounce Jews. Evidently someone has taken Spencer Heath for a Georgeist.

How Georgeist is he? He agrees that production should be untaxed and unhampered, and public services financed from land rent. He differs over the form of government. George puts his hope in popularly elected representatives: Mr. Heath puts his in a landed élite. George would have any excess of land rent over tax needs accrue to society as a whole; Mr. Heath would skim it off for the governors. This is quite a difference. Mr. Heath's America would be a collection of company towns, paternalistically—or tyrannically—administered from the top. He trusts that the leaders, in their wisdom, will tax only themselves and provide ideal conditions for producers. He trusts that these little principalities will never war on each other, exploit their monopoly potential, or obstruct trade.

As between the two plans, I will stick with George's. Ghastly things have been done, it is true, in the name of democracy. But aristocracy and plutocracy have blacker records in history. Spencer Heath's corporate domains are but an Americanisation of the Spanish hacienda, the Roman latifundia, the feudal manor, and the colonial plantation. None of these made a good record for rewarding the useful and punishing the wicked.

Further objections to Mr. Heath's plan for corporate government will pour in upon all who consider its implications. His avowed purpose; to free production and exchange from taxes and controls, is superb. But his method will neither achieve the goal nor tolerate other social ideals, like democracy.

But what of the goal itself? Is it not exciting that two men, pondering social organisation from such different viewpoints, should come so close? Is there

some hope, after all, to resolve the dispute between Left and Right that threatens to split society into warring camps? Are Efficiency and Humanity, often represented as alternatives, actually compatible? George spoke for the dispossessed, and Heath for the landed. But each rose above the eternal squabble over distribution and saw a society free to produce its utmost as the goal of human organisation. And each wrote the same prescription: untax production, capital, and exchange; support government from ground rents. Does this not suggest some intrinsic merit in the idea?

Those liberals interested in welfare rather than power, and those conservatives interested in freedom rather than privilege, will find the policy advanced by Henry George one they can mutually support. The productive, be they called management or labour, can unite behind it in their common cause against parasites and obstructors, be they presumptuous regulators or non-functional land owners. Those who put their trust in private landowners to battle socialism had better look to Italy, Spain, England and France, where the state will confiscate and control everything except land. They should compare them with America, where a portion at least of the general property tax falls on land values, where production has been correspondingly less taxed, where the idea that a man owns himself and the things he produces is correspondingly further advanced. The spectacle of men receiving large incomes for doing nothing discredits large incomes in the public mind, and leads government to tax income from every source. The truth is, socialising land rent does not pave the way for socialising labour and capital, but obviates it. Conversely, when land owners contrive to divert reformers from taxing land values, they only insure a rapid advance of other taxes, controls, paternalism and decadence.

MASON GAFFNEY.